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

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

## **RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021**

The Board of Directors (the “**Board**”) of China Merchants Securities Co., Ltd. (the “**Company**”) hereby announces the audited results of the Company and its subsidiaries (the “**Group**”) for the year ended December 31, 2021. This announcement, containing major parts of the 2021 annual 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 announcement of annual results.

The Group's annual results for the year ended December 31, 2021 have been reviewed by the audit committee under the Board.

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

This results announcement will be published on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website (<http://www.cmschina.com>).

The Company's 2021 annual report will be dispatched to holders of H Shares 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  
March 27, 2022

*As at the date of this announcement, the executive director of the Company is Mr. HUO Da; the non-executive directors of the Company are Mr. LIU Weiwu, 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 annual report is true, accurate and complete and contains no false record, misleading statement or material omission, and assume joint and several liabilities to the information in this report.**

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

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

**IV. HUO Da, officer in charge of the Company, WU Huifeng, officer in charge of accounting matters of the Company, and WANG Jianping, officer in charge of the accounting office of the Company (head of accounting department), hereby warrant that the financial statements contained in this annual report are true, accurate and complete.**

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

The Company will not allocate profit to the statutory reserve for the 2021. Based on the total share capital registered on the equity registration date for equity distribution, a cash dividend of RMB5.40 (tax inclusive) for every 10 shares will be distributed to all shareholders; no bonus shares will be distributed; and no capital reserve will be converted to share capital.

Based on the total number of shares of the Company of 8,696,526,806 shares as of December 31, 2021, the total distributed profit is RMB4,696,124,475.24. If the Company's total share capital changes on the equity registration date for equity distribution, the Company will keep the total distribution unchanged and adjust the distribution per share accordingly.

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

Upon consideration and approval of the 2021 annual profit distribution plan at the 2021 annual general meeting of the Company, the Company is expected to distribute the 2021 annual cash dividend before August 30, 2022. The Company will make separate announcement regarding the record date of such H Share dividend distribution, the period of closure of register of members, the share registration date for A Share dividend distribution and the specific payment date.

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

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

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

No

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

No

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

No

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

**XI. Warning on material risks**

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

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

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

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# Chapter 1: Definitions

## I. Definitions

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

Common terms and expressions	
"Company Law"	the Company Law of the PRC (《中華人民共和國公司法》)
"Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》)
"Articles of Association"	the Articles of Association of China Merchants Securities Co., Ltd. (as amended from time to time)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"SFC"	the Securities and Futures Commission of Hong Kong
"CSRC Shenzhen Office"	the Shenzhen office of the CSRC
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"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 (HKExnews)
"Company", "China Merchants Securities"	China Merchants Securities Co., Ltd., a joint stock company incorporated in August 1993 as a corporate legal person under PRC laws with limited liability, the H Shares and A Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6099) and on the SSE (stock code: 600999), respectively
"Group"	China Merchants Securities Co., Ltd. (招商證券股份有限公司) and its controlled subsidiaries
"Company's website"	<a href="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)
"China Merchants Finance Holdings"	China Merchants Finance Holdings Co., Ltd. (招商局金融集團有限公司)
"CM Finance Investment"	China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司)

## Chapter 1: Definitions

Common terms and expressions	
"Jisheng Investment"	Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司)
"China Ocean Shipping"	China Ocean Shipping Co., Ltd. (中國遠洋運輸有限公司)
"China Merchants Bank"	China Merchants Bank Co., Ltd. (招商銀行股份有限公司)
"CMS International"	China Merchants Securities International Company Limited (招商證券國際有限公司)
"China Merchants Futures"	China Merchants Futures Co., Limited (招商期貨有限公司)
"CMS Zhiyuan"	China Merchants Zhiyuan Capital Investment Co., Ltd. (招商致遠資本投資有限公司)
"CMS Investment"	China Merchants Securities Investment Co., Ltd. (招商證券投資有限公司)
"CMS Asset Management"	China Merchants Securities Asset Management Co., Ltd. (招商證券資產管理有限公司)
"Bosera Funds"	Bosera Asset Management Co., Limited (博時基金管理有限公司)
"China Merchants Fund"	China Merchants Fund Management Co., Ltd. (招商基金管理有限公司)
"ECT"	E-Capital Transfer Co., Ltd. (證通股份有限公司)
"Kaiyuan Securities"	Kaiyuan Securities Co., Ltd. (開源證券股份有限公司)
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"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)
"A Shareholder(s)"	holders of A Shares
"H Shareholder(s)"	holders of H Shares
"Reporting Period", "Current Period"	from January 1, 2021 to December 31, 2021

Common terms and expressions	
"Previous Period"	from January 1, 2020 to December 31, 2020
"RMB", "RMB10,000", and "RMB100 million"	Renminbi 1 Yuan, Renminbi 10,000 Yuan and Renminbi 100 million Yuan
"NEEQ"	The National Equities Exchange and Quotations
"STAR Market"	the Science and Technology Innovation Board of SSE
"VaR"	Value at Risk
"APP"	Application
"IT"	Information Technology
"IPO"	Initial Public Offering
"CIRC"	China Insurance Regulatory Commission
"CBIRC"	China Banking and Insurance Regulatory Commission
"%"	per cent.
"Latest Practicable Date"	March 27, 2022

## Chapter 2: Corporate Profile and Key Financial Indicators

### I. Corporate Information

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

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

Unit: Yuan Currency: RMB

	As at the end of the Reporting Period	As at the end of Last Year
Registered capital	8,696,526,806.00	8,696,526,806.00
Net capital	72,735,158,477.64	58,654,486,820.65

#### Business qualifications of the Company

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

No.	Qualification	Approval authority	Date of approval
1	Qualification of issuing credit-protected warrants for providing pledge repo to protected bonds	China Securities Depository and Clearing Corporation Limited	June 2021
2	Pilot optimization for account management function	Securities Association of China	June 2021
3	Fund investment advisory business	The Securities and Fund Institution Supervision Department of the CSRC	June 2021
4	Issuer of credit protection warrants launched in SZSE	Shenzhen Stock Exchange	November 2020
5	Standard forward contract on bond of Agricultural Development Bank of China	Shanghai Clearing House	October 2020
6	Interest option business	China Foreign Exchange Trading Center	March 2020
7	Market maker of stock index options	The Securities and Fund Institution Supervision Department of the CSRC	December 2019
8	Lead market maker of the CSI 300 ETF options	Shenzhen Stock Exchange	December 2019
9	Trading authority for access to stock options business	Shenzhen Stock Exchange	December 2019



## Chapter 2: Corporate Profile and Key Financial Indicators

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

## Chapter 2: Corporate Profile and Key Financial Indicators

No.	Qualification	Approval authority	Date of approval
34	Proprietary trading of stock options	Shanghai Stock Exchange	January 2015
35	Licence for options settlement	China Securities Depository and Clearing Corporation Limited	January 2015
36	Stock options trading participant on the SSE	Shanghai Stock Exchange	January 2015
37	Licence for pilot online securities business	Securities Association of China	November 2014
38	Trading authority for access to Southbound Trading business	Shanghai Stock Exchange	October 2014
39	Ordinary member of Interbank Market Clearing House Co., Ltd. for centralized settlement of RMB interest rate swaps	Interbank Market Clearing House Co., Ltd.	June 2014
40	Qualification of lead manager business (market-making business)	NEEQ Co., Ltd.	June 2014
41	Licence for OTC options trading business	Securities Association of China	February 2014
42	Ordinary member for centralized settlement of interest swaps	Shanghai Clearing House	February 2014
43	Licence for securities investment fund custody business	CSRC	January 2014
44	Qualification for agency business of securities pledge registration	The Registration and Custody Department of China Securities Depository and Clearing Corporation Limited	July 2013
45	Authority for stock-pledged repo business	Shanghai Stock Exchange	June 2013
46	Authority for stock-pledged repo	Shenzhen Stock Exchange	June 2013
47	Participation in interest rate swap transactions	CSRC Shenzhen Office	May 2013
48	Permit for conducting insurance agency businesses	CIRC (currently known as CBIRC)	April 2013 (latest certificate obtained in April 2020)
49	Qualification of lead manager business (recommendation and brokerage businesses)	NEEQ Co., Ltd.	March 2013
50	Licence for OTC trading business	Securities Association of China	February 2013
51	Licence for equity total return swap business	The Institution Supervision Department (currently known as the Securities and Fund Institution Supervision Department) of the CSRC	January 2013
52	Licence for special institutional client business of insurance companies	CIRC (currently known as CBIRC)	January 2013
53	Qualification for sale of financial products	CSRC Shenzhen Office	December 2012
54	Qualification of lead underwriting debt financing instruments of non-financial enterprises	National Association of Financial Market Institutional Investors	November 2012
55	Qualification to provide comprehensive custodian services for private investment funds	The Institution Supervision Department (currently known as the Securities and Fund Institution Supervision Department) of the CSRC	October 2012
56	Licence for margin and securities refinancing	China Securities Finance Co., Ltd.	August 2012
57	Qualification of underwriting private placement bonds of small and medium enterprises	Securities Association of China	June 2012

## Chapter 2: Corporate Profile and Key Financial Indicators

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

## Chapter 2: Corporate Profile and Key Financial Indicators

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

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

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

No.	Qualification	Approval authority	Date of approval
1	Market maker business	China Futures Association	March 2018
2	Member of Shanghai International Energy Exchange	Shanghai International Energy Exchange	May 2017
3	Licence for basis trading	China Futures Association	April 2017
4	Licence for OTC derivatives business	China Futures Association	April 2017
5	Licence for warehouse receipt services	China Futures Association	December 2016
6	Filing for entry of the interbank bond market	The People's Bank of China	July 2016
7	Licence for commodities futures brokerage, financial futures brokerage and futures investment consulting	CSRC	August 2014 (latest certificate obtained in September 2021)
8	Licence for asset management	CSRC	March 2013
9	Licence for futures investment consultancy	CSRC	August 2011
10	Member of Zhengzhou Commodity Exchange	Zhengzhou Commodity Exchange	March 2009
11	Member of Dalian Commodity Exchange	Dalian Commodity Exchange	December 2008
12	Member of Shanghai Futures Exchange	Shanghai Futures Exchange	October 2008
13	Clearing and Settlement Member of China Financial Futures Exchange	China Financial Futures Exchange Co., Ltd.	December 2007
14	Licence for financial futures trading settlement	CSRC	November 2007

## Chapter 2: Corporate Profile and Key Financial Indicators

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

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

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

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

## II. Contact Persons and Contact Methods

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

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

## Chapter 2: Corporate Profile and Key Financial Indicators

### III. Basic Information

Registered address of the Company	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, the PRC
Historical change of the registered address of the Company	In August 1991, the registered address of the Company was 1/F, New Energy Building, Nanyou Industrial Zone, Shenzhen. In October 1993, it was changed to 1/F, Block C, Shenfang Industrial Building, Huaqiang North Road, Futian District, Shenzhen. In August 1998, it was changed to 8/F-11/F, Block A, Huaqiang Jiahe Building, Shenzhen. In May 2002, it was changed to 38/F-45/F, Block A, Jiangsu Building, Futian District, Shenzhen. In November 2018, it was changed to No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen.
Office address of the Company	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, the PRC
Postal code	518046
Principal place of business in Hong Kong	48/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong
Company's website	<a href="http://www.cmschina.com">http://www.cmschina.com</a>
E-mail address	IR@cmschina.com.cn

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

The name and website of the media where the Company discloses its annual report	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
The SSE website where the Company discloses its annual report	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
The Hong Kong Stock Exchange website where the Company discloses its annual report	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Place of inspection for the Company's annual report	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, the PRC

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

Information on the Company's Shares				
Class	Exchange at which the shares are listed	Stock abbreviation	Stock code	Previous stock abbreviation
A Shares	Shanghai Stock Exchange	CMS	600999	—
H Shares	Hong Kong Stock Exchange	CMS	6099	—

### VI. Other Information

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

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

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

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

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



## Chapter 2: Corporate Profile and Key Financial Indicators

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

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

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

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

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



## Chapter 2: Corporate Profile and Key Financial Indicators

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

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

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

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

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

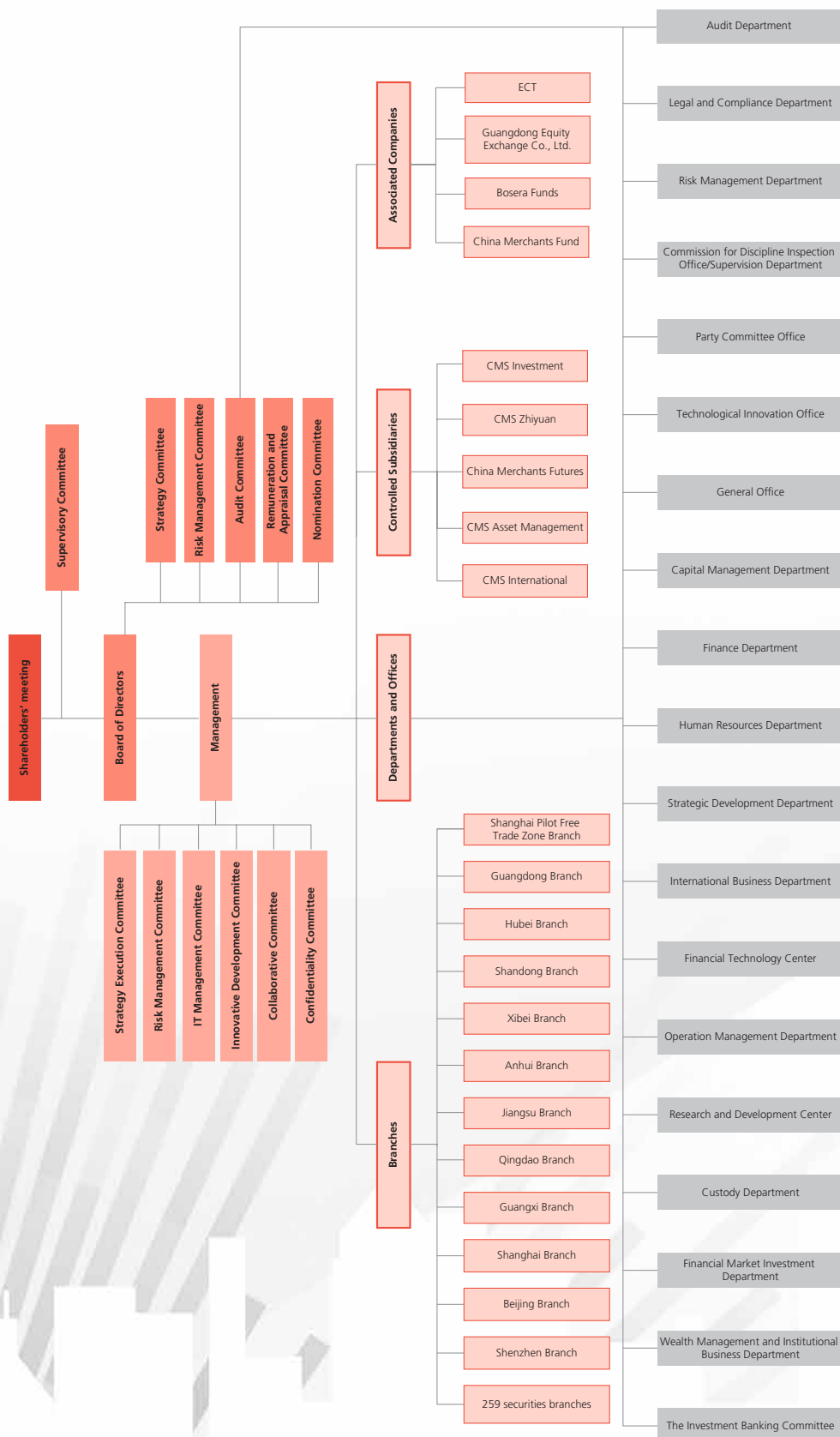
## Chapter 2: Corporate Profile and Key Financial Indicators

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

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

### (II) Corporate organizational structure

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



## Chapter 2: Corporate Profile and Key Financial Indicators

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

No.	Company Name	Address	Date of Incorporation	Registered Capital (RMB10,000)	Person in charge	Contact number
1	CMS International	48/F, One Exchange Square, Central, Hong Kong	July 14, 1999	N/A	ZHAO Bin	0755-82943666
2	China Merchants Futures	16/F and Room 1703, 17/F, China Merchants Securities Building, No. 111, Fuhua Yi Road, Fuan Community, Futian Street, Futian District, Shenzhen	January 4, 1993	359,800	LI Zongjun	0755-82943666
3	CMS Zhiyuan	Unit 1501, 15/F, Building 3, Courtyard No. 1, Yuetan South Street, Xicheng District, Beijing	August 28, 2009	210,000	LIU Rui	0755-82943666
4	CMS Investment	Room 201, Block A, No. 1 Qianwan 1st Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen (settled in Shenzhen Qianhai Business Secretary Company Limited)	December 2, 2013	710,000	ZHAO Bin	0755-82943666
5	CMS Asset Management	Room 201, Block A, 1 Qianwan 1st Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen (settled in Shenzhen Qianhai Business Secretary Company Limited)	April 3, 2015	100,000	XIONG Zhigang	0755-82943666

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

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

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

## Chapter 2: Corporate Profile and Key Financial Indicators

### (IV) The number and distribution of other branches

As at the end of 2021, the Company had 12 branches, the basic information of which is as follows:

No.	Name of the branch	Date of incorporation	Place of business	Person-in-charge	Contact number
1	Shenzhen Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司深圳分公司)	February 1, 2010	Suite 16F2, 16G & 16H, Times Fortune Building, South Eastern Part, Central Area, Futian District, Shenzhen	HE Jincheng (何錦成)	0755-82922188
2	Shanghai Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司上海分公司)	February 12, 2010	Room 3008, Orient Building, No.1500 Century Avenue, China (Shanghai) Pilot Free Trade Zone	SHEN Yun (沈雲)	021-68407177
3	Beijing Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司北京分公司)	February 26, 2010	Unit 1501, 15/F, Building 3, Courtyard No. 1, Yuetan South Street, Xicheng District, Beijing	YAN Xiaohui (嚴曉暉)	010-65684912
4	Guangxi Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司廣西分公司)	May 25, 2011	3/F, Shidailidu Mansion, No.38-1 Jinhu Road, Xinxu District, Nanning, Guangxi	HU Yi (胡毅)	0771-5596333
5	Qingdao Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司青島分公司)	September 1, 2011	Level 2, 100 Duplex, No.17-21 Xian Xia Ling Road, Laoshan District, Qingdao, Shandong	PENG Xiuling (彭秀玲)	0532-66889555
6	Jiangsu Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司江蘇分公司)	December 28, 2012	7/F, Nanjing China Merchants Bank Tower, No. 199 Lushan Road, Jianye District, Nanjing	GUO Xiaoli (郭曉莉)	025-52868380
7	Anhui Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司安徽分公司)	January 4, 2013	Suite 1-501 to 1-511, Hui Feng Plaza, No.118 Sui Xi Road, Luyang District, Hefei, Anhui Province	YANG Delong (楊德龍)	0551-65697168
8	Shandong Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司山東分公司)	January 9, 2013	2001-1, 17/F, Zhongrun Century Plaza, No. 13777 Jingshi Road, Lixia District, Jinan	LI Hongying (李紅英)	0531-67885777
9	Xibei Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司西北分公司)	February 5, 2013	Semiconductor Industrial Park, No.125 Jin Ye Road, Hi-Tech Industries Development Zone, Xi'an, Shaanxi Province	WANG Feng (王鋒)	029-38013258
10	Guangdong Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司廣東分公司)	May 16, 2013	Room 1101B, No.5 Huasui Road, Tianhe District, Guangzhou	YU Jinbiao (余錦標)	020-38394801
11	Hubei Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司湖北分公司)	January 4, 2013	No.236 Zhong Bei Road, Wuchang District	ZHANG Yin (張銀)	027-86770878
12	Shanghai Pilot Free Trade Zone Branch of China Merchants Securities Co., Ltd. (招商證券股份有限公司上海自貿試驗區分公司)	January 3, 2017	Room 603, 6/F, 68 Bohang Road, China (Shanghai) Pilot Free Trade Zone	WANG Jinbao (王金寶)	021-23519186

## Chapter 2: Corporate Profile and Key Financial Indicators

### VII. Other Relevant Information

Domestic accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Office address	30/F, Bund Center, 222 Yan An Road East, Huangpu, 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 signatory 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	Tian Yuan Law Firm LLP
	Office address	Suites 3304-3309, 33/F, Jardine House, One Connaught Place, Central, Hong Kong
A Share Registrar	Name	Shanghai Branch of CSDC
	Office address	188 Yanggao South Road, China (Shanghai) Pilot Free Trade Zone
H Share Registrar	Name	Computershare Hong Kong Investor Services Limited
	Office address	17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

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

#### (I) Key accounting data

Unit: 1,000 Yuan    Currency: RMB

Key accounting data	2021	2020	Year-on-year increase/decrease (%)	2019
Total revenue and other income	40,342,422	32,469,316	24.25	25,659,101
Profit for the year attributable to shareholders of the Company	11,645,065	9,491,639	22.69	7,282,381
Profit of the period attributable to shareholders of the Company after deduction of non-recurring profit or loss	11,586,851	9,487,684	22.13	7,304,946
Net cash from operating activities	-54,318,605	-33,343,495	–	-1,149,490
Other comprehensive income	-276,368	-575,883	–	350,269

Key accounting data	As at the end of 2021	As at the end of 2020	Year-on-year increase/decrease (%)	As at the end of 2019
Total assets	597,221,128	499,726,679	19.51	381,771,889
Total liabilities	484,630,677	393,901,966	23.03	296,644,038
Equity attributable to shareholders of the Company	112,503,030	105,736,805	6.40	85,048,321
Total owners' equity	112,590,451	105,824,713	6.39	85,127,851

## Chapter 2: Corporate Profile and Key Financial Indicators

### (II) Key financial indicators

Unit: Yuan Currency: RMB

Key financial indicator	2021	2020	Year-on-year increase/decrease (%)	2019	
				After adjustment	Before adjustment
Basic earnings per share (RMB per share)	1.25	1.06	17.92	0.82	0.97
Diluted earnings per share (RMB per share)	1.25	1.06	17.92	0.82	0.97
Basic earnings per share after deduction of non-recurring profit or loss (RMB per share)	1.24	1.06	16.98	0.82	0.97
Weighted average return on net assets (%)	11.52	10.85	Increase by 0.67 percentage point	9.51	9.51
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	11.46	10.84	Increase by 0.62 percentage point	9.54	9.54

Note: In July and August 2020, the Company's A Share and H Share rights issue completed respectively. Pursuant to Accounting Standards for Business Enterprises No. 34 – Earnings per Share and the Application Guidance for Accounting Standards for Business Enterprises No. 34 – Earnings per Share, in consideration of the bonus shares involved in the rights issue, the weighted average number of ordinary shares outstanding for each period presented in the above table has been adjusted when calculating the earnings per share.



## Chapter 2: Corporate Profile and Key Financial Indicators

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

During the Reporting Period, the net capital and all risk control indicators of the Company complied with the requirements of the China Securities Regulatory Commission. As at the end of December 2021, the key risk control indicators, such as net capital of the Company, were as follows:

Unit: Yuan    Currency: RMB

Item	As at the end of the Reporting Period	As at the end of last year
Net capital	72,735,158,477.64	58,654,486,820.65
Net assets	103,607,681,425.67	98,287,439,443.80
Sum of risk capital provisions	27,379,486,801.43	25,957,355,586.03
Total assets on- and off-balance sheet	344,980,694,933.99	283,672,225,304.43
Risk coverage ratio (%)	265.66	225.96
Capital leverage ratio (%)	15.24	17.38
Liquidity coverage ratio (%)	294.70	278.45
Net stable funding ratio (%)	139.36	144.18
Net capital/net assets (%)	70.20	59.68
Net capital/liabilities (%)	20.10	20.28
Net assets/liabilities (%)	28.63	33.98
Value of proprietary equity securities and security derivatives/net capital (%)	22.15	31.69
Value of proprietary non-equity securities and its derivatives/net capital (%)	318.59	319.68

## Chapter 2: Corporate Profile and Key Financial Indicators

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

#### 1. Earnings

Unit: Million Yuan    Currency: RMB

Item	2021	2020	2019	2018	2017
Total revenue, other income and gains	40,342	32,469	25,659	18,070	19,259
Total expenses	28,239	22,203	17,767	13,540	12,998
Profit before income tax	13,704	11,309	8,774	5,447	7,107
Profit for the year attributable to shareholders of the Company	11,645	9,492	7,282	4,425	5,786

#### 2. Assets

Unit: Million Yuan    Currency: RMB

Item	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Total assets	597,221	499,727	381,772	304,931	285,644
Total liabilities	484,631	393,902	296,644	224,138	206,310
Accounts payable to brokerage clients	99,605	85,441	61,724	48,912	51,095
Equity attributable to shareholders of the Company	112,503	105,737	85,048	80,723	79,230
Share capital	8,697	8,697	6,699	6,699	6,699

## Chapter 2: Corporate Profile and Key Financial Indicators

### 3. Key financial indicators

Item	2021	2020	2019	2018	2017
Basic earnings per share (RMB)	1.25	1.06	0.82	0.46	0.66
Diluted earnings per share (RMB)	1.25	1.06	0.82	0.46	0.66
Weighted average return on net assets (%)	11.52	10.85	9.51	5.58	8.39
Gearing ratio (%)	77.37	74.46	73.40	68.44	66.18

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

Note 2: In July and August 2020, the Company completed the A Share and H Share rights issue respectively. Pursuant to Accounting Standards for Business Enterprises No. 34 – Earnings per Share and the Application Guidance for Accounting Standards for Business Enterprises No. 34 – Earnings per Share, in consideration of the bonus shares involved in the rights issue, the weighted average number of ordinary shares outstanding for each period (including prior years) presented in the above table has been adjusted when calculating the earnings per share. The basic earnings per share prior to the adjustment for 2017 to 2019 was RMB0.78, RMB0.54 and RMB0.97 per share, respectively, and the diluted earnings per share prior to the adjustment for 2017 to 2019 was RMB0.78, RMB0.54 and RMB0.97 per share, respectively.

## Chapter 3: Report of the Board of Directors

### I. Discussion and Analysis of Operations

In 2021, as the COVID-19 pandemic continued to spread around the world, the momentum for global economic recovery weakened. China has scientifically coordinated pandemic prevention and control as well as economic and social development. There was continuous recovery in its national economy, together with continuous enhancement of development resilience. Its economy operated stably as a whole, and its annual GDP increased by 8.1% year-on-year, achieving a good start for the “14th Five-Year Plan”. Along with the continuous deepening of reform and innovation of China’s capital market, the amount of equity financing, amount of bond financing, trading volume of stocks and funds in the secondary market and balance of margin financing and securities lending all showed a favorable growth trend and hit a record high. While the A share market performed structurally, the securities industry maintained growth in terms of operating results, with a steady increase in assets and profitability.

In 2021, the Company unswervingly implemented the new development philosophy and served the creation of a new development dynamic, aiming at achieving high-quality development and yielding excellent results, to celebrate the 30th anniversary of the Company’s founding and make a successful start for the development of the “14th Five-Year Plan”. First, the Company’s operating results hit a record high. During the year, total revenue, other income and gains of the Company amounted to RMB40.342 billion, representing a year-on-year increase of 24.25%, and net profit attributable to shareholders of the Company amounted to RMB11.645 billion, representing a year-on-year increase of 22.69%. Weighted average return on net assets was 11.52%, representing a year-on-year increase of 0.67 percentage point. Second, the Company achieved remarkable results in the transformation to the “client-oriented” business model. The Company further promoted SOE reforms such as the “Double Hundred Action” (雙百行動) and “Open Competition” (揭榜掛帥) Mechanism, and achieved significant breakthroughs in key reforms such as the mechanism establishment of “staff can get in and out; cadre can go up and down; salary can be high and low”, the transformation of core businesses, the integrated operation of domestic and overseas businesses, the construction of the coordination mechanism, and digital development. Third, the Company maintained a stable operation under the complex operating environment. The Company has formulated comprehensive plans for pandemic prevention and control and safe operation, and made forward-looking research and judgment to deal with operational risks in specific fields. The Company has been granted the AA rating for securities firms for 14 consecutive years, and was among the first batch of securities firms included in the “White List” (白名單) of the CSRC.

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

In 2021, China's capital market continuously advanced the comprehensive and in-depth reform focusing on the registration-based IPO system. There was steady progress in marketization, legalization and internationalization, further improvement in the multi-tier capital market system, as well as further optimization and better operating environment in the fundamental market system.

During the Reporting Period, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the "Opinions on Strictly Cracking Down on Illegal Securities Activities in Accordance with the Law" (《關於依法從嚴打擊證券違法活動的意見》), which provided guidance for accelerating the construction of a more mature and well-defined capital market fundamental institutional system, effectively increasing the cost of illegal activities, and resolutely maintaining the order of the capital market and protecting the legitimate rights and interests of investors. The CSRC issued the "Guiding Opinions on Urging Securities Firms Carrying Out Investment Banking Business to Conscientiously Fulfill Duties under the Registration-based IPO System" (《關於註冊制下督促證券公司從事投行業務歸位盡責的指導意見》), which strengthened the supervision of investment banking business under the registration-based IPO system, urged securities firms to conscientiously fulfill their duties, enhanced the role of intermediaries as "gatekeepers", and consolidated the quality-focused practice constraints of investment banks. Since October 30, 2021, the CSRC has successively issued relevant rules and normative documents for the Beijing Stock Exchange, and the Beijing Stock Exchange has issued a number of self-disciplinary rules, so as to jointly construct a system of rules and regulations in line with the characteristics and growth stages of innovative small and medium-sized enterprises, laying a solid foundation for the smooth opening and stable operation of the Beijing Stock Exchange.

During the Reporting Period, the average daily trading volume of stocks and funds in the SSE and SZSE amounted to RMB1,102.932 billion, representing a year-on-year increase of 24.66%. The average daily trading volume in the Hong Kong market amounted to HK\$166.730 billion, representing a year-on-year increase of 28.77%. The SSE Composite Index rose by 4.8%; the SZSE Component Index rose by 2.7%; the CSI 300 Index fell by 5.20%; the ChiNext Index rose by 12.02%; the Hang Seng Index fell by 14%; and the ChinaBond Composite Total Return Index rose by 5.09%.

According to the statistics from the Securities Association of China, in 2021, the total revenue of the securities industry amounted to RMB499.987 billion (unaudited, same for below), representing a year-on-year increase of 11.49%. Net profit amounted to RMB190.608 billion, representing a year-on-year increase of 21%. As at the end of the Reporting Period, the total assets of the securities industry amounted to RMB10.56 trillion, representing a year-on-year increase of 18.67%. Net assets amounted to RMB2.55 trillion, representing a year-on-year increase of 10.71%. Net capital amounted to RMB1.98 trillion, representing a year-on-year increase of 9.89%.

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### III. Business of the Company during the Reporting Period

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

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

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

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

Investment and trading: the Company engages in proprietary trading and market making business in relation to equity 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.

### IV. Analysis of Core Competitiveness during the Reporting Period

The Company, under the control of China Merchants Group, is the largest securities firm of the SASAC. Over years of development, the Company has built up significant competitive advantages. First, the Company adheres to the concept of stable operations. It has been granted the highest “AA” rating for securities firms for 14 consecutive years, and was among the first batch of securities firms included in the “White List” (白名單) of the CSRC, which represents a strong pillar for the Company to rely on when seeking policy support, seizing significant opportunities for new pilot projects, making responses to the volatile capital market and facing intense peer competition in the future. Second, the service capability with a full-service platform that covers a whole industrial chain, a balanced business structure and a solid development foundation 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, and has competitive advantages in certain business areas. Fourth, the Company enjoys the strong brand name of “China Merchants” and its shareholders background as well as good reputation in the market.

During the Reporting Period, according to the statistics from the Securities Association of China and the Asset Management Association of China, in terms of net income from agency trading of securities (including leasing of trading seats), net income from agency sale of financial products, interest income from margin financing and securities lending, interest income from stock pledge, net income from investment banking, net income from asset management, amount of assets under management, average monthly active private AUM and number of private funds under custody, the Company ranked 3rd, 5th, 6th, 5th, 7th, 8th, 5th, 4th and 1st, respectively. According to the statistics from Wind, in terms of number of mutual funds under custody, the Company ranked 1st, and in terms of amount of equity lead underwriting (excluding share issuance for asset acquisition) and bond lead underwriting, the Company ranked 7th and 7th, respectively.

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

#### (I) Analysis of principal businesses

The Company's business is principally divided into four segments: wealth management and institutional business, investment banking, investment management as well as investment and trading.

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

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

In China, along with the rapid growth of residents' wealth and the implementation of the policy guideline of "housing is for living in, not for speculation", residents have increasingly urgent demand for optimizing asset allocation. Meanwhile, as affected by the new regulations on asset management, there was continuous standardization in channel business and significant increase in residents' demand for financial and wealth management, creating broad development potentials for the wealth management business of brokers. In 2021, the Company maintained solid advantages in its wealth management and institutional business, and ranked 3rd in the industry in terms of net income from agency trading (including leasing of trading seats).

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

In 2021, the one-way trading volume of stocks and funds in the A share market amounted to RMB268.01 trillion, representing a year-on-year increase of 24.66%. The average net commission rate of the industry decreased by 7.88% year-on-year to 0.249‰, which showed a continuous downward trend over the past years. The one-way trading volume of stocks in the Hong Kong market amounted to HK\$37.14 trillion, representing a year-on-year increase of 24.70%.

During the Reporting Period, through online and offline channel marketing, the Company innovated its marketing and service models, hitting a record high in terms of number of new accounts opened during the year, with a year-on-year increase of 81.77%. As at the end of 2021, the number of clients of the Company amounted to approximately 14.79 million, and the size of clients' asset under custody amounted to RMB4.45 trillion, representing a year-on-year increase of 29.07% and 16.51%, respectively.

The Company operated with clients as the focus, strengthened the transformation to wealth management, and actively built the differentiated core advantages of wealth management with the features of brokers. Leveraging the research advantages of brokers, the Company continued to establish the high-performance product pool of "private fund 50" and "selected mutual fund". The Company actively expanded the scale of its wealth management advisory team, improved professional capabilities, strengthened trainings, established a tiered investment advisory service system and strengthened buy-side investment advisory service capabilities to build a professional team that meets the demand of different clients. The Company launched the brand of "Zhiyuan Private Banking" (智遠私行) to provide asset allocation, exclusive customization and family trust services for high-net-worth clients. As at the end of 2021, the number of wealth management clients amounted to 563.5 thousand and the asset size of wealth management clients amounted to RMB1.67 trillion, representing a year-on-year increase of 24.12% and 21.90%, respectively. The number of high-net-worth clients amounted to 30.6 thousand, representing a year-on-year increase of 26.97%. In 2021, the Company obtained the pilot qualification for conducting fund investment advisory business, and launched the "eZhaotou" (e招投) fund investment advisory brand in November, with a contracted amount of approximately RMB2.4 billion as at the end of the year.



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In 2021, the net income from and ranking of agency sale of financial products both reached a record high. According to the statistics from the Securities Association of China, the Company's net income (of the parent company) from agency sale of financial products ranked 5th in the industry, up by two places year-on-year. As at the end of the Reporting Period, the amount of financial products of clients increased by 17.89% year-on-year. According to the statistics from the Asset Management Association of China, in the fourth quarter, clients's amount of stock plus hybrid mutual funds and non-monetary mutual funds under the Company's custody amounted to RMB49.8 billion and RMB53.1 billion, respectively, both ranking 5th among brokers.

The Company continued to strengthen the features of digital development and actively developed private domain traffic operations. Through connecting the "CMS wealth management +" (招商證券財富+) WeChat Mini Program, the corporate WeChat account and the China Merchants Securities App, the Company built a WeChat social service ecosystem to facilitate the transformation to wealth management. In 2021, the Company served over 2.9 million users through the WeChat social service ecosystem. The Company's number of monthly active users (MAU) on the App increased by 15.45% year-on-year, ranking top five among large-scale brokers.

Operating indicators	2021	2020	Year-on-year change
Trading volume of stocks and funds in the A share market (RMB trillion) (Note 1)	26.27	18.26	43.87%
Market share of trading volume of stocks and funds in the A share market	4.90%	4.25%	Increased by 0.65 percentage point
Market share of net income from agency securities trading	4.80%	4.85%	Decreased by 0.05 percentage point
Number of wealth management advisors	1,208	1,002	20.56%
Net income from agency sale of financial products (RMB100 million) (Note 2)	10.06	6.27	60.45%
Number of wealth management clients (10 thousand) (Note 3)	56.35	45.40	24.12%
Assets of wealth management clients (RMB trillion)	1.67	1.37	21.90%
Number of high-net-worth clients (10 thousand) (Note 4)	3.06	2.41	26.97%

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

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

For stock options brokerage business, the Company continued to strengthen business promotion and client expansion, and further optimized system and risk management. According to the public information of the SSE, as at the end of December, the Company's market share in terms of total number of stock options clients was 8.73%, ranking 1st in the industry for four consecutive years. During the Reporting Period, the Company ranked 5th among brokers in terms of total trading volume.

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For futures brokerage business, in 2021, there was increased volatility in commodity prices, continuous advancement in innovation of futures varieties, and further improvement in the system of futures options products. The cumulative trading volume and turnover of China's futures market amounted to 7.514 billion lots and RMB581.20 trillion, representing a year-on-year increase of 22.13% and 32.84%, respectively. As at the end of the year, clients' equity in the market amounted to RMB1.18 trillion, representing a year-on-year increase of 43.65%. China Merchants Futures caught the surge of market institutionalization and strengthened institutional team building. Its clients' equity and net fee income increased by 60% and 87.25% year-on-year, respectively.

For the overseas market, CMS International actively expanded its sales force and deepened business synergy. The number of trading accounts increased by 15.20% year-on-year, and clients' asset size under custody amounted to HK\$237.061 billion, representing a year-on-year increase of 27.26%. Its trading volume amounted to HK\$296.905 billion, representing a year-on-year increase of 54.87%, with its ranking hitting a new high over the past seven years.

### (2) Capital-based intermediary business

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

In 2021, the margin financing and securities lending business in the A share market developed steadily. As at the end of December, the balance of margin financing and securities lending amounted to RMB1.83 trillion, representing a year-on-year increase of 13.17%. Of which, the balance of margin financing amounted to RMB1.71 trillion, representing a year-on-year increase of 15.52%. The securities lending business was adversely affected by the decline in demand. As at the end of December, the market size amounted to RMB120.14 billion, representing a year-on-year decrease of 12.3%. For the stock pledge repo business, the brokers continued to standardize business development and improve risk management measures. As at the end of December, the balance of stock pledge repo amounted to RMB227.015 billion, representing a year-on-year decrease of 24.56%.

During the Reporting Period, the Company closely followed the market and met clients' demand, actively carried out product and service innovation, vigorously expanded securities sourcing, and tapped new growth potentials for businesses. Meanwhile, the Company continued to implement the counter-cyclical adjustment mechanism of the policy for capital-based intermediary business, improve the stress testing and early warning mechanism, and prudently control risks.

As at the end of 2021, the balance of the Company's margin financing and securities lending amounted to RMB96.468 billion, representing a year-on-year increase of 16.04%. Of which, the Company ranked 4th in the industry in terms of the balance of margin financing. The maintenance coverage ratio was 312.02%. The balance of stock pledge repo (including contribution from asset management plans) amounted to RMB22.310 billion, and the collateral coverage ratio was 287.48%. Of which, the contribution from self-owned capital amounted to RMB14.222 billion, ranking 5th in the industry, and the collateral coverage ratio was 350.02%. The Company ranked 5th in the industry in terms of interest income from capital-based intermediary business in the A share market, up by one place year-on-year.

For the overseas market, as at the end of the Reporting Period, the balance of margin trading of CMS International amounted to HK\$4.97 billion, representing a year-on-year increase of 7.20%.

Operating indicators	As at the end of 2021	As at the end of 2020	Year-on-year change
Balance of margin financing and securities lending (RMB100 million)	964.68	831.36	16.04%
Of which: Balance of securities lending (RMB100 million)	29.71	62.13	-52.18%
Balance of stock pledge repo (including contribution from asset management plans) (RMB100 million)	223.10	304.20	-26.66%
Balance of stock pledge repo by self-owned capital (RMB100 million)	142.22	201.15	-29.30%

Source: internal statistics of the Company

### (3) Institutional client integrated services

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

#### ① Institutional integrated services

In 2021, the institutionalization of the capital market continued to accelerate. The total size of mutual funds exceeded RMB25 trillion, and grew at a CAGR of 25.2% from 2018 to 2021. The Company tapped the demand of institutional clients, improved featured and comprehensive services, and achieved breakthroughs in marketing for key clients. In 2021, net income from leasing of trading seats increased by 30.2% year-on-year, with a market share of 4.54%. In addition, the Company actively pushed forward the introduction of products under settlement model of brokerage firms. During the year, the amount of new products under settlement model of brokerage firms amounted to RMB3.535 billion, and the Company has established business cooperation with 20 wealth management subsidiaries of banks.

For prime brokerage business, the Company actively tapped the comprehensive value of institutional clients, and continued to maintain the industry-leading advantages in trading performance and service standard. The Company continued to promote the construction of the prime brokerage business system and optimize the institutional business marketing service system. The Company strengthened the use of technologies, accelerated the digital construction of institutional business, upgraded the institutional marketing service platform, optimized the middle platform of capital referral products, created the "Institution +" service system and launched the "Institution +" WeChat Mini Program, so as to effectively improve institutional client marketing service capabilities and client satisfaction. As at the end of the Reporting Period, the Company's trading assets under private funds amounted to RMB329.6 billion, representing a year-on-year increase of 57.39%. The trading volume of stocks and funds of private fund clients increased by 167.98% year-on-year, and the trading service coverage ratio of key private fund clients with asset size over RMB5 billion reached 80%.

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### ② Research

The Company's domestic stock research covered 1,514 listed companies in 17 industry sectors and 71 categories on the CSRC, covering 87% of the total market capitalization of CSI 300 Index constituent stocks and 86% of the total market capitalization of ChiNext Index constituent stocks. The research coverage of stocks on the STAR Market and the Beijing Stock Exchange also increased. The Company's overseas stock research covered 117 listed companies in 16 industries including overseas macro strategy. The Company takes the leading positions in the research of a wide variety of sectors, including quantitative trading and fund evaluation, electronics, media, strategy, electric devices and new energy, fixed-income, food and beverage, macro-economy, finance, communications, real estates and automobiles industries.

The Company's research business focused on building advantageous sectors and featured brands, actively promoted the digital transformation of research business, and enhanced the comprehensive services to core clients such as mutual funds, insurance asset management and private funds. In 2021, the Company released a total of 5,631 research reports, organized 28,274 research roadshows, held four large-scale offline strategy meetings and themed salon meetings, and held 1,349 online meetings. The Company increased research efforts on hot topics such as REITs, carbon neutrality, commodities, ESG investment and TMT, and released several influential research results. The Company continued to promote the in-depth integration of research and businesses, strengthen think-tank and industry-based research service functions, and provide research-driven and in-depth support for the Company's strategic decision-making and the development of key businesses such as wealth management and investment banking.

In 2021, the Company won the "Most Influential Research Institution" (最具影響力研究機構) award in the 19th New Fortune Best Analyst Awards, and the "Most Popular and Influential Research Institution" (最具人氣和影響力研究機構) award in the 12th China Securities Industry Analyst Golden Bull Awards.

### ③ Custody and outsourcing

2021 was the last year of the transition period for the new regulations on asset management. There was acceleration in the transformation of standardized products of bank wealth management, trust companies and third-party wealth management companies. Meanwhile, the two-way opening-up of the financial industry provided greater development potentials for the custody and outsourcing business. As at the end of 2021, the AUM of private funds and mutual funds amounted to RMB19.76 trillion and RMB25.56 trillion, representing a year-on-year increase of 23.73% and 28.51%, respectively.

During the Reporting Period, the market competition in the custody and outsourcing industry intensified, and the Company's custody and outsourcing business actively explored new forms of business, new products and new services, continuously consolidating its industry leading position. The Company actively promoted the China Merchants Securities Private Fund Index (CMSFI), the first private fund index in the market, striving to become an industry benchmark. Benchmarking the international fund service industry, the Company became the first broker in the market to sign an outsourcing services contract with foreign mutual fund companies. As at the end of 2021, the number and value of custody and outsourcing products of the Company amounted to 35.4 thousand and RMB3.60 trillion, increased by 34.74% and 25.55% year-on-year, respectively. According to the statistics from the Asset Management Association of China and Wind, the Company's market share in terms of the number of private fund products under custody reached 23.17%, and ranked 1st among brokers for eight consecutive years in terms of the number of private fund products under custody and the number of mutual fund products under custody. The Company has been named as the "Best Private Fund Custody Broker" (最佳私募託管券商) by China Fund News for five consecutive years.

### 2. *Investment banking business*

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

In 2021, the Company established the Investment Banking Committee. Based on the mission of “China Merchants Securities can serve the nation’s needs”, the Company actively served the national strategy, and continued to promote the implementation of reform measures for investment banking business. The Company further promoted the construction of a modern investment bank, strengthened the quality control of investment banking business, focused on the semiconductors, medical, “emission peak and carbon neutrality” and other industries as well as the East China and Central China regions, and strengthened professional competence and regional advantages. The Company also further promoted the set-up of corporate client manager system, so as to meet the all-round business service demand of clients.

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

In 2021, along with the continuous advancement of the reform of registration-based IPO system in the capital market and the official opening of the Beijing Stock Exchange, trading in the A share equity financing market was active, with both the number of IPOs and the amount of proceeds raised reaching record highs. According to the statistics from Wind (using issue date as statistics caliber, same for below), the total amount of equity financing in the A share market (excluding share issuance for asset acquisition, same for below) was RMB1,596.040 billion, representing a year-on-year increase of 15.70%. A total of 520 IPOs were completed with raised proceeds of RMB603.001 billion, representing a year-on-year increase of 17.38% and 24.65%, respectively. Of which, 403 IPOs were completed in the STAR Market, ChiNext Board and Beijing Stock Exchange with raised proceeds of RMB368.112 billion, accounting for 61.05% of the total amount of IPOs in the A share market. The proceeds raised from refinancing amounted to RMB993.039 billion, representing a year-on-year increase of 10.86%.

The Hong Kong IPO market has slowed down since the second quarter. However, benefiting from events such as U.S.-listed Chinese companies returning to Hong Kong and the frequent listing activities of biotech and new economy companies, the Hong Kong market maintained a high level of capital raised compared with its records historically. According to the statistics from Bloomberg, in 2021, a total of 96 IPOs were completed in the Hong Kong market with raised proceeds of US\$42.804 billion, representing a year-on-year decrease of 33.79% and 17.10%, respectively. Meanwhile, the Hong Kong Stock Exchange introduced the SPAC (Special Purpose Acquisition Company) listing regime, which will continue to attract issuers and investors from China and around the world.

According to the statistics from Wind, the Company ranked 7th and 8th in the industry in terms of the amount and number of A share projects underwritten, respectively. Of which, the Company ranked 7th and 8th in terms of the amount and number of IPO projects underwritten, and ranked 9th in terms of the amount and number of refinancing projects underwritten. According to the statistics from Bloomberg, in the overseas market, the Company completed a total of 14 IPO projects in the Hong Kong market, with an underwritten amount of US\$750 million, ranking 5th among Chinese brokers. Moreover, the Company also completed 3 U.S. IPO/SPAC projects, with a financing amount of US\$678 million.



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In 2021, the Company completed a number of market influential projects, including the return of China Mobile and China Telecom to the A share market, the A share listing projects of Bank of Chongqing (the first “A+H” city commercial bank in the western region), Dongrui Food Group (a national key leading enterprise in the agricultural industry) and Zhuhai CosMX, Homelink Eco-iTech and ZEHO Eco (leading enterprises in the fields of “carbon neutrality” and new energy), the Hong Kong listing projects of JD Logistics, Linklogis and Dongguan Rural Commercial Bank (among the top 10 largest Hong Kong IPO projects), SenseTime (the largest artificial intelligence software company in Asia), Sirnaomics (the first clinical-stage RNA therapeutics biopharmaceutical company listed on the Hong Kong market), ANE (the first express courier listed on the Hong Kong market) and Strawbear Entertainment Group (a leading entertainment content production company), and the U.S. listing projects of Waterdrop Inc. and Missfresh Limited (new economy companies). The Company also completed large-scale refinancing projects such as the issuance of convertible bonds of New Hope Liuhe and Bank of Suzhou, and assisted Qilu Huaxin to become one of the first batch of companies listed on the Beijing Stock Exchange. During the Reporting Period, the Company was awarded various awards such as the “Best Investment Bank in China” (本土最佳投行) in the 14th New Fortune Awards and the “Junding Award for All-round Investment Bank in China in 2021” (2021中國證券業全能投行君鼎獎) by the Securities Times and so on.

According to the statistics from the CSRC, SSE and SZSE, as at the end of the Reporting Period, 21 A share IPO projects underwritten by the Company were pending approval or to be offered or registered. Of which, 11 Main Board IPO projects were pending approval, ranking 4th in the industry. The Company continued to optimize and improve the “Gazelle Incubator Project” (羚躍計劃), broadened the industrial track of enterprises selected into the database, and continuously enriched the high-quality project reserve of investment banking. As at the end of 2021, 254 companies have been selected into the “Gazelle Incubator Project” company database. Of which, Primarius Technologies (the first IPO project among such companies) has been listed on the STAR Market, becoming the first listed company in the field of EDA<sup>1</sup>.

	2021		2020		Year-on-year change in amount
	Lead underwriting amount (RMB100 million)	Number of projects	Lead underwriting amount (RMB100 million)	Number of projects	
A share projects					
IPOs	219.57	23	143.86	18	52.63%
Refinancing	210.03	20	397.52	23	-47.16%
<b>Total</b>	<b>429.60</b>	<b>43</b>	<b>541.38</b>	<b>41</b>	<b>-20.65%</b>

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

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

<sup>1</sup> Electronic Design Automation.

### (2) Bond underwriting

In 2021, China's monetary policy remained flexible and targeted and at a reasonable and appropriate level, with reasonably ample liquidity being maintained. Bond market yields showed a fluctuating downward trend as a whole, and the amount of financing grew steadily. During the Reporting Period, the total domestic bonds (excluding central bank bills and interbank deposit certificates) issued amounted to RMB39.61 trillion, representing a year-on-year increase of 5.42%. Of which, the total credit bonds (excluding treasury bonds, local government bonds, central bank bills, interbank deposit certificates and policy bank bonds, same for below) issued amounted to RMB19.78 trillion, representing a year-on-year increase of 5.13%. The Chinese offshore bond market experienced violent fluctuations. In the first ten months, due to the frequent occurrence of credit risk events and the tightening of real estate regulations, the yield rose sharply. Later, due to the marginal improvement of real estate policy, the yield gradually resumed to a steady path. In 2021, the Chinese offshore bonds (excluding RMB bonds) issued amounted to US\$172.663 billion, representing a year-on-year decrease of 13.94%.

During the Reporting Period, the Company strengthened the key regional planning, optimized the client structure, continued to consolidate its leading advantages in credit ABS business, while also actively developed the infrastructure public offering REITs and green bond businesses. According to the statistics from Wind, in 2021, the domestic bonds (including bonds issued as a principal) lead underwritten by the Company amounted to RMB489.538 billion, representing a year-on-year increase of 18.81%, ranking 7th in the industry. Of which, the Company ranked 6th in terms of the amount of credit bonds underwritten, 5th in terms of the amount of financial bonds and ABS underwritten, and 1st for seven consecutive years in terms of the amount underwritten in the credit asset securitization business. Benefiting from the synergy between the domestic and overseas investment banking businesses, according to the statistics from Bloomberg, the Company completed a total of 29 overseas bonds issuance projects with US\$757 million underwritten, representing a year-on-year increase of 98.17%. In terms of the amount of Chinese offshore bonds (excluding RMB bonds) underwritten, the Company ranked 12th among Chinese brokers.

In 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 in the domestic market; assisting Zhongguancun Development Group Co., Ltd. to issue the first batch of technological innovation corporate bonds in the market; assisting Guoren Property and Casualty Insurance to issue the dual-currency overseas bonds, including a USD bond and a CNH bond (being the first insurance company in China to do so); and assisting the Shenzhen Municipal Government to issue the first local government offshore RMB bonds. The Company also assisted China Merchants Bank, Industrial Bank, Datang Power, the Export-Import Bank of China and the Industrial and Commercial Bank of China to issue a number of domestic and overseas green bonds, raising over RMB30 billion of proceeds. During the Reporting Period, the Company won various awards, such as the "Excellent Bond Underwriting Agency in 2021" (優秀債券承銷機構) awarded by China Government Securities Depository Trust & Clearing Co., Ltd and other awards.

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Domestic bonds	2021		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)	
Enterprise bonds	4.50	1	6.25	2	-28.00%
Corporate bonds	491.32	143	487.95	114	0.69%
Financial bonds	2,265.23	156	1,369.93	75	65.35%
Short-term financing bonds	110.25	31	80.30	22	37.30%
Medium-term notes	179.89	49	170.14	39	5.73%
Private placement notes	145.52	51	133.67	31	8.87%
Exchangeable bonds	0.00	0	41.04	5	-100.00%
Asset-backed securities	1,696.17	487	1,754.42	440	-3.32%
Others	2.50	3	76.70	509	-96.74%
<b>Total</b>	<b>4,895.38</b>	<b>921</b>	<b>4,120.39</b>	<b>1,237</b>	<b>18.81%</b>

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

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

### (3) Financial advisory

In 2021, the global economy continued to recover. Benefiting from low financing costs, abundant market liquidity and strong momentum for growth of corporate earnings, global M&A transactions remained active. According to the statistics from Bloomberg, in 2021, the total value of global M&A transactions amounted to approximately US\$5.8 trillion, representing a year-on-year increase of 64%. The activity of the A share M&A market also recovered. According to the statistics from Wind, in 2021, the number of announced transactions in the Chinese M&A market (excluding overseas M&A) was 9,132 and the transaction value amounted to RMB2.68 trillion, representing a year-on-year increase of 7.25%. However, as affected by the previous downturn in the M&A market, the number of completed transactions was 5,035 and the transaction value amounted to RMB1.14 trillion, representing a year-on-year decrease of 23.55%.



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 support 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 among 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 five M&A projects in the A share market, with a transaction value of RMB22.607 billion, ranking 10th in the industry. The Company also completed two overseas M&A projects, with a transaction value of US\$280 million. 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, and COSCO SHIPPING Development Co., Ltd. became the world's second largest container manufacturer upon issuing shares for the purchase of assets and raising proceeds.

### **3. Investment management**

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

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

In 2021, the rectification of the asset management industry was coming to an end. For asset management business of securities companies, there was acceleration in the transformation to mutual funds, improvement in active management capabilities and continuous magnification of the Matthew effect. As at the end of 2021, the total AUM of securities companies amounted to RMB10.81 trillion, representing a year-on-year increase of 3.70%. The net income of security asset management companies amounted to RMB31.621 billion, representing a year-on-year increase of 5.55%.

During the Reporting Period, CMS Asset Management made every effort to promote the building of active management capabilities, actively facilitated the transformation of massive collective asset management to mutual funds, and enhanced mutual and private fund product lines. It intensified the rectification of channel business, successfully completed the rectification of asset management business on schedule, overcame the impact of the decline in channel business, and expanded active AUM. As at the end of 2021, active AUM (excluding special asset management) amounted to RMB346.413 billion, representing a year-on-year increase of 29.72% and accounted for 82.87% of total AUM and increased by 26.99 percentage points compared with last year. It vigorously expanded financial institutional and corporate institutional clients, launched diversified and customized product solutions, and consolidated the advantages of the institutional business. It accelerated the collaboration with China Merchants Securities' wealth management business, integrated advantageous resources, and issued the "China Merchants Securities Private Fund 50 Index enhanced FOF series products" and a product linked to the China Merchants Securities Private Fund Index, providing clients with one-stop low-cost private fund allocation services and enhancing the stickiness of corporate wealth management clients and high-net-worth clients. In addition, CMS Asset Management continuously optimized and improved its investment and research capabilities in terms of talents, mechanism and system, and built an investment and research framework system focusing on the Investment Decision-making Committee, covering major categories of assets, fixed-income investment, equity investment and quantitative investment. According to the statistics from the Securities Association of China and the Asset Management Association of China, CMS Asset Management ranked 5th in the industry in terms of the scale of AUM as at the end of 2021, and ranked 4th in the industry in terms of average monthly active private AUM in 2021.

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Category	AUM (RMB100 million)		Net income from asset management business (RMB100 million)	
	2021	2020	2021	2020
Collective asset management	2,028.09	1,303.40	7.73	7.84
Separately managed account	2,151.94	3,475.80	4.03	3.51
Specialized asset management	651.50	640.02	0.46	0.17
<b>Total</b>	<b>4,831.53</b>	<b>5,419.22</b>	<b>12.22</b>	<b>11.52</b>

Source: Internal statistics of the Company

### (2) Private equity fund management

In 2021, China's economy operated steadily with an upward trend, and the reform of the capital market was fully deepened. The equity investment market was active, with the amount of proceeds raised and invested reaching a record high. According to the statistics from Zero2IPO Group, in 2021, the total amount of newly-raised funds in the domestic equity investment market was RMB2.21 trillion, representing a year-on-year increase of 84.5%; the total investment amount was RMB1.42 trillion, representing a year-on-year increase of 60.4%; and the number of exit cases was 4,532, representing a year-on-year increase of 18.0%. Of which, IPO exit cases accounted for approximately 70%. Meanwhile, China focused on building a new landscape of dual circulation and innovation-driven development. There was booming development in emerging industries such as emission peak and carbon neutrality, healthcare, semiconductors and digital economy, providing new opportunities for the domestic equity investment industry.

During the Reporting Period, leveraging the distinctive resource platform of China Merchants Group and China Merchants Securities, CMS Zhiyuan continued to establish a distinctive business system and build up professional investment capabilities. In terms of fundraising, CMS Zhiyuan actively expanded clients resources of listed companies, local governments and SOEs, and cooperated with Tongling Nonferrous Metals Group Co., Ltd., a listed company, to establish an advanced structural materials industrial fund, and China Vanke Co., Ltd. to establish REITs-like funds, raising approximately RMB2.2 billion of proceeds. In terms of investment, it continued to focus on key industries such as emission peak and carbon neutrality, healthcare, advanced manufacturing and digital economy as well as the advantageous industries of China Merchants Group including transportation, logistics and financial technology, and successfully invested in companies including ChangXin Memory Technologies, FABU Technology, Nalong Science and Technology, Meike Solar and Genfine Biotech, with an investment amount of approximately RMB2.1 billion. It also consolidated the post-investment management system and promoted platform-based management. During the Reporting Period, four investees have undergone IPOs, with another two approved and filed for IPOs. It recorded exiting proceeds of RMB3.3 billion. According to the statistics from the Asset Management Association of China, in the fourth quarter of 2021, the average monthly AUM of CMS Zhiyuan amounted to RMB17.353 billion, ranking 8th among brokers.

### (3) Fund management

In 2021, the scale of the mutual fund industry reached a new high. The amount of AUM surpassed RMB25 trillion, with approximately 3 trillion funds being newly issued. Of which, newly issued equity funds and hybrid funds both reached a historical new high. The pilot project of mutual fund investment advisory business continued to expand, and innovative products such as public offering REITs continued to emerge, further improving the portfolio of domestic financial products and providing investors with more abundant tools for asset allocation.

#### ① Bosera Funds

The Company holds 49% of the equity of Bosera Funds. In 2021, Bosera Funds adhered to the principle of stability and endogenous growth, optimized product structure, improved product quality, focused on building the core capabilities of equity investment, and strengthened and expanded the pension management business, so as to generate advantages for sustainable and high-quality development.

As at the end of the Reporting Period, the AUM of Bosera Funds amounted to RMB1,655.3 billion (excluding the assets managed by subsidiaries), of which assets managed under mutual funds (excluding feeder funds) amounted to RMB989.2 billion, representing a year-on-year increase of 25.45% and 38.81%, respectively. According to the statistics from Wind, as at the end of 2021, Bosera Funds ranked 8th 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 2021, China Merchants Fund seized market opportunities, focused on the two key tasks of “reform” and “innovation” of its internal system and mechanism, and further strengthened marketization and professionalization through a series of measures such as investment and research reform, market expansion, product innovation, digital transformation and team building, thereby maintaining a sound development momentum.

As at the end of the Reporting Period, the AUM of China Merchants Fund amounted to RMB1,080.0 billion (excluding the assets managed by subsidiaries), of which assets managed under mutual funds (excluding feeder funds) amounted to RMB741.0 billion, representing a year-on-year increase of 37.71% and 47.21%, respectively. According to the statistics from Wind, as at the end of 2021, China Merchants Fund ranked 7th in the industry in terms of AUM of non-monetary mutual funds, and ranked 3rd in terms of AUM of equity and bond 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 2021, the global economy showed a trend of recovery. Commodity prices rose due to supply shocks, leading to the expected rise in inflation. Under the recurrence of the COVID-19 pandemic, the global stock market rose amid volatility. Meanwhile, there was expected rise in U.S. interest rate, and the rise in yield of U.S. short-term treasury bonds accelerated. Despite the relatively weak performance of weighted stocks in the A share market, the new energy, cyclical and military industries showed structural market opportunities. The domestic bond market was stable. The ChinaBond Composite Index rose by 5.09% throughout the year, slightly higher than the average rise in the bond market in the past ten years. For the foreign exchange market, the U.S. dollar index rose by 6.37% throughout the year amid fluctuations to 95.67. The central parity rate of Renminbi against U.S. dollar amounted to 6.3757, representing an appreciation of approximately 2.29% throughout the year.

During the Reporting Period, the Company adhered to asset allocation, and focused on risk-neutral strategic investment and client demand-driven investment. As at the end of 2021, the Company's financial assets amounted to RMB311.658 billion, representing a year-on-year increase of 36.04%.

For the stock investment business, the Company adhered to the investment philosophy of pursuing absolute returns, continuously strengthened the construction of the investment research team, actively increased investment strategies, and strictly controlled risks. As a result, it significantly outperformed the CSI 300 Index, and achieved better investment returns.

The Company actively engages in capital-based intermediary transactions such as fund market making, options and futures market making and OTC derivatives, as well as risk-neutral investment business such as quantitative strategies. For fund market making, the Company continued to develop market making projects and expanded its business scale. Its competitiveness in terms of market making ranked among the top of its peers. It was awarded the comprehensive AA rating by the SSE and SZSE in 2021, and was named as the Best Stock ETF Market Maker and Best Cross-border ETF Market Maker by the SSE. For options and futures market making, the Company continuously improved the market competitiveness of quotations by optimizing its market making strategies and system as well as leveraging financial technologies such as big data and machine learning. The Company was qualified as a market maker for 49 listed options and futures, ranking 1st among brokers. It was awarded the comprehensive AA rating as an options market maker by the SSE and SZSE in 2021, as well as the "2021 Outstanding Stock Option Market Maker Award" by the SZSE and other awards as a market maker by the Exchanges. For OTC derivatives, the Company continued to improve its trading and risk hedging capabilities and client service standards, and actively expanded the total return swap (TRS) business. Its underlying assets covered various assets such as domestic and overseas equities and commodities, maintaining a sound growth momentum. As at the end of the Reporting Period, the existing notional principal of the Company's OTC derivatives increased by 117% year-on-year, and the new notional principal of OTC derivatives increased by 89% year-on-year.

In terms of fixed-income investment, the Company upheld the philosophy of prudent investment, strengthened the construction of the credit system, comprehensively assessed credit risks, steadily enlarged the scale of investment, flexibly engaged in swing trading, and reduced risk exposure by utilizing hedging tools in a timely manner. The return on domestic fixed-income investment significantly outperformed market benchmarks. The Company also actively used various derivatives to vigorously carry out risk-neutral strategies. The trading volume of interest rate swaps increased by 78% year-on-year. For market making business, the Company fully launched the automated quotation system, and the number of market making quotations on the Bond Connect approximately doubled year-on-year. The Company's market making trading volume of China government bond (CGB) has been among the top of the industry for three consecutive years (2019-2021), and the Company won the "2020 Outstanding Market Maker Gold Award" and "CGB Best Practice Award" of China Financial Futures Exchange. For overseas fixed-income investment, the Company reduced interest rate risk exposure by diversifying trading varieties and utilizing hedging tools in a timely manner.

The Company continuously improved its foreign exchange trading strategies and varieties, and its profitability steadily improved. In 2021, its trading volume in the interbank foreign exchange market increased by 162% year-on-year, becoming the first broker included in the list of China Foreign Exchange Trading System "Interbank Renminbi Foreign Exchange Market Top 40". The Company was also named as the "Best Renminbi Foreign Exchange Non-Bank Member" by the China Foreign Exchange Trading System, and was the only securities firm included in the list of "Interbank Renminbi Foreign Exchange Market ESP (Executive Streaming Price) Trading Top 10" for two consecutive years.

In terms of alternative investment, CMS Investment continued to strengthen the building of the equity investment team. Focusing on emerging industries in China and the "emission peak and carbon neutrality" strategy, it invested in popular areas, and continuously strengthened the support and services for investees. During the Reporting Period, its new equity investment amounted to RMB2.579 billion.

### 5. Outlook for 2022

In 2022, the internal and external operating environment faced by the Company will remain complicated.

From the perspective of global environment, as affected by supply chain blockage and energy shortage, the global economic environment will become more complex with further increase in uncertainties. It is expected to be difficult for global inflation to return to normal in the short term. Monetary policy adjustments in major developed economies have begun, and the accompanying economic and financial risks must not be overlooked. The volatility of the global financial market will increase.

From the perspective of domestic environment, the fundamentals of China's economy with strong resilience and long-term upward trend will remain unchanged. However, under the triple influence of demand contraction, supply shock and weakening expectations, it will face downward pressure in the short term. In the process of economic transition, certain risk factors relating to economic adjustment are also increasing. The central government will focus on stabilizing the macroeconomy, keeping the economy operating within a reasonable range, maintaining the overall social stability, and preparing for the success of the 20th National Congress of the Communist Party of China. In the capital market, there will be continuous deepening in reform, constant improvement in its basic system and further enhancement in its coverage, inclusiveness and attractiveness, which will also bring new challenges and opportunities to the securities industry.



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From the perspective of industry competition, in the market environment where the average daily turnover of trillions is normalized and the degree of institutionalization is steadily rising, the performance stability of the securities industry will be enhanced, and the passive situation of “being at the mercy of the weather” in the past is expected to be improved. All-round competition will promote the continuous upgrade of service model of the securities industry. The industry competition jointly provoked by leading securities firms, foreign financial institutions and cross-field institutions is becoming increasingly fierce. It is difficult to achieve upward breakthroughs in operating performance by relying on a single business or product. The “client-oriented” comprehensive service model will become a new development direction for the securities industry.

In 2022, the three-year SOE reform will come to an end. The Company will actively promote the steady growth of operating performance, and at the same time steadily facilitate reform, integrate resources to deepen coordination, vigorously promote digital transformation, and continuously consolidate and enhance the competitiveness of core business. The Company will continue to uphold the principle of “expanding capital-light business while strengthening capital-intensive business”, facilitate the coordinated development of service business and capital business, and continuously improve ROE level.

For wealth management and institutional business, the Company will continue to increase clients’ assets, optimize clients’ investment returns, boost income from wealth management, strengthen the building of comprehensive service capabilities for institutional clients, and facilitate the in-depth exploration of clients’ comprehensive value. For custody business, the Company will focus on “business scale expansion” while strengthening innovation and maintaining its industry leading position. For capital intermediary business, the Company will balance risks and profitability, and seek progress while maintaining stability, so as to achieve high-quality development.

For investment banking business, the Company will simultaneously promote transformation and reform and increase revenue through marketing. First, on the basis of “quality first”, the Company will seize business opportunities from the full implementation of the registration-based IPO system, from the normalization of IPOs and additional issuance, and from M&A and public offering REITs, and take multiple measures to increase revenue. Second, the Company will speed up the construction of a modern investment banking business model with platform-based management and in-depth professionalization, and accelerate localization and development in key regions to achieve breakthroughs in regional competitiveness. Third, the Company will adhere to the mission of “China Merchants Securities can serve the nation’s needs”, focus on “self-reliance and self-improvement in science and technology, industrial and supply chain self-controlled, emission peak and carbon neutrality”, and enhance its capability to implement national strategies.

For investment management business, the Company will strengthen and expand the scale of active management and enhance its capacity in equity investment. The Company will launched more star products in order to develop the new momentum of AUM growth. The Company will build a unique product line in order to develop its differentiated competitive strengths.

For investment and trading, the Company will coordinate the asset allocation strategy of “having a large-scale while maintaining stability”, aiming at having “a prudent approach, diversified strategies, leading business scale and efficient coordination”. The Company will enhance proprietary investment capabilities, strengthen the construction of credit system, comprehensively assess credit risks, and maintain stable business scale and income. The Company will vigorously develop client demand-driven business, further expand the scale of risk-neutral strategic investment business, optimize income structure, and increase investment gains.

## (II) Financial analysis

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

Unit: RMB'000

Item	Current period	Previous period	Year-on-year change
Total revenue, other income and gains	40,342,422	32,469,316	24.25%
Total expenses	28,238,826	22,203,085	27.18%
Profit before income tax	13,703,853	11,308,869	21.18%
Profit for the year	11,657,808	9,503,867	22.66%
Profit for the year attributable to shareholders of the Company	11,645,065	9,491,639	22.69%
Net cash used in operating activities	-54,318,605	-33,343,495	—
Net cash generated from investing activities	13,813,407	2,520,985	447.94%
Net cash generated from financing activities	35,718,315	37,319,970	-4.29%
Net (decrease) increase in cash and cash equivalents	-4,786,883	6,497,460	-173.67%

In 2021, the Company recorded total revenue, other income and gains of RMB40.342 billion, profit before income tax of RMB13.704 billion and profit for the year attributable to shareholders of the Company of RMB11.645 billion, representing a year-on-year increase of 24.25%, 21.18% and 22.69%, respectively. Weighted average return on net assets was 11.52%, representing a year-on-year increase of 0.67 percentage point.

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### 2. Income

Unit: RMB'000

Item	Current period		Previous period		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Fee and commission income	15,304,295	37.94%	12,798,077	39.42%	2,506,218	19.58%
Interest income	11,342,235	28.11%	9,716,966	29.93%	1,625,269	16.73%
Net gain on investment	9,454,795	23.44%	6,783,213	20.89%	2,671,582	39.39%
Net other income and gains	4,241,097	10.51%	3,171,060	9.77%	1,070,037	33.74%
<b>Total revenue, other income and gains</b>	<b>40,342,422</b>	<b>100.00%</b>	<b>32,469,316</b>	<b>100.00%</b>	<b>7,873,106</b>	<b>24.25%</b>

In 2021, the Company recorded total revenue, other income and gains of RMB40.342 billion, representing a year-on-year increase of RMB7.873 billion, or 24.25%, among which:

Fee and commission income of the Company recorded a year-on-year increase of 19.58%, mainly attributable to the year-on-year income growth of 21.89% and 22.30% from securities and futures brokerage business, and underwriting and sponsorship business of the Company, respectively, among which, the increase in the income from securities and futures brokerage business was mainly attributable to the growth of the income from both agency trading business and agency sale of financial products; and the increase in the income from underwriting and sponsorship business was mainly attributable to the income growth of equity underwriting and debt underwriting.

Interest income recorded a year-on-year increase of 16.73%, mainly attributable to the increase of 34.33% in the interest income from margin financing and securities lending due to the larger scale of margin financing and securities lending business as compared to the previous year, as well as the increase in deposit and clearing settlement funds of brokerage clients due to active trading in the market, resulting in a year-on-year increase of 13.80% in the interest income from balance, margin and clearing settlement funds of the Exchanges and financial institutions.

Net gain on investment recorded a year-on-year increase of 39.39%, among which, the dividend and interest income from financial assets at fair value through profit or loss recorded an increase of RMB1.481 billion, and the net losses from derivative financial instruments recorded a decrease of RMB1.005 billion.

Net other income and gains recorded a year-on-year increase of 33.74%, mainly attributable to the revenue growth of commodities under China Merchants Futures, a subsidiary of the Company.



## 3. Expenses

Unit: RMB'000

Item	Current period		Previous period		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Depreciation and amortization	645,607	2.29%	591,279	2.66%	54,328	9.19%
Staff costs	8,315,756	29.45%	7,498,108	33.77%	817,648	10.90%
Fee and commission expenses	2,835,270	10.04%	2,101,235	9.46%	734,035	34.93%
Interest expenses	9,649,572	34.17%	7,118,053	32.06%	2,531,519	35.56%
Tax and surcharges	169,923	0.60%	140,492	0.63%	29,431	20.95%
Other operating expenses	6,246,319	22.12%	4,598,325	20.71%	1,647,994	35.84%
Credit impairment losses	373,061	1.32%	155,575	0.70%	217,486	139.79%
Other impairment losses	3,318	0.01%	18	0.00%	3,300	18333.33%
<b>Total expenses</b>	<b>28,238,826</b>	<b>100.00%</b>	<b>22,203,085</b>	<b>100.00%</b>	<b>6,035,741</b>	<b>27.18%</b>

In 2021, the total expenses of the Company amounted to RMB28.239 billion, representing a year-on-year increase of 27.18%, of which:

Fee and commission expenses amounted to RMB2.835 billion, representing a year-on-year increase of 34.93%, mainly attributable to the increase of RMB719 million, or 35.38%, in the fee and commission expenses of securities and futures brokerage business along with the growth of business and the increase in income.

Interest expenses amounted to RMB9.650 billion, representing a year-on-year increase of 35.56%, mainly attributable to the increase in debt financing scale.

Staff costs amounted to RMB8.316 billion, representing a year-on-year increase of 10.90%, mainly attributable to the increase in performance-based remuneration as a result of the increase in income.

Credit impairment losses amounted to RMB373 million, representing a year-on-year increase of 139.79%, mainly attributable to the increase in impairment loss of stock pledge repo.

Other operating expenses amounted to RMB6.246 billion, representing a year-on-year increase of 35.84%, mainly attributable to the increase in expenses of commodities.

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

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### 4. Segment revenues

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

Unit: RMB'000

Business segment	Current period		Previous period		Increase/Decrease		Change
	Amount	Percentage	Amount	Percentage	Amount	Percentage	
Wealth management and institutional business	20,673,747	51.25%	16,777,661	51.67%	3,896,086	23.22%	-0.42%
Investment banking	2,610,999	6.47%	2,205,761	6.79%	405,238	18.37%	-0.32%
Investment management	1,802,396	4.47%	1,589,072	4.89%	213,324	13.42%	-0.42%
Investment and trading	10,840,859	26.87%	8,463,978	26.07%	2,376,881	28.08%	0.80%
Others	4,449,650	11.03%	3,481,483	10.72%	968,167	27.81%	0.31%

In 2021, the Company recorded total revenue, other income and gains of RMB40.342 billion, of which:

Revenue from the wealth management and institutional business segment recorded a year-on-year increase of 23.22%, of which, the year-on-year increase in net fee income from agency trading of the Company grew to a larger extent, mainly attributable to the year-on-year increase of 24.66% in the trading volume of stocks and funds in the A share market in 2021 and the increase in the market share of the trading volume of stocks and funds of the Company, along with a decrease in commission rate. The net income from financial products under agency sale of the Company hit a record high. The increase in interest income from margin financing and securities lending also grew to a larger extent due to the growth in margin financing and securities lending.

Revenue from the investment banking business segment recorded a year-on-year increase of 18.37%, of which, the income from equity and debt underwriting both recorded an increase.

Revenue from the investment management business segment recorded a year-on-year increase of 13.42%, mainly attributable to the growth of management fee income driven by the increase in active AUM of CMS Asset Management, a subsidiary of the Company.

Revenue from the investment and trading business segment recorded a year-on-year increase of 28.08%, mainly attributable to the growth of investment income from the fixed-income and derivative investment business of the Company.

Revenue from other business segments recorded a year-on-year increase of 27.81%, mainly attributable to the revenue growth of commodities under China Merchants Futures, a subsidiary of the Company.

In terms of revenue composition, as compared to 2020, the revenue composition of each business segment basically remained stable. The proportion of operating income from the investment and trading business segment and other business segments increased by 0.80 and 0.31 percentage point, respectively, and the proportion of the wealth management and institutional business segment, investment banking business segment and investment management business segment decreased by 0.42, 0.32 and 0.42 percentage point, respectively.

## 4.2 Analysis of segment expenses

Unit: RMB'000

Business segment	Current period		Previous period		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Wealth management and institutional business	13,829,404	48.97%	11,125,551	50.11%	2,703,853	24.30%
Investment banking	1,133,501	4.01%	1,024,669	4.61%	108,832	10.62%
Investment management	546,435	1.94%	462,933	2.08%	83,502	18.04%
Investment and trading	7,372,978	26.11%	5,638,679	25.40%	1,734,299	30.76%
Others	5,391,737	19.09%	3,999,892	18.02%	1,391,845	34.80%

Expenses of each business segment recorded a year-on-year increase to different extent, of which, expenses of the wealth management and institutional business segment increased by 24.30%, mainly attributable to the increase in fee and commission expenses and IT electronic equipment operation and network communication expenses incurred in relation to business operation, and the growth of Internet finance related expenses; expenses of the investment management business segment increased by 18.04%, mainly attributable to the increase in channel fees paid for asset management products; expenses of the investment and trading business segment recorded a year-on-year increase of 30.76%, mainly attributable to the increase in interest expenses resulting from the growth of investment scale; and expenses of other business segments recorded a year-on-year increase of 34.80%, mainly attributable to the increase in expenses of commodities.

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### 5. Cash flows

Unit: RMB'000

Item	Current period	Previous period	Amount increased/decreased	Percentage increased/decreased
Net cash used in operating activities	-54,318,605	-33,343,495	-20,975,110	—
Net cash generated from investing activities	13,813,407	2,520,985	11,292,422	447.94%
Net cash generated from financing activities	35,718,315	37,319,970	-1,601,655	-4.29%
Net (decrease) increase in cash and cash equivalents	-4,786,883	6,497,460	-11,284,343	-173.67%

In 2021, the net increase in cash and cash equivalents of the Company was a deficit of RMB4.787 billion. Of which, net cash used in operating activities recorded a deficit of RMB54.319 billion; net cash generated from investing activities amounted to RMB13.813 billion; and net cash generated from financing activities amounted to RMB35.718 billion.

- (1) Net cash used in operating activities decreased by RMB20.975 billion as compared to 2020, mainly attributable to the year-on-year increase in financial assets at fair value through profit or loss of RMB52.143 billion, and the decrease in financial assets sold under repurchase agreements of RMB13.451 billion, partially offset by the reduction of increase in advances to customers of RMB9.706 billion and the increase in financial assets held under resale agreements of RMB29.476 billion.
- (2) Net cash flow from investing activities increased by RMB11.292 billion as compared to 2020, mainly attributable to the increase in the net proceeds from the disposal of financial assets at fair value through other comprehensive income of RMB9.151 billion, and the increase in the proceeds from the disposal of investment in associates of RMB1.146 billion during the year.
- (3) Cash flow from financing activities decreased by RMB1.602 billion as compared to 2020, mainly attributable to the year-on-year increase in proceeds received from the issuance of bonds and short-term debt instruments of RMB22.432 billion, partially offset by the decrease in the proceeds received from the issuance of shares of RMB14.824 billion and the increase in the repayment of bonds and short-term debt instruments of RMB9.447 billion.

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

Unit: RMB'000

Item	December 31, 2021		December 31, 2020		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
<b>Non-current assets</b>						
Property and equipment	1,480,506	0.25%	1,547,029	0.31%	-66,523	-4.30%
Right-of-use assets	1,643,651	0.28%	1,608,964	0.32%	34,687	2.16%
Goodwill	9,671	0.00%	9,671	0.00%	—	—
Other intangible assets	35,602	0.01%	19,988	0.00%	15,614	78.12%
Investment in associates	9,648,858	1.62%	9,508,149	1.90%	140,709	1.48%
Equity instruments at fair value through other comprehensive income	1,409,254	0.24%	7,420,580	1.48%	-6,011,326	-81.01%
Debt instruments at amortized cost	164,506	0.03%	921,389	0.18%	-756,883	-82.15%
Financial assets held under resale agreements	665,863	0.11%	1,362,032	0.27%	-696,169	-51.11%
Financial assets at fair value through profit or loss	10,577,488	1.77%	7,565,032	1.51%	3,012,456	39.82%
Deferred tax assets	1,561,415	0.26%	1,818,424	0.36%	-257,009	-14.13%
Other non-current assets	747,041	0.13%	1,132,319	0.23%	-385,278	-34.03%
Total non-current assets	27,943,855	4.68%	32,913,577	6.59%	-4,969,722	-15.10%
<b>Current assets</b>						
Advances to customers	98,686,506	16.52%	81,754,350	16.36%	16,932,156	20.71%
Current tax assets	139,954	0.02%	106,799	0.02%	33,155	31.04%
Account and other receivables	5,457,785	0.91%	6,429,522	1.29%	-971,737	-15.11%
Debt instruments at fair value through other comprehensive income	40,582,323	6.80%	44,614,600	8.93%	-4,032,277	-9.04%
Debt instruments at amortized cost	953,120	0.16%	818,001	0.16%	135,119	16.52%
Financial assets held under resale agreements	38,532,729	6.45%	50,898,293	10.19%	-12,365,564	-24.29%
Financial assets at fair value through profit or loss	254,766,790	42.66%	166,030,032	33.22%	88,736,758	53.45%
Derivative financial assets	3,204,641	0.54%	1,726,339	0.35%	1,478,302	85.63%
Deposits with Exchanges and non-bank financial institutions	13,141,791	2.20%	9,067,233	1.81%	4,074,558	44.94%
Clearing settlement funds	25,873,373	4.33%	22,529,340	4.51%	3,344,033	14.84%
Cash and bank balances	87,938,261	14.72%	82,838,593	16.58%	5,099,668	6.16%
<b>Total current assets</b>	<b>569,277,273</b>	<b>95.32%</b>	<b>466,813,102</b>	<b>93.41%</b>	<b>102,464,171</b>	<b>21.95%</b>
<b>Total assets</b>	<b>597,221,128</b>	<b>100.00%</b>	<b>499,726,679</b>	<b>100.00%</b>	<b>97,494,449</b>	<b>19.51%</b>

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As at the end of 2021, the total assets of the Company amounted to RMB597.221 billion, increased by RMB97.494 billion, or 19.51%, as compared to the end of 2020. The total current assets amounted to RMB569.277 billion and total non-current assets accounted to RMB27.944 billion. The balance of financial assets<sup>2</sup> as at the end of the Reporting Period was RMB311.658 billion, increased by RMB82.562 billion as compared to the end of 2020, and the balance of advances to customers as at the end of the Reporting Period was RMB98.687 billion, increased by RMB16.932 billion as compared to the end of 2020.

The Company has maintained satisfactory asset quality and liquidity. Net current assets as at the end of 2021 amounted to RMB202.714 billion, representing an increase of RMB68.381 billion, or 50.90%, as compared to last year, which was mainly attributable to the growth in financial assets and advances to customers. As at the end of 2021, the Company's cash and bank balances and clearing settlement funds, financial assets, advances to customers and financial assets held under resale agreements, and investment in associates accounted for 19.05%, 52.18%, 23.09% and 1.62% of total assets, respectively. As compared to the end of last year, the proportion of cash and bank balances and clearing settlement funds to total assets decreased by 2.04 percentage points; the proportion of financial assets to total assets increased by 6.34 percentage points; and the proportion of advances to customers and financial assets held under resale agreements to total assets decreased by 3.73 percentage points.

Unit: RMB'000

Item	December 31, 2021		December 31, 2020		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
<b>Current liabilities</b>						
Short-term borrowings	5,248,006	1.08%	3,290,295	0.84%	1,957,711	59.50%
Short-term debt instruments	26,935,839	5.56%	36,216,758	9.19%	-9,280,919	-25.63%
Placements from other financial institutions	6,743,717	1.39%	11,002,762	2.79%	-4,259,045	-38.71%
Accounts payable to brokerage clients	99,605,342	20.55%	85,441,243	21.69%	14,164,099	16.58%
Accrued staff costs	8,059,301	1.66%	6,759,837	1.72%	1,299,464	19.22%
Other payables and accrued charges	32,690,883	6.75%	18,451,855	4.68%	14,239,028	77.17%
Current tax liabilities	553,519	0.11%	249,546	0.06%	303,973	121.81%
Financial liabilities at fair value through profit or loss	21,320,342	4.40%	11,249,844	2.86%	10,070,498	89.52%
Derivative financial liabilities	4,616,992	0.95%	3,071,802	0.78%	1,545,190	50.30%
Financial assets sold under repurchase agreements	127,417,730	26.29%	119,258,195	30.28%	8,159,535	6.84%
Lease liabilities	321,889	0.07%	294,159	0.07%	27,730	9.43%

<sup>2</sup> Financial assets = Debt instruments at fair value through other comprehensive income + Debt instruments at amortized cost + Financial assets at fair value through profit or loss + Equity instruments at fair value through other comprehensive income + Derivative financial assets

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Item	December 31, 2021		December 31, 2020		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Provisions	128,144	0.03%	377	0.00%	127,767	33,890.45%
Long-term borrowings due within one year	642	0.00%	253,004	0.06%	-252,362	-99.75%
Bonds payable due within one year	32,920,742	6.79%	36,939,761	9.38%	-4,019,019	-10.88%
<b>Total current liabilities</b>	<b>366,563,088</b>	<b>75.64%</b>	<b>332,479,438</b>	<b>84.41%</b>	<b>34,083,650</b>	<b>10.25%</b>
<b>Net current assets</b>	<b>202,714,185</b>	<b>41.83%</b>	<b>134,333,664</b>	<b>34.10%</b>	<b>68,380,521</b>	<b>50.90%</b>
<b>Total assets less current liabilities</b>	<b>230,658,040</b>	<b>47.59%</b>	<b>167,247,241</b>	<b>42.46%</b>	<b>63,410,799</b>	<b>37.91%</b>
<b>Non-current liabilities</b>						
Accrued staff costs	223,661	0.05%	395,360	0.10%	-171,699	-43.43%
Deferred tax liabilities	491,857	0.10%	790,161	0.20%	-298,304	-37.75%
Financial liabilities at fair value through profit or loss	1,867,596	0.39%	2,692,207	0.68%	-824,611	-30.63%
Bonds payable	113,393,215	23.40%	56,040,867	14.23%	57,352,348	102.34%
Long-term borrowings	979,540	0.20%	418,353	0.11%	561,187	134.14%
Deferred income	116,144	0.02%	119,340	0.03%	-3,196	-2.68%
Lease liabilities	995,576	0.21%	966,240	0.25%	29,336	3.04%
<b>Total non-current liabilities</b>	<b>118,067,589</b>	<b>24.36%</b>	<b>61,422,528</b>	<b>15.59%</b>	<b>56,645,061</b>	<b>92.22%</b>
<b>Total liabilities</b>	<b>484,630,677</b>	<b>100.00%</b>	<b>393,901,966</b>	<b>100.00%</b>	<b>90,728,711</b>	<b>23.03%</b>

As at the end of 2021, the total liabilities of the Company amounted to RMB484.631 billion, representing an increase of RMB90.729 billion, or 23.03%, as compared to the end of 2020. Of which, the current liabilities amounted to RMB366.563 billion and non-current liabilities amounted to RMB118.068 billion. Accounts payable to brokerage clients increased by RMB14.164 billion as compared to the end of 2020. The balance of bonds payable as at the end of the period increased by RMB57.352 billion; the balance of financial assets sold under repurchase agreements as at the end of the period increased by RMB8.160 billion; and the balance of financial liabilities at fair value through profit or loss as at the end of the period increased by RMB9.246 billion.

Excluding the accounts payable to brokerage clients, as at the end of the year, the total assets of the Company amounted to RMB497.616 billion, increased by RMB83.331 billion, or 20.11%, as compared to the end of 2020, and the total liabilities of the Company amounted to RMB385.025 billion, increased by RMB76.564 billion, or 24.82%, as compared to the end of 2020. The gearing ratio, after deducting accounts payable to brokerage clients, of the Company was 77.37%, representing a rise of 2.91 percentage points as compared to the end of 2020.



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Unit: RMB'000

Item	December 31, 2021		December 31, 2020		Increase/Decrease	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
<b>Equity</b>						
Share capital	8,696,526	7.72%	8,696,526	8.22%	—	—
Other equity instruments	15,000,000	13.32%	15,000,000	14.17%	—	—
Capital reserve	40,361,022	35.85%	40,361,022	38.14%	—	—
Less: treasury shares	—	—	—	—	—	—
Investment revaluation reserve – financial assets at fair value through other comprehensive income	196,165	0.17%	288,626	0.27%	-92,461	-32.03%
Foreign currency translation reserve	-227,414	-0.20%	-43,094	-0.04%	-184,320	—
General reserves	20,744,058	18.42%	18,514,639	17.50%	2,229,419	12.04%
Retained profits	27,732,673	24.63%	22,919,086	21.66%	4,813,587	21.00%
Equity attributable to shareholders of the Company	112,503,030	99.92%	105,736,805	99.92%	6,766,225	6.40%
Non-controlling interests	87,421	0.08%	87,908	0.08%	-487	-0.55%
<b>Total equity</b>	<b>112,590,451</b>	<b>100.00%</b>	<b>105,824,713</b>	<b>100.00%</b>	<b>6,765,738</b>	<b>6.39%</b>

As at the end of 2021, the equity attributable to shareholders of the parent company of the Company amounted to RMB112.503 billion, representing an increase of RMB6.766 billion, or 6.40%, as compared to the end of 2020. This year, net profit attributable to the parent company amounted to RMB11.645 billion; dividends distributed to shareholders amounted to RMB3.800 billion; and interest payable for perpetual bonds amounted to RMB802 million.

## 7. Overseas assets

Overseas assets amounted to RMB34.147 billion, accounting for 5.72% of total assets.

## (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. During the year, the Company disposed all of its equity interest in Qingdao Asset Management Co., Ltd., an associated company.

### 2. Significant equity investments

Currency: RMB

Target	Initial investment (RMB0,000)	Shareholding as at the beginning of the period (%)	Shareholding as at the end of the period (%)	Closing balance (RMB0,000)	Gain or loss during the Reporting Period (RMB0,000)	Change in owners' equity during the Reporting Period (RMB0,000)	Accounting item	Source
Bosera Funds	369,319.04	49.00%	49.00%	625,257.87	87,132.55	-192.71	Long-term equity investment	Acquisition
China Merchants Fund	85,084.45	45.00%	45.00%	334,560.47	72,116.90	1,107.50	Long-term equity investment	Establishment and acquisition
Total	454,403.49	—	—	959,818.34	159,249.45	914.79		

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

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### 3. Financial assets measured at fair value

Unit: 10,000 Yuan Currency: RMB

Item	As at the end of December 2021		January – December 2021	
	Initial investment cost/nominal amount	Fair value	Investment gains/ interest income	Change in fair value
Financial assets held-for-trading	25,799,789.72	26,534,427.78	923,390.92	153,823.40
Other debt investments	3,954,227.17	4,058,232.33	145,500.04	8,063.14
Investment in other equity instruments	131,384.57	140,925.44	42,607.45	-24,333.77
Derivative financial assets	49,334,636.06	320,464.19	-29,181.70	-53,123.56
Derivative financial liabilities		461,699.16		
Financial liabilities held-for-trading	2,298,762.97	2,318,793.78	-79,584.07	-25,291.77
Sub-total	—	—	1,002,732.64	59,137.44

#### (IV) Analysis of principal subsidiaries and companies in which the Company has a non-controlling interest

##### 1. Analysis of subsidiaries

##### (1) China Merchants Securities Asset Management Co., Ltd. (a company incorporated in the People's Republic of China with limited liability)

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

Unit: 10,000 Yuan Currency: RMB

Item	For/as at the end of 2021	For/as at the end of 2020
Registered capital	100,000	100,000
Total revenue, other income and gains	135,913	128,588
Net profit	68,792	76,106
Total assets	509,253	490,621
Net assets	463,077	394,061

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

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

In 2021, CMS International completed a capital increase of HK\$2.35 billion, and was awarded Baa2/P-2 rating for the first time by Moody's. It also issued overseas U.S. dollar bonds for the first time, further enhancing its capital strength and risk resistance capability.

Unit: 10,000 Currency: HK\$

Item	For/as at the end of 2021	For/as at the end of 2020
Paid-up capital	645,363	410,363
Total revenue, other income and gains	218,644	150,654
Net profit	87,632	50,577
Total assets	4,181,587	2,924,544
Net assets	950,924	631,119

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

China Merchants Futures is a wholly-owned subsidiary of China Merchants Securities with a registered capital of RMB3.598 billion. Its principal businesses include commodity futures brokerage, financial futures brokerage, futures investment consultation and asset management. As at the end of 2021, China Merchants Futures has four futures branches in Beijing, Guangzhou, Shanghai and Hangzhou, one branch office in Henan and one risk management subsidiary, i.e. China Merchants Securities Capital Investment Co., Ltd. (招證資本投資有限公司).

Unit: 10,000 Yuan Currency: RMB

Item	For/as at the end of 2021	For/as at the end of 2020
Registered capital	359,800	359,800
Total revenue, other income and gains	502,289	371,609
Net profit	37,378	21,306
Total assets	2,711,553	1,953,530
Net assets	444,661	477,283

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

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

Unit: 10,000 Yuan Currency: RMB

Item	For/as at the end of 2021	For/as at the end of 2020
Registered capital	210,000	210,000
Total revenue, other income and gains	21,602	17,882
Net profit attributable to the parent company	4,348	2,941
Total assets	499,975	639,631
Net assets attributable to the parent company	211,763	257,415

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

CMS Investment is a wholly-owned subsidiary of China Merchants Securities with a registered capital of RMB7.1 billion. It 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 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 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 at the end of 2021	For/as at the end of 2020
Registered capital	710,000	710,000
Total revenue, other income and gains	144,794	64,538
Net profit	101,163	48,130
Total assets	970,299	809,373
Net assets	882,167	781,004

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

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

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

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 at the end of 2021	For/as at the end of 2020
Registered capital	25,000	25,000
Operating income	576,399	422,601
Operating profit	231,235	164,882
Net profit	177,870	124,703
Total assets	1,084,915	885,923
Net assets	713,511	576,083

### (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 at the end of 2021	For/as at the end of 2020
Registered capital	131,000	131,000
Operating income	523,192	323,513
Operating profit	209,405	116,933
Net profit	160,260	90,385
Total assets	1,014,930	823,661
Net assets	699,124	590,634

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

As of December 31, 2021, the Group consolidated 48 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 comprehensively assesses whether its potential variable returns will be significantly affected by the returns attributable to its investment and the remuneration as a manager and whether the Group is a principal of the entity. As of December 31, 2021, the total assets of the consolidated structured entities amounted to RMB20.539 billion.

### (VI) Financing

#### 1. *Financing channels and financing capabilities*

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

In 2021, the Company obtained a corporate bond issuance quota of not more than RMB50 billion and a subordinated bond issuance quota of not more than RMB20 billion in the Exchanges, and was approved a cap of balance of short-term financing bonds of RMB31 billion in the interbank market. The Company continuously optimizes its capital structure and debt structure, so as to supplement the capital requirements for business development.

#### 2. *Liability structure*

As at the end of 2021, total liabilities of the Company amounted to RMB484.631 billion. Excluding the amount of agency trading, total liabilities amounted to RMB385.025 billion. Of which, bonds payable amounted to RMB146.314 billion, accounting for 38.00% of liabilities; long-term borrowings amounted to RMB0.980 billion, accounting for 0.25% of liabilities; financial assets sold under repurchase agreements amounted to RMB127.418 billion, accounting for 33.09% of liabilities; short-term borrowings amounted to RMB5.248 billion, accounting for 1.36% of liabilities; and placements from banks and other financial institutions amounted to RMB6.744 billion, accounting for 1.75% of liabilities. Currently, the Company has no debts overdue. The solvency of the Company is strong and the liquidity risk is controllable.



### 3. *Liquidity management*

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

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

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

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

In 2021, the Company vigorously promoted digital construction. Utilizing technology and driven by innovation, the Company seized new opportunities for the capital market development, and successfully launched a series of innovative products and services.

During the Reporting Period, the Company formulated the “14th Five-Year” digitalization plan, and completed the top-level design for technology and business digitalization. The Company comprehensively upgraded its digital organization. The information technology center has been upgraded to the financial technology center, emphasizing on the value brought by the deep integration of financial technology and business development. The Company established the Wuhan financial technology center to further enrich the talent team for digital development. The information technology business partner (ITBP) has been upgraded to the “product manager” system, opening up the last stage of business and inter-connection.

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In 2021, the business digital transformation and digital core capabilities development have achieved remarkable results. For retail business, “China Merchants Securities APP” ranked top five among large-scale brokers in terms of MAU. “CMS Wealth Management +” connected internal management platform to the WeChat ecosystem, enabled the Company to serve over 2.9 million users through WeChat. For institutional business, Geetek’s full trading cycle capability performance maintained its industry-leading status. The Company was the first to launch a hardware-accelerated (FPGA) options market making counter. The new cloud-native OTC derivatives trading platform enabled multi-asset end-to-end trading services in one app. Breakthrough was also achieved in the investment banking business digitalization. The “corporate client CRM system” supported the online management of more than 1,000 companies in the “Gazelle Incubator Project” company database. The “intelligent investment banking business platform” supported the issuance of the first batch of REITs public offering, and took the lead in launching the intelligent analysis for all formats of bank transactions. The Company successfully launched the second phase of the “new generation of cloud-native core business system”, and commenced trial operation for the third phase, establishing the first cloud-native core trading system in the industry. The Company was also the first to use distributed database for the query of core trading history. The Company consolidated digital core capabilities, steadily improved secured operation, efficient delivery, platform development and autonomous control capabilities, and continuously improved the stability, efficiency and growth of technology platform.

In 2021, the Company continuously promoted the investment and innovation business, and became the first batch of qualified institutions to issue credit-protected warrants for providing pledge repo to protected bonds. The Company actively developed green finance. Driven by forward-looking researches on “emission peak and carbon neutrality”, the Company fostered the development of investment banking business, and pushed for full industrial chain investment business development grand plan and strategy.



### 2. Risk control for innovative business

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

The Company has established the Technology Innovation Office as the department for the coordination and promotion of technology innovation. The Company's Risk Management Department and Legal Compliance Department have been involved in the early stages of project establishment, design and validation of innovative activities, conducted risk assessment and compliance validation and prevented any potential legal risks in relation to innovative activities, fully validated and assessed any risks involved in innovative activities, and provided guidance to business departments on improving the internal control systems and procedures. Major innovative activities are also subject to special review and consideration by the Company's Risk Management Committee.

- ② The Company has established a risk monitoring and pre-warning system for innovative activities and dynamically adjusted the monitoring indicators to ensure that the risk exposure to innovative activities is always kept within an acceptable range as far as the Company's net capital and liquidity are concerned.

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

- ③ The Company has incorporated the development of innovative business into the scope of internal audit and implemented comprehensive inspections on the management system, control processes and system construction of relevant businesses to continuously improve the effectiveness of internal control system of innovative business.

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

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### (VIII) Establishment and disposal of branches

During the Reporting Period, China Merchants Securities did not establish or close any branches or securities branches, and completed the intra-city relocation of 21 securities branches. China Merchants Futures completed its intra-city relocation on August 24, 2021, and its registered address and office address have been changed to China Merchants Securities Building. The office address of CMS Zhiyuan, CMS Investment and CMS Asset Management has been changed to China Merchants Securities Building on August 1, 2021, and their registered address has remained unchanged.

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

### (I) Industry pattern and trend

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

First, the development foundation of the capital market will continue to be reinforced, and the registration-based IPO system will be fully implemented. The Party Central Committee and the State Council have made multiple arrangements for the reform of the registration-based IPO system. The pilot projects of the registration-based IPO system on the STAR Market, ChiNext Board and Beijing Stock Exchange have achieved good results, providing experience for the full implementation of the registration-based IPO system. Relevant regulations, rules and procedures have been continuously enhanced, and the practice capacity of intermediaries has been strengthened, thereby laying a sound foundation for the full implementation of the registration-based IPO system. Second, market development will focus on “maintaining stability”. Under the recurrence of the COVID-19 pandemic, the world economy and political environment have undergone tremendous changes, posing challenges to the stable development of China’s capital market. The development of China’s capital market will focus even more on “seeking progress while maintaining stability”, putting risk prevention as a more important priority, and effectively serving the needs of building a new development pattern and pursuing high-quality development. Third, two-way opening-up will be deepened and advanced in the capital market. The construction of a globalized and market-oriented capital market is inseparable from two-way opening-up. Driven by the two-way high-standard opening-up of markets, institutions and products, China’s capital market is increasingly attractive to global financial institutions and investors, facilitating the construction of a high-quality capital market. Fourth, supervision will be strengthened to prevent the disordered expansion of capital. Through supervision, the regulation and guidance on capital will be further strengthened. Strict supervision will be implemented for financing and M&A activities in specific sensitive areas, and an institutional mechanism for preventing disordered expansion of capital will be established and improved, so as to ensure the sound development of the capital market.

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

The rapid development of the capital market has boosted the development and growth of the securities industry, and the trend of being capital-intensive is still prominent in the industry. Along with the growth of the institutional client base, there has been rapid development in OTC derivatives and margin financing and securities lending businesses, as well as increasingly intense integration between the capital business and service intermediary business of securities firms, thereby promoting the continuous growth of industry's assets. Meanwhile, the business model of securities firms has become more diversified, with significant enhancement in the stability of earnings. The revenue contribution of traditional brokerage business has gradually declined, while the development of wealth management, institutional client services and equity investment businesses has accelerated. Revenue of the industry has become more diversified and stable.

Along with the development of the industry, the competition of securities firms has shown the following characteristics: First, capital is still an important competitive factor. In recent years, many small, medium and large-sized securities firms have been actively engaged in equity financing to meet the capital needs led by rapid business growth. Second, the comprehensive business model has become increasingly prominent. In recent years, under the continuous influence of "Internet thinking", the competitive strategy of the securities industry has gradually shifted from the previous business model of relying on a single product with independent business operation to the "client-oriented" business model of offering comprehensive services and comprehensive pricing. Third, entities competing in the industry have become more diversified. Along with the deepening of two-way opening-up of finance, international investment banks are accelerating their planning in the domestic capital market and actively applying for domestic securities licences. Leveraging their technological capabilities, capital strength and overseas market experience, they compete fiercely with domestic securities firms in advantageous fields such as high-end client services and asset management. Meanwhile, Internet companies, third-party sales agencies, fund companies and commercial banks also compete head-to-head with securities firms in the field of wealth management.

### **(II) Development strategies of the Company**

#### **1. Development opportunities facing the Company**

First, for the capital market, the reform focusing on the registration-based IPO system has been accelerated, and the foundation for the development of the securities industry has been continuously reinforced. Securities firms will continue to share the benefits arising from capital market reform. Second, people have acknowledged the concept of "housing is for living in, not for speculation". An increasing amount of wealth is flowing into the capital market, and residents have more urgent and stronger demand for wealth management, laying the foundation for securities firms to speed up the development of wealth management business and create a new business growth pole. Third, the growth of institutional investors has brought more comprehensive and diversified business opportunities, driving securities firms to accelerate service upgrades, enhance innovation and build a more robust business portfolio. Fourth, driven by the national technological innovation strategy, there has been rapid development and strong demand for financing in new generation of industries such as information technology, new energy, new materials, high-end manufacturing, semiconductors and biomedicine. Along with the full implementation of the registration-based IPO system, there will be new opportunities for investment banking and equity investment business. Fifth, the increase in varieties of financial instruments, the rapid enhancement of operating system and trading mechanism and the further advancement of two-way opening-up have brought extensive development prospects for investment and trading across different markets, time scales and regions.

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### 2. *Challenges facing the Company*

First, the diversified upgrade of clients' demand has driven the transformation of industry competition model to a comprehensive one, and the traditional organizational form and operational model of securities firms are facing enormous challenges. Second, the in-depth application of new technologies such as mobile Internet, big data and artificial intelligence has spawned new business forms. For example, the rise of new communication means such as short videos and live broadcasts has changed the way to reach clients. The ability to utilize technology has become the key for securities firms to shape differentiated competitive advantages. Third, along with the deepening and advancement of capital market reform, there has been higher requirements on the professional service capabilities and risk management capabilities of securities firms. Meanwhile, it is still the general trend to impose strict industry supervision, posing increasing pressure on the retention of talents, operation and management of securities firms. Fourth, there has been advancement in the opening-up of finance. International financial institutions have accelerated their planning in the Chinese market. Leveraging their global resources, mature client service models and flexible and rapid innovation capabilities, they will pose impact on the relatively traditional business management mechanism and client service model of the domestic securities industry.

### 3. *Development strategies of the Company*

From 2019 to 2023, the Company will uphold its strategic vision of "being client-oriented and becoming the best investment bank in China with international competitiveness" and comply with the overall requirements of "advocating quality first, prioritizing efficiency and maintaining moderate scale", so as to accomplish the strategic goal of "becoming one of the top five in the industry in terms of overall competitiveness". The Company will implement the "reform strategies" and strive to achieve high-quality development and sustainable growth.

The Company will adhere to the strategic principle of "expanding capital-light business while strengthening capital-intensive business", accelerate endogenous growth, intensify reform, transformation and technological innovation, continuously improve its business model, optimize its business structure, and enhance development momentum. During the planning period, upholding the client-oriented principle, the Company will build a modern investment bank through "six enhancements", and give play to the value-driven role of investment bank. It will build a comprehensive wealth management service provider, and consolidate the comprehensive service advantages of institutional clients. It will promote the integrated development of capital business and service business, so as to enhance comprehensive financial service capabilities. It will accelerate digital transformation and increase investment in financial technology, so as to build a "technology-enabled" system. It will strengthen five core strategies including the integration of cross-border services and the enhancement of cross-border business service capabilities, so as to provide clients with one-stop comprehensive services and continuously improve overall competitiveness. Meanwhile, during the planning period, the Company will focus on building the "five" core capabilities of risk control, technology, talent cultivation, collaboration and capital, so as to support the sound development of each business of the Company.



### (III) Business plans

For details, please refer to “Outlook for 2022” in “V. Operations of Principal Businesses during the Reporting Period” in this chapter of this report.

### (IV) Potential risks

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

#### 1. Risk management

##### (1) Risk management structure

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

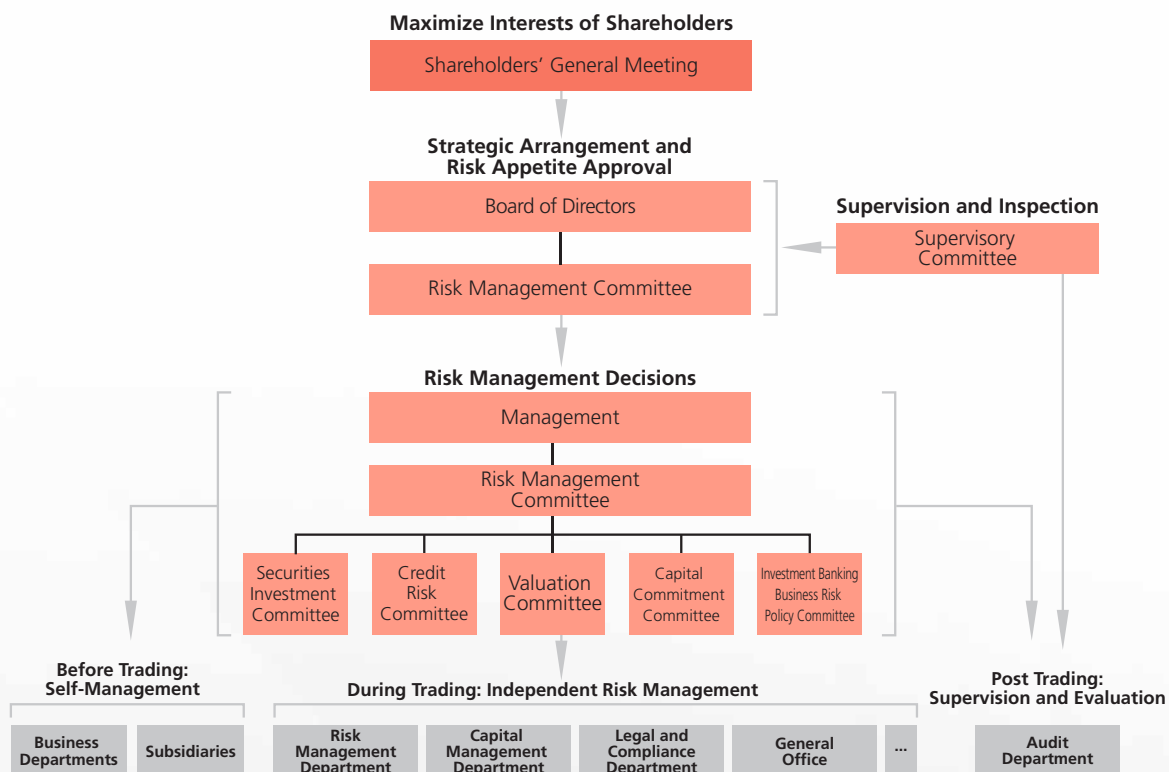
In accordance with the Guidelines for Internal Control of Securities Companies (《證券公司內部控制指引》) and Enterprise Risk Management Standard of Securities Companies (《證券公司全面風險管理規範》), and taking into account its operational needs, the Company has taken the lead in establishing a five-level risk management structure, 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.



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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.

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

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

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

### (4) Risk management culture

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

### (5) Risk management IT system

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

The platform for intelligent integrated risk management of the Group automatically captures, calculates and integrates various basic data through construction of risk models, statistical analysis of historical data and other methodologies, and realizes the accurate submission of various regulatory reports and the monitoring and early warning of all risk limits of the parent company and its subsidiaries. By upgrading the internal credit rating engine for bonds, the Company has launched an automated rating process and established a mechanism for automatic adjustment and manual adjustment of rating results, fully ensuring the timeliness and accuracy of the default risk measurement of entities. Through the establishment of a system of client with negative information and a comprehensive risk management system, the Company has improved the risk monitoring, tracking and early warning capabilities of the credit business, as well as the vertical management capabilities of the parent company and its subsidiaries. Through the risk data collection of the Group, internal and external data sources such as business data and information data can be integrated into each subject of the risk data collection, thereby optimizing the functions of the data collection and verification platform and the design of each level of the subject model of the collection, and realizing the integrated collection of risk information of the parent company and its subsidiaries. Each subordinate risk management system which was constructed based on the collected data integrates into one platform through a risk management and control center, and thus allows single-point login and unifies access management, forming a unified risk control perspective on the Company's risk profile.

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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.

### (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.



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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.



### 3. Credit risks and corresponding measures

#### (1) Overview

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

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

#### (2) Credit risk management approaches

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

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

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

##### ① Credit risk limit

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

##### ② Internal credit rating

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

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

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

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

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

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

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

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

Unit: RMB10,000

	December 31, 2021	December 31, 2020
<b>Onshore bonds</b>		
<b>PRC sovereign bonds</b>	11,553,369	8,773,453
AAA	6,804,459	5,701,097
AA+	751,827	720,649
AA	192,141	183,353
AA-	0	747
Below AA-	4,102	4,086
A-1	79,804	94,130
Non-rated	134,428	290,737
<b>Sub-total</b>	<b>19,520,130</b>	<b>15,768,252</b>
<b>Offshore bonds</b>		
<b>PRC sovereign bonds</b>	0	340
A	24,180	16,692
B	119,624	338,927
C	—	—
D	—	—
Non-rated	9,846	3,521
<b>Sub-total</b>	<b>153,650</b>	<b>359,480</b>
<b>Total</b>	<b>19,673,780</b>	<b>16,127,732</b>

## Chapter 3: Report of the Board of Directors

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

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

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

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

#### (1) Overview

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

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

#### (2) Operational risk management

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

- ① The Company has established comprehensive systems for operational risk management in accordance with the New Basel Accord and our strategic development needs, and effectively led the operation of various businesses through measurement and allocation of operational risk-based economic capital;
- ② The Company has established a scientific system on the basis of operational risk appetite, tolerance and management policy. The Company improved the operational risk governance structure in a dynamic way;
- ③ The Company has established a system of pre-risk identification and assessment covering all business procedures of all units, subsidiaries and branches by using operational risk and self-assessment management tools with procedure rationalization as the focus, facilitating the formation of 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 paid great attention to the control of substantive risks, and carried out various special operational risk inspections and management improvements focusing on areas with high and frequent operational risks according to the characteristics of different businesses;
- ⑦ The Company has promoted the systematic application of three major operational risk management tools on risk identification and assessment, risk monitoring and events collecting and reporting by establishing an operational risk system, so as to effectively improve the efficiency of the Company's operational risk management and its management standard;
- ⑧ The Company paid great attention to the training and promotion of culture relating to operational risk management. The Company emphasized the importance of conducting risk identification and control before introducing innovative products and innovative businesses. Through various kinds of trainings and promotions, operational risk management covers all the departments and branches of the Company.

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

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

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

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

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

The management of the Company is responsible for reviewing the significant event on liquidity risk management and making related decision, and a treasury operating mechanism for centralized management and control of liquidity risk has been established, and the 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.

## Chapter 3: Report of the Board of Directors

### (3) Liquidity risk management approaches

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

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

### 6. *Reputational risks and corresponding measures*

#### (1) Overview

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

#### (2) Reputational risk management

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

### **7. *Dynamic monitoring over risk control indicators and the establishment of a mechanism on capital replenishment***

The Company strictly implements the relevant requirements of regulatory authorities and has established dynamic monitoring over risk control indicators and replenishment mechanism on net capital and liquidity, covering system establishment, arrangement and staff deployment, to ensure that the risk control indicators are within the supervision limit consistently, and the details are as follows:

The Company has established a monitoring system over risk control indicators, achieving T+1 dynamic monitoring and automatic advance warning functions over all risk control indicators. The Company has formulated the “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 issuance of subordinated debts based on the stress tests and analysis of the risk control indicators over a period of time.

During the Reporting Period, all risk control indicators including net capital and liquidity of the Company continuously satisfied the regulatory requirements and the Company has not recorded any non-compliance with the regulatory requirements. As at the end of the Reporting Period, the net capital of the Company amounted to RMB72.735 billion.

### **(V) Others**

#### **1. *Analysis of the impact of COVID-19***

In 2021, the Company persisted in normalizing COVID-19 prevention and control, implemented targeted prevention and control measures, formulated a work plan for graded emergency response of COVID-19 prevention and control, and effectively operated a scientific, efficient and precise COVID-19 prevention and control mechanism to earnestly safeguard the Company’s normal operation and employees’ health and safety. COVID-19 did not have any material adverse impact on the Company’s business operations and finance. In 2022, the Company will continue to implement various COVID-19 prevention measures, pay close attention to the development of COVID-19, and take effective measures to reduce its impact on the Company’s operations.

#### **2. *Investment in compliance and risk control***

In 2021, the Company invested RMB580 million for compliance and risk control, accounted for 3.08% of the operating income of the parent company in 2020, and invested RMB1.192 billion for information technology, accounted for 6.32% of the operating income of the parent company in 2020.



# Chapter 4: Corporate Governance Report

## I. Overview of Corporate Governance

The Company, being a company listed in the PRC and Hong Kong, manages its operation in strict compliance with the laws, regulations and normative documents of the, domestic and overseas, places where its shares are listed, and strives to protect and enhance its market presence. The Company continues to improve its corporate governance structure in compliance with the Company Law, the Securities Law and the regulations and requirements of the CSRC, SFC and Hong Kong Stock Exchange. The corporate governance of the Company complies with the applicable requirements of the laws and regulations. The Company has established a corporate governance structure consisting of the shareholders' general meeting, the Board, the Supervisory Committee and the management with separate duties and effective checks and balances in order to maintain regulated corporate governance and operation. The corporate governance structure is sound and does not deviate from relevant requirements of the regulatory authorities from where the Company's shares are listed.

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

During the Reporting Period, the Company held one shareholders' general meeting to consider 13 resolutions; seven Board meetings to consider 36 resolutions and listen to 7 reports; 17 special meetings of committees under the Board to consider 40 resolutions and listen to or review 13 reports; as well as five meetings of the Supervisory Committee to consider 14 resolutions and listen to 4 reports.

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

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

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

### (II) Directors and the Board

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

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

## Chapter 4: Corporate Governance Report

### 1. *Composition of the Board*

The Company has a Board accountable to the shareholders' general meeting. According to the Articles of Association, the Board shall consist of 15 directors. As of the date of this report, the Board of the Company consists of 13 Directors, one of whom is an executive Director, seven of whom are non-executive Directors and five of whom are independent non-executive Directors (among whom, WONG Ti (汪棣), an independent non-executive Director, has resigned on June 10, 2019, and continued to perform his duties until a new independent non-executive director be appointed). The Company attaches great importance to Board diversity. The Board of the Company consists of two female members. In terms of academic qualifications, there are eight members with a master's degree and two members with a doctorate degree. In terms of professions, the executive Director has long been engaged in the securities industry and has extensive management experience and professional capabilities. The non-executive Directors have held important positions in companies in the financial, transportation, insurance and other industries. The independent non-executive Directors have extensive experience in finance, economics, auditing, law and other fields, thus can provide professional advice to the Company in respect of different fields. The Directors are elected at the shareholders' general meetings and serve for a term of three years. Directors are eligible for re-elections upon the expiry of their terms of office. Independent non-executive Directors shall not hold office for more than six consecutive years. Please see "Change in shareholdings and remunerations of existing and resigned/retired Directors, Supervisors and senior management during the Reporting Period" in this chapter of this report for the composition of the Board and the biographies of the Directors of the Company.

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

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

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

## Chapter 4: Corporate Governance Report

### (III) Supervisors and the Supervisory Committee

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

The Supervisory Committee consists of nine Supervisors, including six shareholder representative Supervisors and three employee representative Supervisors. The shareholder representative Supervisors and the employee representative Supervisors are democratically elected at the shareholders' general meetings and by employee representatives, respectively, for a term of three years and are eligible for re-election upon expiry of their terms of office. For details of the composition of the Supervisory Committee and the biographies of the Supervisors, please see "Change in shareholdings and remunerations of existing and resigned/retired Directors, Supervisors and senior management during the Reporting Period" in this chapter.

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

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

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

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

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

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

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

## Chapter 4: Corporate Governance Report

### (VII) Party Committee

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

### (VIII) Information disclosure and transparency

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

### (IX) Stakeholders

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



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

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

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

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

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

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

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

## Chapter 4: Corporate Governance Report

### III. Shareholders' General Meetings

Meeting	Date of meeting	Website designated for the disclosure of resolutions	Disclosure date of resolutions	Resolutions of meeting
2020 Annual General Meeting	June 4, 2021	Hong Kong Stock Exchange website	June 4, 2021	The following resolutions were considered and approved at the meeting: (1) resolution regarding the working report of the Board of the Company for 2020; (2) resolution regarding the working report of the Supervisory Committee of the Company for 2020; (3) resolution regarding the duty report of independent directors of the Company for 2020; (4) resolution regarding the annual report of the Company for 2020; (5) resolution regarding the final accounting report of the Company for 2020; (6) resolution regarding the profit distribution plan of the Company for 2020; (7) resolution regarding the budget for proprietary investment of the Company for 2021; (8) resolution regarding the engagement of the auditors of the Company for 2021; (9) resolution regarding the contemplated ordinary related party transactions of the Company for 2021; (10) resolution regarding the provision of guarantees by China Merchants Securities International Company Limited and its wholly-owned subsidiaries; (11) resolution regarding the Shareholders' Return Plan (2021-2023) of the Company; (12) resolution regarding the election of Mr. LIU Weiwu as a non-executive Director of the seventh session of the Board of the Company; and (13) resolution regarding the General Mandate to issue additional H Shares of the Company.

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

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

Unit: share

Name	Position (Notes)	Gender	Age	Term commencement date	Term expiration date	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes (+/-) in shareholdings during the year	Reason for changes	Total remuneration from the Company during the Reporting Period (before tax) (RMB10,000)	Remuneration from related parties
HUO Da (霍達)	Chairman of the Board, executive Director	Male	53	May 2017	October 2023	-	-	-	-	388.41	No
LIU Weiwu (劉威武)	Non-executive Director	Male	57	June 2021	October 2023	-	-	-	-	-	Yes
SU Min (蘇敏)	Non-executive Director	Female	53	June 2016	October 2023	-	-	-	-	-	Yes
PENG Lei (彭磊)	Non-executive Director	Female	49	August 2007	October 2023	-	-	-	-	-	Yes
GAO Hong (高宏)	Non-executive Director	Male	53	March 2020	October 2023	-	-	-	-	-	Yes
HUANG Jian (黃堅)	Non-executive Director	Male	52	August 2012	October 2023	-	-	-	-	-	Yes
WANG Daxiong (王大雄)	Non-executive Director	Male	61	September 2016	October 2023	-	-	-	-	-	Yes
WANG Wen (王文)	Non-executive Director	Male	52	July 2019	October 2023	-	-	-	-	-	Yes
XIANG Hua (向華)	Independent non-executive Director	Male	50	July 2017	July 2023	-	-	-	-	20	Yes
XIAO Houfa (肖厚發)	Independent non-executive Director	Male	54	July 2017	July 2023	-	-	-	-	20	Yes
XIONG Wei (熊偉)	Independent non-executive Director	Male	46	August 2017	August 2023	-	-	-	-	20	No
HU Honggao (胡鴻高)	Independent non-executive Director	Male	67	July 2017	July 2023	-	-	-	-	20	No
WONG Ti (汪楙)	Independent non-executive Director (Note 1)	Male	63	January 2018	-	-	-	-	-	20	No
ZHOU Linda Lei (周語誼)	Chairman of the Supervisory Committee	Female	53	July 2014	October 2023	-	-	-	-	316	No
LI Xiaofei (李曉菲)	Shareholder representative Supervisor	Male	51	July 2014	October 2023	-	-	-	-	-	Yes
WANG Zhangwei (王章為)	Shareholder representative Supervisor	Male	49	June 2017	October 2023	-	-	-	-	-	Yes
MA Yunchun (馬維春)	Shareholder representative Supervisor	Male	53	June 2017	October 2023	-	-	-	-	-	Yes
ZHANG Zhen (張震)	Shareholder representative Supervisor	Male	57	January 2020	October 2023	-	-	-	-	-	No
ZOU Qun (鄒群)	Shareholder representative Supervisor	Male	55	January 2020	October 2023	-	-	-	-	-	No

## Chapter 4: Corporate Governance Report

Name	Position (Notes)	Gender	Age	Term commencement date	Term expiration date	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes (+/-) in shareholdings during the year	Reason for changes	Total remuneration from the Company during the Reporting Period (before tax) (RMB10,000)	Remuneration from related parties
YIN Hongyan (尹虹艳)	Employee representative Supervisor	Female	50	August 2007	October 2023	-	-	-	-	140.91	No
HE Min (何敏)	Employee representative Supervisor	Female	46	July 2009	October 2023	-	-	-	-	93.26	No
SHEN Weihua (沈卫华)	Employee representative Supervisor	Female	51	January 2020	October 2023	-	-	-	-	115.19	No
WU Zongmin (吴宗敏)	President	Male	56	January 2022	January 2025	-	-	-	-	-	No
LI Zongjun (李宗军)	Vice President	Male	56	July 2015	Note 2	-	-	-	-	280.60	No
WU Huifeng (吴慧峰)	Secretary to the Board	Male	47	December 2014	October 2023	-	-	-	-	280.69	No
	Vice President			November 2018	Note 2						
ZHAO Bin (赵斌)	Vice President	Male	52	November 2018	Note 2	-	-	-	-	280.69	No
HU Yu (胡宇)	Chief Compliance Officer, Chief Risk Officer	Male	57	December 2018	Note 2	-	-	-	-	247.99	No
ZHANG Qing (张庆)	Vice President	Male	50	March 2021	March 2024	-	-	-	-	109.46	No
SU Jian (栗健)	Non-executive Director (Resigned)	Male	49	June 2017	April 2021	-	-	-	-	-	Yes
XIONG Xianliang (熊贤良)	Non-executive Director (Resigned)	Male	54	December 2014	January 2022	-	-	-	-	-	Yes
XIE Jijun (谢继军)	Vice President (Resigned)	Male	49	March 2019	May 2021	-	-	-	-	66.87	No
XIONG Jiantao (熊剑涛)	Executive Director (Resigned)	Male	53	May 2017	October 2021	-	-	-	-	171.08	No
	President (Resigned)			December 2018							
	Chief Information Officer (Resigned)			July 2019							
DENG Xiaoli (鄧曉力)	Vice President (Resigned)	Female	54	November 2005	November 2021	-	-	-	-	254.34	No
WU Guangyan (吴光焰)	Vice President (Resigned)	Male	53	February 2019	December 2021	-	-	-	-	163.61	No
Total	/	/	/	/	/				/	3,009.10	/

### Notes:

1. In June 2019, the Board received a written resignation report from Mr. WONG Ti, an independent non-executive Director. Due to his other work arrangements, Mr. WONG Ti applied to resign from his positions as an independent non-executive Director of the sixth session of the Board and a member of each of the Audit Committee and the Remuneration and Appraisal Committee of the Board. According to the relevant regulations, including, among others, the Guidelines for Introducing Independent Directors to the Board of Directors of Listed Companies (《關於在上市公司建立獨立董事制度的指導意見》) of the CSRC and the Articles of Association of China Merchants Securities Co., Ltd., Mr. WONG Ti will continue to perform his duties until a new independent non-executive Director is appointed by the Company;
2. On November 23, 2021, at the 10th meeting of the seventh session of the Board, the resolution regarding the extension of terms of office of certain senior management of the Company was considered and approved. Pursuant to such resolution, it was approved to extend the terms of office of LI Zongjun, WU Huifeng, ZHAO Bin, HU Yu and WU Guangyan (the senior management of the Company) until the date of the Board's decision for new engagement, details of which are set out in the overseas regulatory announcement of the Company dated November 23, 2021 published on the Hong Kong Stock Exchange website and the announcement dated November 24, 2021 published on the SSE website respectively. On December 22, 2021, WU Guangyan resigned from his position as a Vice President of the Company, details of which are set out in the overseas regulatory announcement of the Company published on December 23, 2021 on the Hong Kong Stock Exchange website and the announcement dated December 24, 2021 published on the SSE website respectively.
3. Payment of 40% of the annual performance-based bonus payable to the Directors, chairman of the Supervisory Committee and senior management who worked full-time for the Company shall be deferred for a term of 3 years. The deferred payment of remuneration shall be divided equally;
4. The total remuneration before tax of Directors, chairman of the Supervisory Committee and senior management who worked full-time for the Company has not been confirmed yet. Further information will be disclosed upon confirmation;
5. Certain Directors, Supervisors and senior management of the Company participated in the employee stock ownership scheme in 2020. As of the Latest Practicable Date, HUO Da, XIONG Jiantao (resigned on October 7, 2021), ZHOU Linda Lei, YIN Hongyan, HE Min, DENG Xiaoli (resigned on November 2, 2021), LI Zongjun, WU Huifeng, ZHAO Bin, HU Yu, WU Guangyan (resigned on December 22, 2021) and XIE Jijun (resigned on May 21, 2021) held an aggregate of 4,658,302 shares through the employee stock ownership scheme, accounting for 8.95% of the total shares held under the scheme and 0.05% of the total share capital of the Company.

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Name	Major work experience
HUO Da (霍達)	<p>Mr. HUO has served as our Chairman of the Board since May 2017, and a member of the Execution Committee of China Merchants Financial Services Business Unit since June 2018. He was a part-time member of the 17th Public Offering Review Committee of the CSRC from September 2017 to January 2019, director of China Merchants Securities International Company Limited from January 2019 to October 2020 and Chairman of the Board of China Merchants Zhiyuan Capital Investment Co., Ltd. from November 2021 to February 2022. He served the CSRC as principal staff member, deputy division head and division head, assistant to the head of the Shenzhen office of the CSRC, deputy inspector, deputy division head and division head of the Market Supervision Department of the CSRC, director of the Corporate Bonds Supervision Department of the CSRC, director of the Research Center of the CSRC, head of Beijing Institute of Securities and Futures and head of China Institute of Finance and Capital Markets successively.</p> <p>Mr. HUO Da obtained a bachelor's degree in engineering from Huazhong University of Science and Technology (previously named as Huazhong Institute of Technology), a master's degree in economics from Huazhong University of Science and Technology (previously named as Huazhong Institute of Technology) and a doctoral degree in economics from Chinese Academy of Fiscal Sciences (formerly known as the Research Institute for Fiscal Science of the Ministry of Finance) in July 1989, April 1994 and January 2008, respectively.</p>
LIU Weiwu (劉威武)	<p>Mr. LIU has served as our non-executive Director since June 2021, the head of the finance department (property rights department) of China Merchants Group Limited since December 2020, an independent non-executive director of AviChina Industry &amp; Technology Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 02357) since June 2018, and 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 International Finance Company Limited, China Merchants Industry Holdings Co., Ltd., China Merchants Zhangzhou Development Zone Co., Ltd., China Merchants Chongqing Communications Technology Research &amp; Design Institute Co., Ltd. and Liaoning Port Group Limited since March 2021. He has also served as a director of China Merchants Expressway Network &amp; Technology Holdings Co., Ltd. (招商局公路網絡科技控股股份有限公司) (a company listed on the SZSE, stock code: 001965) and an executive director of China Merchants Sharing Services Co., Ltd. since April 2021, a director of China Merchants Port Group Co., Ltd. (招商局港口集團股份有限公司) (a company listed on the SZSE, stock code: 001872) since May 2021, 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, a director of China Merchants Taiping Bay Development Investment Co., Ltd. (招商局太平灣開發投資有限公司) since July 2021, and a director of China Merchants Union (BVI) Limited since October 2021. He served as a director of China Merchants Energy Shipping Co., Ltd. (a company listed on the SSE, stock code: 601872) from May 2012 to April 2019, the Chairman of Sinotrans Shipping Limited from March to December 2019, the Deputy General Manager of China Merchants Energy Shipping Co., Ltd. from February 2016 to January 2021, a director of China LNG Shipping (Holdings) Limited from March 2009 to February 2021 and 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) from April 2021 to October 2021. He also served as the Head of Treasury Division of Financial Department of Guangzhou Ocean Shipping Company, the Manager of Financial Department of Hong Kong Ming Wah Shipping Company Limited, the Deputy General Manager of the Finance Department of China Merchants Group Limited, and the Chief Financial Officer of China Merchants Energy Shipping Co., Ltd.</p> <p>Mr. LIU Weiwu obtained a Bachelor's degree in Transportation Financial Accounting from Xi'an Highway Institute and a Master degree of Business Administration from Macau University of Science and Technology in July 1988 and January 2008, respectively. He also obtained the intermediate accountant qualification in May 2005.</p>

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Name	Major work experience
SU Min (蘇敏)	<p>Ms. SU has served as our non-executive Director since June 2016, director of China Merchants Finance Holdings since December 2015, general manager of China Merchants Finance Investment Holdings Co., Ltd. since December 2017, standing vice chairman of the Execution Committee of China Merchants Financial Services Business Unit* (招商局金融事業群／平台) since June 2018, non-executive director of China Merchants Bank (listed on the SSE, stock code: 600036; listed on the Hong Kong Stock Exchange, stock code: 03968) since September 2014, director of Bosera Funds since September 2018, and director of China Great Wall Securities Co., Ltd. (listed on the SZSE, stock code: 002939) since October 2020. Ms. SU was general manager of China Merchants Finance Holdings from September 2015 to February 2019. In addition, she served as chief accountant and deputy general manager of Anhui Province Energy Group Co., Ltd., director of Anhui Province Energy Company Limited (listed on the SZSE, stock code: 000543), director of Huishang Bank Corporation Limited (listed on the Hong Kong Stock Exchange, stock code: 03698), chief accountant of China Shipping (Group) Company, chairman of the board of China Shipping Finance Co., Ltd., executive director of COSCO SHIPPING Energy Transportation Co., Ltd. (listed on the SSE, stock code: 600026; listed on the Hong Kong Stock Exchange, stock code: 01138), non-executive director of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Hong Kong Stock Exchange, stock code: 02866), chairman of the board of China Shipping Leasing Co., Ltd., director of China Merchants Innovation Investment Management Co., Ltd. and supervisor of China Merchants Capital Co., Ltd.</p> <p>Ms. SU Min obtained a bachelor's degree in finance from Shanghai University of Finance and Economics in July 1990, and a master's degree in business administration from the University of Science and Technology of China in December 2002. She was granted the qualifications of Certified Public Accountant, Certified Public Valuer and senior accountant in June 1998, June 1999 and June 2008, respectively.</p>
PENG Lei (彭磊)	<p>Ms. PENG has served as our non-executive Director since August 2007, a director of China Merchants Ping An Asset Management Co., Ltd. since December 2018, 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, a director of Shenzhen China Merchants Ping An Asset Management Co., Ltd. and China Merchants Investment Management (Shenzhen) Co., Ltd. (招商投資管理(深圳)有限公司) since November 2021 and director of China Great Wall Securities Co., Ltd. (listed on the SZSE, stock code: 002939) since June 2011. She was deputy general manager of China Merchants Finance Holdings from April 2016 to February 2019, a standing member of the Execution Committee of China Merchants Financial Services Business Unit from June 2018 to June 2021, director of Morgan Stanley Huaxin Fund Management Co., Ltd. from March 2015 to August 2019, director of Bosera Funds from November 2017 to September 2018 and director of China Merchants Commerce Leasing Co., Ltd. (招商局通商融資租賃有限公司) from August 2018 to November 2021. Ms. PENG served as executive director of Union Asset Management Company, and deputy general manager of the general management department, general manager of the audit department, general manager of the China business department, general manager of the securities department and assistant to the general manager of China Merchants Finance Holdings.</p> <p>Ms. PENG Lei obtained a bachelor's degree in economics majoring in business management from Southwestern University of Finance and Economics and a master's degree in economics majoring in finance from Peking University in July 1994 and July 2010, respectively.</p>
GAO Hong (高宏)	<p>Mr. GAO has served as our non-executive Director since March 2020, deputy general manager (chief digital officer (CDO)) of China Merchants Life Insurance Company Limited since February 2017, general manager of China Merchants Financial Technology Co., Ltd.* (招商局金融科技有限公司) since November 2017, and standing member of the Execution Committee of China Merchants Financial Services Business Unit* (招商局金融事業群／平台) since February 2019. He acted as the chief digital officer (CDO) of China Merchants Finance Holdings Co., Ltd.* (招商局金融集團有限公司) from February 2017 to February 2019. He was an assistant engineer of the first engineering division of Nanjing No. 724 Research Institute* (南京724研究所), engineer of China Electronics Software Development Co. (中電軟件技術開發公司), engineer and the business officer of the computer department, an engineer of actuary and information department, the officer of software development office and assistant to general manager of computer department under life insurance, and assistant to general manager of the Jilin Branch of China Ping An Insurance Company* (中國平安保險公司), general manager of the computer department in the headquarter of Taiping Life Insurance Co., Ltd., deputy general manager (in charge of work) of the information management department and the assistant to general manager of the group shared service center of China Insurance (Holdings) Company Limited, general manager of the information technology center, an assistant to general manager, and the general manager of innovation and development department of Funde Sino Life Insurance Co., Ltd.* (富德生命人壽股份有限公司), and during which time, he also served as the assistant to general manager of Funde Insurance Holding Co., Ltd.* (富德保險控股股份有限公司).</p> <p>Mr. GAO Hong obtained a bachelor's degree of science in computer software from the Department of Computer Science from Nanjing University in July 1989.</p>



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Name	Major work experience
HUANG Jian (黃堅)	<p>Mr. HUANG has served as our non-executive Director since August 2012, general manager of the capital operation department of China COSCO Shipping Corporation Limited since September 2016, non-executive director of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Hong Kong Stock Exchange, stock code: 02866) since June 2016, director of Lanhai Medical Investment Co., Ltd. (listed on the SSE, stock code: 600896) since May 2017, director of COSCO SHIPPING Captive Insurance Co., Ltd. since August 2017, and director of Shanghai Rural Commercial Bank Co., Ltd. (listed on the SSE, stock code: 601825) since June 2018. He was a director of COSCO SHIPPING Technology Co., Ltd. (listed on the SZSE, stock code: 002401) from December 2017 to March 2019. He successively served as the head of the capital management department of finance and capital division of China Ocean Shipping (Group) Company, vice president and general manager of the finance department of COSCO Logistics (Americas), Inc. (中遠物流(美洲)有限公司) (formerly known as Intermodal Bridge Services Inc. (中遠美國內陸運輸公司)), general manager of the finance department and chief financial officer of COSCO Americas Inc., deputy general manager of the finance department of China Ocean Shipping (Group) Company and deputy general manager (person-in-charge) of the capital operation department of China COSCO Shipping Corporation Limited.</p> <p>Mr. HUANG Jian obtained a bachelor's degree in economics majoring in auditing from Capital University of Economics and Business (formerly known as Beijing Institute of Finance and Trade) and a master's degree in business management from Beijing Institute of Technology in July 1992 and March 2002, respectively. Mr. HUANG obtained the qualifications of accountant and senior accountant from the Ministry of Finance in May 1997 and December 2015, respectively.</p>
WANG Daxiong (王大雄)	<p>Mr. WANG has served as our non-executive Director since September 2016. Mr. WANG has been executive director and chairman of the board of directors of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Hong Kong Stock Exchange, stock code: 02866) since May 2016 and July 2019 respectively and non-executive director of China Merchants Bank (listed on the SSE, stock code: 600036; listed on the Hong Kong Stock Exchange, stock code: 03968) since November 2016. He was vice chairman of the board of directors of New China COSCO Financial Holdings Limited (新華遠海金融控股有限公司) from March 2017 to January 2020, chairman of the board of directors of COSCO SHIPPING Captive Insurance Co., Ltd. from October 2017 to March 2020, chief executive officer of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Hong Kong Stock Exchange, stock code: 02866) from March 2016 to April 2020 and chairman of the board of directors of COSCO SHIPPING Investment Holdings Co., Ltd. (formerly known as COSCO SHIPPING Financial Holdings Co., Ltd.) from March 2014 to January 2022. Mr. WANG acted as division head and office chief of the Finance Office of the Guangzhou Maritime Bureau (廣州海運局財務處), head of the finance department and chief accountant of Guangzhou Maritime Transport (Group) Co., Ltd., chief accountant, vice president and deputy general manager of China Shipping (Group) Company, vice chairman and chairman of the board of directors of Lanhai Medical Investment Co., Ltd. (listed on the SSE, stock code: 600896), non-executive director of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Hong Kong Stock Exchange, stock code: 02866), executive director of COSCO SHIPPING Energy Transportation Co., Ltd. (listed on the SSE, stock code: 600026; listed on the Hong Kong Stock Exchange, stock code: 01138) and director of CIB Fund Management Co., Ltd.</p> <p>Mr. WANG Daxiong obtained a bachelor's degree majoring in finance and economics from Shanghai Maritime University and an EMBA degree from Shanghai University of Finance and Economics in July 1983 and January 2012, respectively. Mr. WANG also obtained the qualification of senior accountant from the Ministry of Transport of the People's Republic of China in November 1995.</p>
WANG Wen (王文)	<p>Mr. WANG has served as our non-executive Director since July 2019. Mr. WANG has served as the vice president of PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司) since July 2017, and chairman of the board of directors of China-US Insurance Advisory Co., Ltd. (中美國際保險銷售服務有限責任公司) since May 2017. He was assistant to manager and deputy manager of life insurance department, deputy manager of domestic business department and manager of vehicle insurance department of the Beijing Branch of China Pacific Insurance Co., Ltd., assistant to general manager and deputy general manager of the Beijing Branch of China Pacific Life Insurance Co., Ltd. (中國太平洋人壽保險股份有限公司), leader of the preparatory group, deputy general manager (person-in-charge) and general manager of the Beijing Branch of PICC Life Insurance Company Limited and sales director of PICC Life Insurance Company Limited.</p> <p>Mr. WANG Wen obtained a bachelor's and master's degree in law from Peking University in July 1991 and July 2005, respectively.</p>

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Name	Major work experience
XIANG Hua (向華)	<p>Mr. XIANG has served as our independent non-executive Director since July 2017, and a director of CONNECT WEALTH INVESTMENT LIMITED and NeoSpective Capital Limited since October 2021. He served as chief executive officer of Durer Investment Management Co., Ltd. (圖瑞投資管理有限公司) from January 2018 to January 2022. Mr. XIANG successively acted as officer and deputy head of the Balance of Payments Department and General Affairs Department, respectively, of the State Administration of Foreign Exchange, and head of the Central Foreign Exchange Business Center of the State Administration of Foreign Exchange, general manager of SAFE Investment Company Limited, and chief executive officer and chief operating officer of Deepwater Capital Limited.</p> <p>Mr. XIANG Hua obtained a bachelor's degree in economics from Beijing Normal University and a master's degree in economics from Renmin University of China in July 1994 and September 2001, respectively.</p>
XIAO Houfa (肖厚發)	<p>Mr. XIAO has served as our independent non-executive Director since July 2017. He has been principal partner of RSM China (special general partner) (容誠會計師事務所(特殊普通合夥)) (formerly known as HuaPu TianJian Certified Public Accountants LLP) since January 2014 and a director of Jingfu Cardiovascular Hospital (Xuzhou) Co., Ltd. (京阜心血管醫院(徐州)有限公司) (formerly known as Xuzhou Xiaodong Cardiovascular Hospital Co., Ltd. (徐州曉東心血管醫院有限責任公司)) since November 2019. He served as an executive director of Beijing Zhongfa Shengxing Management Consulting Co., Ltd. (北京中發晟興管理諮詢有限公司) from April 2020 to December 2020 and a director of Guohua Kangping Elderly Service Co., Ltd. (國華康平養老服務有限公司) from April 2019 to November 2020. Mr. XIAO used to be founder, deputy chief accountant and chief accountant of Anhui HuaPu Certified Public Accountants (安徽華普會計師事務所), and chief accountant of HuaPu TianJian Certified Public Accountants (Beijing) Co., Ltd. (華普天健會計師事務所(北京)有限公司).</p> <p>Mr. XIAO Houfa obtained a bachelor's degree in accounting from Shanghai University of Finance and Economics in July 1988. Mr. XIAO has received the title of senior accountant and is a certified public accountant.</p>
XIONG Wei (熊偉)	<p>Mr. XIONG has served as our independent non-executive Director since August 2017. Mr. XIONG has been teaching at Princeton University since July 2000 and has been serving as professor of economics since July 2007, Trumbull-Adams Professor of Finance since July 2014, academic advisor at Hong Kong Institute for Monetary and Financial Research since July 2012, academic dean of the School of Economics and Management at The Chinese University of Hong Kong, Shenzhen since June 2015, director of Shenzhen Finance Institute, CUHK(SZ) since January 2016 and a visiting professor of the Faculty of Economics at the University of Cambridge since September 2021.</p> <p>Mr. XIONG Wei obtained a bachelor's degree in physics from the University of Science and Technology of China, a master's degree in physics from Columbia University in the United States and a doctoral degree in finance from Duke University in the United States in July 1993, May 1995 and May 2001, respectively.</p>
HU Honggao (胡鴻高)	<p>Mr. HU has served as our independent non-executive Director since July 2017. Mr. HU has been professor of law and doctoral advisor at Fudan University since January 2008, while concurrently serving as independent director of Perfect Group CORP., LTD (倍加潔集團股份有限公司) (listed on the SSE, stock code: 603059) since June 2016, independent director of Shanghai Amarsoft Information &amp; Technology Co., Ltd. (上海安碩信息技術股份有限公司) (listed on the SZSE, stock code: 300380) since March 2017, independent director of Shanghai Huaxin Stock Co., Ltd. (上海華鑫股份有限公司) (listed on the SSE, stock code: 600621) since May 2017, and independent director of Shenzhen Pacific Union Precision Manufacturing Company Ltd. (listed on the SSE, stock code: 688210) since April 2020. He also served as independent director of Tofflon Science and Technology Co., Ltd. (東富龍科技集團股份有限公司) (listed on the SZSE, stock code: 300171) from March 2014 to February 2020. Mr. HU was head of faculty of law and vice dean of Fudan Law School at Fudan University.</p> <p>Mr. HU Honggao obtained a bachelor's degree in law from Peking University in July 1983.</p>
WONG Ti (汪棣)	<p>Mr. WONG has served as our independent non-executive Director since January 2018. Mr. WONG has been independent director of AsiaPacific Property &amp; Casualty Insurance Co., Ltd. since April 2016, supervisor of Vivasolis Biotechnology Co., Ltd. (中國台灣旭昶生物科技股份有限公司) since August 2016, independent non-executive director of 51 Credit Card Inc. (listed on the Hong Kong Stock Exchange, stock code: 02051) since July 2018, and independent director of China International Fund Management Co., Ltd. since April 2019. From July 2017 to May 2019, he acted as independent director of Fosun United Health Insurance Co., Ltd. (復星聯合健康保險股份有限公司). Mr. WONG was also an auditor of Coopers &amp; Lybrand Los Angeles (中信永道會計師事務所), manager of Coopers &amp; Lybrand China (中信永道會計師事務所) and a partner of Pricewaterhouse Coopers (PwC) China.</p> <p>Mr. WONG Ti obtained a bachelor's degree in accounting from the Department of Business Administration of National Taiwan University in 1982 and a Master of Business Administration (MBA) degree from University of California, Los Angeles in 1986. Mr. WONG obtained a qualification as a certified public accountant in China in October 2002.</p>

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Name	Major work experience
ZHOU Linda Lei (周語菡)	<p>Ms. ZHOU has served as our Chairman of the Supervisory Committee since July 2014. Ms. ZHOU has been supervisor and chairman of the supervisory committee of China Merchants Fund Management Co., Ltd. since April and May 2020, respectively. She was supervisor of Industrial Bank Co., Ltd. (listed on the SSE, stock code: 601166), independent director of Jiangxi Selon Industrial Co., Ltd. (listed on the SZSE, stock code: 002748), independent director of China Merchants Fund, managing director of China Merchants China Investment Management Limited and executive director of China Merchants China Direct Investments Limited (listed on the Hong Kong Stock Exchange, stock code: 00133).</p> <p>Ms. ZHOU Linda Lei obtained a bachelor's degree in economics majoring in finance and accounting from Renmin University of China and a master's degree in business administration from Sonoma State University of the California State University in July 1989 and January 1993, respectively.</p>
LI Xiaofei (李曉霏)	<p>Mr. LI has served as our Supervisor since July 2014. Mr. LI has been the deputy general manager of the human resources department of China Merchants Group since December 2021 and supervisor of China Greatwall Securities Co., Ltd. (listed on the SZSE, stock code: 002939) since July 2015. He was an assistant to general manager of China Merchants Finance Holdings Co., Ltd. from November 2014 to November 2017, deputy general manager of China Merchants Finance Holdings Co., Ltd. from November 2017 to February 2019 and a standing member of the Execution Committee of China Merchants Financial Services Business Unit from June 2018 to December 2021. He held such positions as secretary (chief at section level) of the general manager office, deputy manager of the planning and development department and deputy manager of the leasing department of Shenzhen Nanyou (Holdings) Ltd., manager of the administration and human resources department and secretary to the board of directors of Grand Auto Park Company Limited (深圳市平方汽車園區有限公司), senior manager of the human resources department of China Merchants Group, and general manager of the human resources department of China Merchants Finance Holdings Co., Ltd.</p> <p>Mr. LI Xiaofei obtained a master's degree in economics majoring in labor economics from Renmin University of China in January 2004.</p>
WANG Zhangwei (王章為)	<p>Mr. WANG has served as our Supervisor since June 2017. Mr. WANG has been the chief auditor (首席稽核官) of the Execution Committee of China Merchants Financial Services Business Unit since April 2019, supervisor of China Merchants Finance Investment Holdings Co., Ltd. since September 2011, and director of Shenzhen Yan Qing Investment and Development Co., Ltd., Shenzhen Chu Yuan Investment and Development Co., Ltd. and Shenzhen Jisheng Investment Development Co., Ltd. since November 2014. He was general manager of Shenzhen Jisheng Investment Development Co., Ltd. and Shenzhen Chu Yuan Investment and Development Co., Ltd. from November 2014 to July 2018, general manager of Shenzhen Yan Qing Investment and Development Co., Ltd. from November 2014 to August 2018, and assistant to general manager of China Merchants Finance Holdings Co., Ltd. from May 2016 to April 2019. Mr. WANG also acted as manager of the audit department of China Merchants Shekou Holdings Co., Ltd., manager of the finance department of China Merchants Technology Holdings Co., Ltd., senior manager of the audit department of China Merchants Group Limited and general manager of the finance department of China Merchants Finance Holdings Co., Ltd.</p> <p>Mr. WANG Zhangwei obtained a bachelor's degree from Dongbei University of Finance and Economics and an MBA degree from University of South Australia in July 1995 and April 2008, respectively. He is a certified public accountant in the PRC and an international certified internal auditor.</p>
MA Yunchun (馬蘊春)	<p>Mr. MA has served as our Supervisor since June 2017. Mr. MA has been chairman of the board of directors of Hebei Port Group (Tianjin) Investment Management Co., Ltd. (河北港口集團(天津)投資管理有限公司) since October 2020, and chairman of the board of directors of Hebei Port Group Shanghai Investment Management Company since January 2016. Mr. MA served as cadre of the electromechanical division, vice head and head of the lading team, and deputy manager of the Sixth Port Service Branch of Qinghuangdao Port Co., Ltd. (秦皇島港口有限公司第六港務分公司), manager of Logistics Company of Qinghuangdao Port Co., Ltd. (秦皇島港口有限公司物流公司), manager of the First Port Service Branch of Qinghuangdao Port Company Limited (秦皇島港口股份有限公司) (formerly known as Qinghuangdao Port Co., Ltd. (秦皇島港口有限公司)), and general manager of Hebei Port Group (Tianjin) Investment Management Co., Ltd. (河北港口集團(天津)投資管理有限公司) and Hebei Port Group Shanghai Investment Management Company.</p> <p>Mr. MA Yunchun obtained a bachelor's degree and a master's degree in welding from Tianjin University in July 1989 and April 1994, respectively.</p>

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Name	Major work experience
ZHANG Zhen (張震)	<p>Mr. ZHANG has served as our Supervisor since October 2020. He has also served as general manager of the financial capital department of China Communications Construction Company Ltd. (listed on the SSE, stock code: 601800; listed on the Hong Kong Stock Exchange, stock code: 01800) since January 2020, and supervisor of Jiang Tai Insurance Brokers Co., Ltd. since May 2020. He served as director and chief accountant of CCCC First Highway Engineering Group Co., Ltd. (formerly CCCC First Highway Engineering Bureau Co., Ltd.) from April 2009 to December 2019, and deputy general manager (person-in-charge) of the financial capital department of China Communications Construction Company Ltd. from December 2019 to January 2020. He served as auditor of audit division, chief finance manager of Zaire O-W Project, manager of finance division in charge of reporting accounts, chief accountant of Science Research Institute, chief of finance division, and deputy chief accountant of CCCC First Highway Engineering Co., Ltd.</p> <p>Mr. ZHANG Zhen obtained a bachelor's degree in engineering finance and accounting from Changsha Transportation College Faculty of Management in July 1985, and was awarded with professional qualification of senior accountant from the Professional Skill and Qualification Assessment Committee of Ministry of Transportation in August 1997.</p>
ZOU Qun (鄒群)	<p>Mr. ZOU has served as our Supervisor since October 2020. He has also served as the chief of securities investment department of Shenzhen Huaqiang Asset Management Group Co., Ltd. since December 2018, director of Guangdong Huaqiang Property Co., Ltd. since January 2008, and director of Shenzhen Huaqiang Dingxin Investment Co., Ltd. since January 2015. He served as director of Shenzhen Huaqiang Group Co., Ltd. from September 2012 to December 2017, general manager of Shenzhen Qianhai Huaqiang Xinghe Financial Leasing Development Co., Ltd. from January 2016 to September 2017, and general manager of Shenzhen Huaqiang Group Finance Co., Ltd. from September 2017 to November 2018. He served as deputy chief and chief of financial settlement center, chief of investment management division and supervisor of Shenzhen Huaqiang Group Co., Ltd., director of Shenzhen Huaqiang Industry Co., Ltd. (listed on the SZSE, stock code: 000062), deputy managing director of Shenzhen Sanyang Huaqiang Laser Electronic Co., Ltd., deputy general manager of Huaqiang Cloud Investment Holding Co., Ltd., general managing director of Shenzhen Huaqiang Laser Electronic Co., Ltd. and general manager of Shenzhen Huaqiang Zhaoyang Energy Co., Ltd.</p> <p>Mr. ZOU Qun obtained his bachelor's degree in magnetic physics and devices from Huazhong University of Science and Technology (formerly known as Huazhong Institute of Technology) in July 1988. He was also awarded with finance professional qualification of intermediate economist by Ministry of Personal Affairs of the People's Republic of China in June 1995, and obtained qualification of senior professional manager in enterprise management from China Professional Manager Qualification Assessment Committee in July 2005.</p>
YIN Hongyan (尹虹艷)	<p>Ms. YIN has served as our employee representative Supervisor since August 2007. Ms. YIN has been our assistant to general manager since January 2022, and our Chief Human Resource Officer since June 2020. She used to be general manager of our Department of Retail Brokerage and Department of Operations and Administration from August 2017 to August 2018, and general manager of our Human Resources Department from August 2018 to May 2020. She served as assistant to manager and head of the customer service department of our Shenzhen Zhenhua Road securities branch, deputy manager of our Shenzhen Fumin Road securities branch, assistant to general manager of our Private Customer Service Department, manager of our Shenzhen Fumin Road securities branch and deputy general manager and later general manager of our Department of Operations and Administration.</p> <p>Ms. YIN Hongyan obtained a doctoral degree in law majoring in sociology from Nankai University in June 2006.</p>
HE Min (何敏)	<p>Ms. HE has served as our employee representative Supervisor since July 2009 and general manager of our Capital Management Department since March 2022. Ms. HE has been chairman of the supervisory committee of Bosera Asset Management Co., Limited since April 2019, director of China Merchants Futures Co., Ltd. and China Merchants Zhiyuan Capital Investment Co., Ltd. since May 2019, and director of China Merchants Securities Asset Management Co., Ltd. since July 2019. Ms. HE served as deputy general manager of our Finance Department from April 2009 to February 2019. She served as general manager of our Finance Department from February 2019 to March 2022, and assistant to the general manager of our Finance Department.</p> <p>Ms. HE Min obtained a bachelor's degree in economics majoring in accounting and a master's degree in management majoring in accounting, both from Zhongnan University of Economics and Law (formerly known as Zhongnan University of Finance and Economics), in July 1996 and June 1999, respectively. Ms. HE was granted the qualification of Certified Public Accountant in October 1999 by the Chinese Institute of Certified Public Accountants.</p>

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Name	Major work experience
SHEN Weihua (沈衛華)	<p>Ms. SHEN has served as our employee representative Supervisor since October 2020. She has also served as the general manager of Audit Department of the Company since March 2020, independent director of RAYITEK HI-TECH Film Company Ltd., Shenzhen* (深圳瑞華泰薄膜科技股份有限公司) (listed on the SSE, stock code: 688323) since May 2020, and independent director of Shenzhen New Industries Biomedical Engineering Co., Ltd.* (深圳市新產業生物醫學工程股份有限公司) (listed on the SZSE, stock code: 300832) since June 2020. Ms. SHEN Weihua served as the vice president of the ZTF Securities Limited* (中天國富證券有限責任公司) from July 2017 to April 2019.</p> <p>She once worked in Shenzhen Zhongshen Certified Accounting Firm* (深圳中審會計師事務所), and was an auditing manager of Shenzhen Pengcheng Certified Public Accounting Firm* (深圳鵬程會計師事務所), an internal auditing general manager of Investment Banking Department of the Company, the general manager of China Merchants Zhiyuan Capital Investment Co., Ltd., and the managing director of ZTF Securities Limited.</p> <p>Ms. SHEN Weihua obtained a bachelor's degree in economics and a master's degree in History of Foreign Economic Thoughts from the Economics and Management School of Wuhan University in July 1993 and July 1997, respectively.</p>
WU Zongmin (吳宗敏)	<p>Mr. WU has served as the president of the Company since January 2022. He served as a deputy director (Standing) of the Execution Committee of China Merchants Financial Services Business Unit from April 2021 to October 2021; served as an executive member (Standing) of the Execution Committee of China Merchants Financial Services Business Unit from June 2018 to April 2021; concurrently served as a director of China Merchants Insurance Holdings Company Limited* (招商局保險控股有限公司) and chairman of the board of CM Houlder Insurance Brokers Limited* (招商海達保險顧問有限公司) from February 2019 to November 2021; served as a director of China Merchants Life Insurance Company Limited* (招商局仁和人壽保險股份有限公司) from March 2019 to October 2021; served as a deputy general manager of China Merchants Finance Holdings Company Limited* (招商局金融集團有限公司) from November 2017 to February 2019; and served as a general manager of China Merchants Renhe Property Insurance Company Limited* (招商局仁和財產保險股份有限公司) (preparatory) from February 2017 to December 2019. Mr. WU held various positions in China Pacific Insurance (Group) Co., Ltd. (listed on the SSE, stock code: 601601; listed on the Hong Kong Stock Exchange, stock code: 02601) and its subsidiaries, and his last positions were vice president of China Pacific Insurance (Group) Co., Ltd., director of China Pacific Property Insurance Co., Ltd., director of China Pacific Life Insurance Co., Ltd., director of Pacific Asset Management Co., Ltd. and director of CPIC Allianz Health Insurance Co., Ltd. (now known as Pacific Health Insurance Co., Ltd.).</p> <p>Mr. WU Zongmin received his bachelor's degree in engineering from Shanghai Jiaotong University in July 1986, a master's degree in engineering from Shanghai Jiaotong University in January 1989 and a master of business administration degree from China Europe International Business School in September 2007. Mr. WU holds the title of Senior Economist and is a member of the Associateship of the Chartered Insurance Institute (ACII).</p>
LI Zongjun (李宗軍)	<p>Mr. LI has served as our Vice President since July 2015. Mr. LI has been chairman of the board of directors of China Merchants Futures since March 2019. He served as the chairman of the board of directors of CMS Zhiyuan from January 2015 to January 2019, vice chairman of the board of directors of Qingdao Assets Management Co., Ltd. (青島市資產管理有限公司) from December 2018 to August 2021 and director of E-Capital Transfer Co., Ltd. from January 2019 to June 2021. He took the positions of assistant to general manager of COSCO Finance Co., Ltd. and general manager of its Beijing securities department, deputy manager of the overseas listing department of COSCO's asset management center, assistant to general manager of China Merchants Holdings (International) Company Limited, deputy general manager of the corporate planning department of China Merchants Group, deputy general manager of China Merchants Capital Investments Co., Ltd., deputy general manager of China Merchants Food Supply Chain Management Co., Ltd.* (招商局食品供應鏈管理有限公司) and assistant to President of the Company.</p> <p>Mr. LI Zongjun obtained a bachelor's degree in economics and a master's degree in economics, both from Nankai University, in July 1987 and April 1990, respectively. Mr. LI was granted the qualification of senior economist by the Ministry of Transport in October 1998.</p>
WU Huifeng (吳慧峰)	<p>Mr. WU has served as our Vice President since November 2018 and our Secretary to the Board since December 2014. Mr. WU served as head of the settlement center of China Nanshan Development (Group) Co., Ltd., deputy manager of the finance department of Shanghai Nanshan Real Estate Development Co., Ltd. (上海南山房地產開發有限公司) (formerly known as Shanghai Chengnan Real Estate Development Company (上海誠南房地產開發公司)), and general manager of the finance and audit department, general manager of the human resources department, assistant to the general manager, and deputy general manager of China Merchants Finance Holdings Co., Ltd. He also worked for our Company as Director, Supervisor, co-general manager of the Board office and assistant to president.</p> <p>Mr. WU Huifeng obtained a bachelor's degree in economics majoring in accounting from the Shanghai University of Finance and Economics and a master's degree in economics majoring in finance from Peking University in June 1996 and January 2012, respectively. Mr. WU was granted the qualification of accountant in May 1998 by the Ministry of Finance of the PRC.</p>



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Name	Major work experience
ZHAO Bin (趙斌)	<p>Mr. ZHAO has served as our Vice President since November 2018. He has been working as executive director of CMS Investment since January 2019 and the chairman of the Board of CMS International since January 2022. He acted as our Chief Compliance Officer from January 2016 to December 2018, chief compliance officer of CMS Asset Management from January 2018 to January 2021, chairman of the supervisory committee of China Merchants Fund from September 2017 to April 2020, director of CMS Asset Management from July 2015 to May 2019, and director of China Merchants Futures from July 2008 to May 2019. He took the position of assistant to manager and manager of our Haikou branch, head of Futian branch, assistant to the general manager of our Brokerage Business Department, deputy manager (person-in-charge) of our Shenzhen Longgang securities branch, manager of our Shenzhen Nanshan Nanyou Road securities branch, general manager of our Private Customer Service Department, general manager of our Channel Management Department, general manager of our Department of Retail Brokerage and our employee representative Supervisor.</p> <p>Mr. ZHAO Bin obtained a bachelor's degree in economics majoring in international finance from Shenzhen University and a master's degree in science majoring in project management from the University of Greenwich in June 1992 and December 2010, respectively.</p>
HU Yu (胡宇)	<p>Mr. HU has been our Chief Compliance Officer and Chief Risk Officer since December 2018. From August to November 2018, he was the deputy head of capital operation department of China Merchants Group. He served as the member of CPC Committee and the secretary of Disciplinary Committee of Guangdong Bureau of the CSRC from November 2016 to July 2018. He was a teacher in Xishan Middle School (西山中學), teacher of the foreign language teaching and research office of Jiangxi Medical College, deputy principal staff member of Department of Policy and Regulations, the principal staff member of Department of Intermediary Supervision, the deputy officer and director of Office of the Party Committee as well as the director of No.1 Inspection Office of Shenzhen Bureau of the CSRC and member of CPC Committee and the secretary of Disciplinary Committee of Hainan Bureau of the CSRC.</p> <p>Mr. HU Yu obtained a Bachelor of Arts degree from Jiangxi Normal University (江西師範大學) and a Master's degree in Finance from Graduate School of People's Bank of China in July 1989 and July 1996, respectively.</p>
ZHANG Qing (張慶)	<p>Mr. ZHANG has been our Vice President since March 2021. He worked in the CSRC and successively served in the Department of Public Offering Supervision, the International Cooperation Division and the Corporate Bonds Supervision Department from March 1998 to November 2017, where he served as principal staff member, deputy division head and division head at the Department of Public Offering Supervision and the International Cooperation Division of the CSRC from March 1998 to April 2015; during such period, he held temporary position (掛職) at the Financial Affairs Office of Yunnan Province and served as a full-time deputy director of the Leading Group Office of Corporate Listing of Yunnan Province (雲南省推進企業上市領導小組辦公室專職副主任) from November 2012 to October 2014; and served as deputy inspector and deputy director of the Corporate Bonds Supervision Department of the CSRC from April 2015 to November 2017. Mr. ZHANG was awarded the title of "Excellent Youth of China State Organs (中國國家機關優秀青年)" of Year 2002-2003 and was as an expert for the propositional group of the Chinese Sponsor Representative Examination (保薦代表人考試命題專家組專家) upon the implementation of the Measures for the Sponsor System for the Issuance and listing of Securities.</p> <p>Mr. ZHANG Qing obtained a Bachelor's degree in Economics and Master's Degree in Economics from the Central Institute of Finance and Banking in June 1993 and January 1996, respectively.</p>
SU Jian (粟健)	<p>Mr. SU served as our non-executive Director from June 2017 to April 2021. He has served as chief accountant of China Oil and Foodstuffs Corporation since December 2020. He was the head of the finance department (property rights department) of China Merchants Group from July 2017 to December 2020, director of China Merchants Energy Shipping Co., Ltd. (listed on the SSE, stock code: 601872) from August 2017 to January 2019, executive director of China Merchants Port Holdings Company Limited (listed on the Hong Kong Stock Exchange, stock code: 0144) from October 2017 to March 2021, non-executive director of Sinotrans Limited (listed on the SSE, stock code: 601598; listed on the Hong Kong Stock Exchange, stock code: 0598) from June 2019 to March 2021, director of China Merchants Expressway Network &amp; Technology Holdings Co., Ltd. (listed on the SZSE, stock code: 001965) from January 2018 to March 2021, and director of China Merchants Port Group Co., Ltd. (listed on the SZSE, stock code: 001872) from December 2018 to March 2021. He previously served as clerk, head and then financial manager of Guangzhou Merchants International Travel Service Co., Ltd., officer, senior manager, assistant to the head and then deputy head of the finance department of China Merchants Group, senior manager of the finance department of China Merchants Shekou Industrial Zone Company Limited, deputy head of the human resources department of China Merchants Group, deputy general manager of China Merchants Industry Holdings Co., Ltd. and deputy head (as the person in charge at the grade of head) of the finance department (property rights department) of China Merchants Group.</p> <p>Mr. SU Jian obtained a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1993. Mr. SU obtained the qualifications as a non-practising member of the Chinese Institute of Certified Public Accountants and an Intermediate Accountant in 2000 and 2002, respectively.</p>

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Name	Major work experience
XIONG Xianliang (熊賢良)	<p>Mr. XIONG served as our non-executive Director from December 2014 to January 2022. He has served as director of the research and development center of China Merchants Group and dean of China Merchants Technology and Innovation Research and Development Institute (招商局科技創新發展研究院) since August 2021 and director of China Merchants Investment Development Company Limited (招商局投資發展有限公司) since April 2020. He served as the head of the strategic development department of China Merchants Group from March 2015 to August 2021. He concurrently acted as head of the security and supervision department of China Merchants Group from February 2017 to October 2018, director of the research and development center of China Merchants Group and dean of China Merchants Technology and Innovation Research and Development Institute (招商局科技創新發展研究院) from August 2018 to November 2020. He served as executive director of China Merchants Port Holdings Company Limited (listed on the Hong Kong Stock Exchange, stock code: 0144) from June 2018 to October 2021, non-executive director of Sinotrans Limited (listed on the SSE, stock code: 601598; listed on the Hong Kong Stock Exchange, stock code: 0598) from June 2019 to October 2021, and director of China Merchants Innovation Investment Management Co., Ltd. from August 2018 to January 2022. He used to be researcher and division head of the Development Research Center of the State Council, deputy director of Chongqing Development and Planning Commission, vice leader of the general group of the steering committee office of Western Region Development of the State Council (國務院西部開發領導小組辦公室綜合組), inspector of the Research Office of the State Council, general manager (head) of the strategic research department of China Merchants Group, non-executive director of China Merchants Bank (listed on the SSE, stock code: 600036; listed on the Hong Kong Stock Exchange, stock code: 3968), and head of the information management department and research department of China Merchants Group.</p> <p>Mr. XIONG Xianliang obtained a master's degree and a doctoral degree in global economics from Nankai University in June 1991 and December 1993, respectively. Mr. XIONG was granted the title of Researcher by the Development Research Center of the State Council in September 2000.</p>
XIONG Jiantao (熊劍濤)	<p>Mr. XIONG served as our executive Director from May 2017 to October 2021, our President from December 2018 to September 2021, and our Chief Information Officer from July 2019 to October 2021. He used to be our Vice President from December 2005 to December 2018, our Chief Operating Officer from May 2017 to December 2018, chairman of the board of directors of China Merchants Futures from March 2008 to March 2019, chairman of the board of directors of CMS Asset Management from March 2015 to March 2019, and director of CMS International from September 2015 to October 2020. Mr. XIONG successively acted as deputy manager of the information center in China Merchants Bank (listed on the SSE, stock code: 600036; listed on the Hong Kong Stock Exchange, stock code: 3968), manager of our computer department, general manager of our computer center, general manager of our IT center, our technical director (during such period, he was a member of the administrative take-over group of China Southern Securities), and director of Bosera Funds.</p> <p>Mr. XIONG Jiantao obtained a bachelor's degree in engineering majoring in telecommunications engineering from Nanjing University of Posts and Telecommunications (formerly known as Nanjing Institute of Posts and Telecommunications), a master's degree in engineering majoring in automatic instrumentation and installation from Huazhong University of Science and Technology (formerly known as Huazhong Institute of Technology) and a degree for executive master of business management (EMBA) from Fudan University in July 1989, June 1992 and June 2014, respectively.</p>
DENG Xiaoli (鄧曉力)	<p>Ms. DENG served as our Vice President from November 2005 to November 2021. She was chairman of the board of directors of CMS Zhiyuan from January 2019 to November 2021 and chairman of the board of directors of CMS Asset Management from March 2019 to November 2021. She also served as our Chief Risk Officer from August 2014 to December 2018. From January 2006 to January 2019, she took the position of director of CMS International. She also acted as director and vice chairman of the board of directors of China Merchants Fund from November 2006 and November 2013 respectively to April 2020. She was a senior risk analyst of Provident Financial Corporation, senior analyst in the risk management department of Citigroup Inc., deputy general manager and then general manager of our Risk Management Department (during such period she had been a member of the administrative take-over group of China Southern Securities) and our secretary to the Board.</p> <p>Ms. DENG Xiaoli obtained a bachelor's degree in science majoring in management science from Shandong University, and a master's degree and a doctoral degree in economics from the State University of New York in July 1989, December 1993 and December 1996, respectively. Ms. DENG was granted the title of Senior Economist (Finance) in December 2013.</p>



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Name	Major work experience
XIE Jijun (謝繼軍)	<p>Mr. XIE served as our Vice President from March 2019 to May 2021. He acted as the general manager of the investment banking department from April 2008 to April 2020, and managing director of the investment banking department from April 2008 to February 2019. He held the position of officer of the corporate management department of Shenzhen Navigation Group Co., Ltd., senior manager and assistant to general manager of investment banking department of China Southern Securities Limited, and team head, deputy general manager, executive director and executive director (person-in-charge) of our investment banking department.</p> <p>Mr. XIE Jijun obtained a bachelor's degree in Naval Architecture and Ocean Engineering majoring in thermal engineering from South China University of Technology in July 1994, a master's degree in economics majoring in international economics and trade from Nankai University and Flinders University in Australia in October 2004 and an EMBA degree from China Europe International Business School in September 2011. Mr. XIE was among the first batch of registered sponsor representatives in China in 2004.</p>
WU Guangyan (吳光焰)	<p>Mr. WU served as our Vice President from February 2019 to December 2021, and chairman of the board of directors of CMS International from December 2018 to December 2021. He served as general manager of our Department of International Business from November 2018 to June 2020, assistant to the President from July 2018 to February 2019, and general manager of CMS Asset Management from April 2015 to August 2019. Mr. WU also used to be engineer of Radio Electronics Research Institute in Wuhan City, technology manager of information technology center of the head office of China Merchants Bank, general manager of Technology Department of the Shenzhen branch of China Guangfa Bank, person-in-charge for the operation department for credit card business department of the headquarter of Ping An Bank, deputy general manager (person-in-charge) of our Operations and Administration Department, general manager of our Private Customer Service Department and general manager of our Assets Management Department.</p> <p>Mr. WU Guangyan obtained a bachelor's degree in automatic control majoring in testing technology and instrument (自動控制系統檢測技術及儀器專業學士學位) and a master's degree majoring in pattern recognition and intelligent control (模式識別與智能控制專業碩士學位) from Huazhong University of Science and Technology in June 1988 and June 1995, respectively.</p>

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

#### 1. Positions in shareholders

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

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### 2. Positions in other companies

Name	Name of company	Position	Date of appointment	Date of termination
HUO Da (霍達)	China Merchants Group	Member of the Execution Committee of China Merchants Financial Services Business Unit	June 2018	to date
	CMS Zhiyuan	Chairman of the board of directors	November 2021	February 2022
LIU Weiwu (劉威武)	China Merchants Group	Head of the finance department (property rights department)	December 2020	to date
	AviChina Industry & Technology Company Limited	Independent non-executive director	June 2018	to date
	China Merchants Port Holdings Company Limited	Executive director	March 2021	to date
	China Merchants International Finance Company Limited, China Merchants Industry Holdings Co., Ltd., China Merchants Zhangzhou Development Zone Co., Ltd., China Merchants Chongqing Communications Technology Research & Design Institute Co., Ltd., Liaoning Port Group Limited	Director	March 2021	to date
	China Merchants Expressway Network & Technology Holdings Co., Ltd.	Director	April 2021	to date
	China Merchants Sharing Services Co., Ltd.	Executive director	April 2021	to date
	China Merchants Port Group Co., Ltd.	Director	May 2021	to date
	Sinotrans Limited	Non-executive director	June 2021	to date
	China Merchants Life Insurance Company Limited, China Merchants Investment Development Company Limited	Director	June 2021	to date
	China Merchants Taiping Bay Development Investment Co., Ltd.	Director	July 2021	to date
	China Merchants Union (BVI) Limited	Director	October 2021	to date
	China Merchants Energy Shipping Co., Ltd.	Deputy general manager	February 2016	January 2021
	China LNG Shipping (Holdings) Limited	Director	March 2009	February 2021
	Nanjing Tanker Corporation	Chairman of the supervisory committee	April 2021	October 2021

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Name	Name of company	Position	Date of appointment	Date of termination
SU Min (蘇敏)	China Merchants Group	Standing vice officer of the Execution Committee of China Merchants Financial Services Business Unit	June 2018	to date
	Bosera Funds	Director	September 2018	to date
	China Merchants Finance Holdings	Director	December 2015	to date
	China Merchants Bank	Non-executive director	September 2014	to date
	China Great Wall Securities Co., Ltd.	Director	October 2020	to date
PENG Lei (彭磊)	China Merchants Ping An Asset Management Co., Ltd., China Merchants Investment Management (Shenzhen) Co., Ltd.	Director	November 2021	to date
	China Merchants Ping An Asset Management Co., Ltd.	Director	December 2018	to date
	China Merchants Ping An Asset Management Co., Ltd.	Deputy general manager	July 2021	to date
	China Great Wall Securities Co., Ltd.	Director	June 2011	to date
	China Merchants Group	Standing member of the Execution Committee of China Merchants Financial Services Business Unit	June 2018	June 2021
	China Merchants Commerce Leasing Co., Ltd.	Director	August 2018	November 2021
GAO Hong (高宏)	China Merchants Group	Standing member of the Execution Committee of China Merchants Financial Services Business Unit	February 2019	to date
	China Merchants Financial Technology Co., Ltd. (招商局金融科技有限公司)	General manager	November 2017	to date
	China Merchants Life Insurance Company Limited	Deputy general manager (Chief Digital Officer (CDO))	February 2017	to date

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Name	Name of company	Position	Date of appointment	Date of termination
HUANG Jian (黃堅)	Shanghai Rural Commercial Bank Co., Ltd.	Director	June 2018	to date
	China COSCO Shipping Corporation Limited	General manager of capital operation department	September 2016	to date
	COSCO SHIPPING Captive Insurance Co., Ltd.	Director	August 2017	to date
	Lanhai Medical Investment Co., Ltd.	Director	May 2017	to date
	COSCO SHIPPING Development Co., Ltd.	Non-executive director	June 2016	to date
WANG Daxiong (王大雄)	COSCO SHIPPING Development Co., Ltd.	Chairman of the board of directors	July 2019	to date
	COSCO SHIPPING Development Co., Ltd.	Executive director	May 2016	to date
	China Merchants Bank	Non-executive director	November 2016	to date
	COSCO SHIPPING Investment Holdings Co., Ltd.	Chairman of the board of directors	March 2014	January 2022
WANG Wen (王文)	China-US Insurance Advisory Co., Ltd.	Chairman of the board of directors	May 2017	to date
XIANG Hua (向華)	CONNECT WEALTH INVESTMENT LIMITED, NeoSpective Capital Limited	Director	October 2021	to date
	Durer Investment Management Co., Ltd. (圖瑞投資管理有限公司)	Chief executive officer	January 2018	January 2022
XIAO Houfa (肖厚發)	RSM China (容誠會計師事務所(特殊普通合夥))	Principal partner	January 2014	to date
	Jingfu Cardiovascular Hospital (Xuzhou) Co., Ltd. (京阜心血管醫院(徐州)有限公司)	Director	November 2019	to date
XIONG Wei (熊偉)	Princeton University	Professor of Economics	July 2007	to date
	Princeton University	Trumbull-Adams Professor of Finance	July 2014	to date
	Shenzhen Finance Institute, CUHK (SZ)	Director	January 2016	to date
	Chinese University of Hong Kong, Shenzhen	Academic Dean of the School of Economics and Management	June 2015	to date
	Hong Kong Institute for Monetary and Financial Research	Academic adviser	July 2012	to date
	University of Cambridge	Visiting professor of the Faculty of Economics	September 2021	to date

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Name	Name of company	Position	Date of appointment	Date of termination
HU Honggao (胡鴻高)	Fudan University	Professor of law, doctoral advisor	January 2008	to date
	Shanghai China Fortune Co., Ltd.	Independent director	May 2017	to date
	Shanghai Amarsoft Information & Technology Co., Ltd.	Independent director	March 2017	to date
	Perfect Group Corp., Ltd.	Independent director	June 2016	to date
	Shenzhen Pacific Union Precision Manufacturing Company Ltd.	Independent director	April 2020	to date
WONG Ti (汪棣)	China International Fund Management Co., Ltd.	Independent director	April 2019	to date
	51 Credit Card Inc.	Independent non-executive director	July 2018	to date
	Asia-Pacific Property & Casualty Insurance Co., Ltd.	Independent director	April 2016	to date
	Vivasolis Biotechnology Co., Ltd. (中國台灣旭昶生物科技股份有限公司)	Supervisor	August 2016	to date
ZHOU Linda Lei (周語菡)	China Merchants Fund Management Co., Ltd.	Chairman of the supervisory committee	May 2020	to date
LI Xiaofei (李曉霏)	China Merchants Group	Deputy general manager of the human resources department	December 2021	to date
	China Great Wall Securities Co., Ltd.	Supervisor	July 2015	to date
	China Merchants Group	Standing member of the Execution Committee of China Merchants Financial Services Business Unit	June 2018	December 2021
WANG Zhangwei (王章為)	China Merchants Group	Chief auditor of China Merchants Financial Services Business Unit	April 2019	to date
	Shenzhen Yan Qing Investment and Development Company Ltd.	Director	November 2014	to date
	Shenzhen Chu Yuan Investment and Development Company Ltd.	Director	November 2014	to date
MA Yunchun (馬蘊春)	Hebei Port Group (Tianjin) Investment Management Co., Ltd. (河北港口集團(天津)投資管理有限公司)	Chairman of the board of directors	October 2020	to date
	Hebei Port Group Shanghai Investment Management Company	Chairman of the board of directors	January 2016	to date

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Name	Name of company	Position	Date of appointment	Date of termination
ZHANG Zhen (張震)	Jiang Tai Insurance Brokers Co., Ltd.	Supervisor	May 2020	to date
ZOU Qun (鄒群)	Shenzhen Huaqiang Asset Management Group Co., Ltd.	Director of securities investment department	December 2018	to date
	Shenzhen Huaqiang Dingxin Investment Co., Ltd.	Director	January 2015	to date
	Guangdong Huaqiang Property Co., Ltd. (廣東華強置業有限公司)	Director	January 2008	to date
HE Min (何敏)	CMS Asset Management	Director	July 2019	to date
	China Merchants Futures	Director	May 2019	to date
	CMS Zhiyuan	Director	May 2019	to date
	Bosera Funds	Chairman of the supervisory committee	April 2019	to date
SHEN Weihua (沈衛華)	RAYITEK HI-TECH Film Company Ltd., Shenzhen (深圳瑞華泰薄膜科技股份有限公司)	Independent director	May 2020	to date
	Shenzhen New Industries Biomedical Engineering Co., Ltd. (深圳市新產業生物醫學工程股份有限公司)	Independent director	June 2020	to date
WU Zongmin (吳宗敏)	China Merchants Group	Deputy director (Standing) of the Execution Committee of China Merchants Financial Services Business Unit	April 2021	October 2021
	China Merchants Group	Executive member (Standing) of the Execution Committee of China Merchants Financial Services Business Unit	June 2018	April 2021
	China Merchants Insurance Holdings Company Limited (招商局保險控股有限公司)	Director	February 2019	November 2021
	CM Houlder Insurance Brokers Limited (招商海達保險顧問有限公司)	Chairman of the board of directors	February 2019	November 2021
	China Merchants Life Insurance Company Limited	Director	March 2019	October 2021

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Name	Name of company	Position	Date of appointment	Date of termination
LI Zongjun (李宗軍)	China Merchants Futures	Chairman of the board of directors	March 2019	to date
	E-Capital Transfer Co., Ltd.	Director	January 2019	June 2021
	Qingdao Asset Management Co., Ltd. (青島市資產管理有限責任公司)	Vice chairman of the board of directors	December 2018	August 2021
ZHAO Bin (趙斌)	CMS International	Chairman of the board of directors	January 2022	to date
	CMS Investment	Executive director	January 2019	to date
	CMS Asset Management	Chief compliance officer	January 2018	January 2021
SU Jian (粟健)	China Oil and Foodstuff Corporation	Chief accountant	December 2020	to date
	China Merchants Port Holdings Company Limited	Executive director	October 2017	March 2021
	Sinotrans Limited	Non-executive director	June 2019	March 2021
	China Merchants Port Group Co., Ltd.	Director	December 2018	March 2021
	China Merchants Expressway Network & Technology Holdings Co., Ltd.	Director	January 2018	March 2021
XIONG Xianliang (熊賢良)	China Merchants Group	Director of the research and development center	August 2021	to date
	China Merchants Technology and Innovation Research and Development Institute	Dean	August 2021	to date
	China Merchants Investment Development Company Limited	Director	April 2020	to date
	China Merchants Port Holdings Company Limited	Executive director	June 2018	October 2021
	China Merchants Group	Head of the strategic development department	March 2015	August 2021
	Sinotrans Limited	Non-executive director	June 2019	October 2021
	China Merchants Innovation Investment Management Co., Ltd.	Director	August 2018	January 2022



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Name	Name of company	Position	Date of appointment	Date of termination
DENG Xiaoli (鄧曉力)	CMS Zhiyuan	Chairman of the board of directors	January 2019	November 2021
	CMS Asset Management	Chairman of the board of directors	March 2019	November 2021
WU Guangyan (吳光焰)	CMS International	Chairman of the board of directors	December 2018	December 2021
Statement of positions in other companies	Nil			

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

Decision-making procedures of remuneration of Directors, Supervisors and senior management	Non-executive Directors and external Supervisors of the Company shall not collect remuneration from the Company, and independent non-executive Directors shall receive the allowance of independent Directors according to the resolutions of the Company's shareholders' general meeting. The Remuneration and Appraisal Committee of the Board considers and reviews the remuneration policy, standard and proposal for the Directors, chairman of the Supervisory Committee and senior management who worked full-time for the Company, and makes recommendations to the Board on the formulation of official and transparent procedures for determining the remuneration policy. Remuneration of the Directors, chairman of the Supervisory Committee and senior management who worked full-time for the Company shall be considered and determined by the Remuneration and Appraisal Committee under the Board.
Basis for determination of remuneration of Directors, Supervisors and senior management	Remuneration of the Directors, chairman of the Supervisory Committee and senior management who worked full-time for the Company shall be determined by the Remuneration and Appraisal Committee under the Board with reference to the principal duties of relevant managerial positions, the results of performance assessment as well as the remuneration level in the market, according to the Company's Scheme of Management Methods of the Remuneration of Senior Management.
Remuneration paid to Directors, Supervisors and senior management	Please refer to "Change in shareholdings and remunerations of existing and resigned/retired Directors, Supervisors and senior management during the Reporting Period" in this chapter.
Aggregate remuneration actually paid to all the Directors, Supervisors and senior management as of the end of the Reporting Period	Remunerations before tax received by Directors, Supervisors and senior management from the Company during the Reporting Period totaled to RMB30.0910 million.

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

Name	Position	Change	Date of Change	Reason
ZHANG Qing (張慶)	Vice President	Appointed	March 26, 2021	Appointed by the Board
SU Jian (粟健)	Non-executive Director	Resigned	April 16, 2021	Resigned due to work arrangement
XIE Jijun (謝繼軍)	Vice President	Resigned	May 21, 2021	Resigned due to personal reasons
LIU Weiwu (劉威武)	Non-executive Director	Elected	June 4, 2021	Elected at the shareholders' meeting
XIONG Jiantao (熊劍濤)	Executive Director, President	Resigned	October 7, 2021	Resigned due to other personal commitments
DENG Xiaoli (鄧曉力)	Vice President	Resigned	November 2, 2021	Resigned due to her age
WU Guangyan (吳光焰)	Vice President	Resigned	December 22, 2021	Resigned due to personal reasons
WU Zongmin (吳宗敏)	President	Appointed	January 13, 2022	Appointed by the Board
XIONG Xianliang (熊賢良)	Non-executive Director	Resigned	January 21, 2022	Resigned due to work arrangement

During the Reporting Period, a total of five Directors, Supervisors and senior management resigned, representing 16.13% of the total number of Directors, Supervisors and senior management at the beginning of the Reporting Period.

For details, please refer to the relevant announcements published by the Company on the Hong Kong Stock Exchange website on March 26, April 16, May 21, June 4, October 7, November 2 and December 23, 2021 and January 13 and January 21, 2022.

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

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

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

## Chapter 4: Corporate Governance Report

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

Meeting	Date of Meeting	Resolutions
5th meeting of the seventh session of the Board	March 26, 2021	Considered and approved the following resolutions: resolution regarding the working report of the Board of the Company for 2020; resolution regarding the work report of the Audit Committee under the Board for 2020; resolution regarding the operational report of the Company for 2020; resolution regarding the 2020 annual report of the Company; resolution regarding the 2020 final financial report of the Company; resolution regarding the annual profit distribution of the Company for 2020; resolution regarding the 2020 Corporate Social Responsibility Report and Environmental, Social and Governance Report of the Company; resolution regarding the compliance report of the Company for 2020; resolution regarding the money laundering risk management report of the Company for 2020; resolution regarding the internal control assessment report of the Company for 2020; resolution regarding the internal control audit report of the Company for 2020; resolution regarding the report on the deposit and usage of proceeds of the Company in 2020; resolution regarding the financial budget report of the Company for 2021; resolution regarding the appointment of auditing firm of the Company for 2021; resolution regarding the budget for the proprietary investment of the Company for 2021; resolution regarding the contemplated ordinary related party transactions of the Company for 2021; resolution regarding the Plan on Shareholders Returns of the Company (2021-2023); resolution regarding the general mandates for further issuances of H Shares of the Company; resolution regarding the provision of guarantee by China Merchants Securities International Company Limited and its wholly-owned subsidiaries; resolution regarding the amendments to the trial implementation of assessment method for regulation compliance of senior management of China Merchants Securities Co., Ltd.; resolution regarding the determination of the date of the shareholders' general meeting; resolution regarding the amendments to the management methods for total remuneration of China Merchants Securities Co., Ltd.; resolution regarding the implementation of professional manager system for the position of Vice President responsible for investment banking business; and resolution regarding the appointment of senior management of the Company.
6th meeting of the seventh session of the Board	April 27, 2021	Considered and approved the following resolutions: resolution regarding the first quarterly report of the Company for 2021; resolution regarding the nomination of candidates for directors; and resolution regarding the amendments to the Registration System for Persons with Inside Information of China Merchants Securities Co., Ltd.
7th meeting of the seventh session of the Board	June 15, 2021	Considered and approved the resolution regarding by-election for members of special committees under the seventh session of the Board.
8th meeting of the seventh session of the Board	August 27, 2021	Considered and approved the following resolutions: resolution regarding the 2021 interim operational report of the Company; resolution regarding the 2021 interim report of the Company; resolution regarding the 2021 interim report on the deposit and use of proceeds of the Company; resolution regarding the introduction of tenure system and contract management methods in the Company; and resolution regarding the continuing implementation of relevant supporting policies regarding fintech innovation investment.
9th meeting of the seventh session of the Board	October 25, 2021	Considered and approved the resolution regarding the third quarterly report of the Company for 2021.
10th meeting of the seventh session of the Board	November 23, 2021	Considered and approved the resolution regarding the extension of terms of office of certain senior management of the Company.
11th meeting of the seventh session of the Board	December 27, 2021	Considered and approved the resolution regarding the implementation measures of the power of the Board of the Company.

## VI. Duty Performance of Directors

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

Name of Director	Whether an independent Director	Attendance of Board meeting						Attendance of shareholders' general meeting
		Number of Board meetings requiring attendance	Attendance in person (times)	Attendance through correspondence (times)	Attendance by proxy (times)	Absence (times)	Whether not attending in person for two consecutive meetings	Attendance of shareholders' general meeting (times)
HUO Da (霍達)	No	7	7	4	0	0	No	1
LIU Weiwu (劉威武)	No	5	4	4	1	0	No	0
SU Min (蘇敏)	No	7	7	4	0	0	No	1
PENG Lei (彭磊)	No	7	7	7	0	0	No	1
GAO Hong (高宏)	No	7	7	7	0	0	No	1
HUANG Jian (黃堅)	No	7	7	7	0	0	No	1
WANG Daxiong (王大雄)	No	7	7	7	0	0	No	1
WANG Wen (王文)	No	7	7	7	0	0	No	1
XIANG Hua (向華)	Yes	7	7	7	0	0	No	1
XIAO Houfa (肖厚發)	Yes	7	7	7	0	0	No	1
XIONG Wei (熊偉)	Yes	7	6	5	1	0	No	1
HU Honggao (胡鴻高)	Yes	7	7	7	0	0	No	1
WONG Ti (汪棣)	Yes	7	7	7	0	0	No	1
SU Jian (粟健) (Resigned in April 2021)	No	1	1	0	0	0	No	0
XIONG Xianliang (熊賢良) (Resigned in January 2022)	No	7	6	6	1	0	No	1
XIONG Jiantao (熊劍濤) (Resigned in October 2021)	No	4	4	2	0	0	No	1
Number of Board meetings convened in the year								7
Of which: number of onsite meetings								0
Number of meetings convened by way of correspondence								3
Number of meetings convened onsite and by way of correspondence								4

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### (II) Duty performance of independent Directors

For details of the duty performance of independent Directors of the Company, please see the Annual Duty Report of Independent Directors of China Merchants Securities Co., Ltd. for 2021 (《招商證券股份有限公司獨立董事2021年度述職報告》) published on the SSE website and the Hong Kong Stock Exchange website for the same period of this report.

### (III) Others

#### 1. Directors' training

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

During the Reporting Period, the trainings attended by the Directors of the Company were as follows:

Name	Position	Time and content of the training
HUO Da (霍達)	Chairman of the Board, executive Director	He participated in the interpretation of Amendment XI to the Criminal Law – amendments to securities and futures crimes organized by the Shenzhen Association of Listed Companies in February 2021; participated in the interpretation of "zero tolerance" policy in the capital market under new circumstances organized by the Shenzhen Association of Listed Companies in September 2021; participated in the 2021 training courses for the directors, supervisors and senior management of listed companies organized by the Shenzhen Securities Regulatory Bureau in December 2021; and read the Monthly Correspondences to the Directors and Supervisors
LIU Weiwu (劉威武)	Non-executive director	He participated in the counseling for listing on STAR Market organized by AviChina Industry & Technology Company Limited in February 2021; participated in the financial revolution in the digital era organized by China Merchants Group in May 2021; participated in the post-listing compliance training on the Main Board of the Hong Kong Stock Exchange organized by Tian Yuan Law Firm LLP in May 2021; participated in the Regulatory Requirements for Listing on the Main Board of the Hong Kong Stock Exchange and Directors' Continuing Obligations under the PRC Laws organized by AviChina Industry & Technology Company Limited in May 2021; participated in the financial personnel training course "Zhu Li Zhi Xing" (鑄力·智行) organized by China Merchants Group in July 2021; participated in the 2021 training courses for the directors and supervisors of listed companies organized by the Beijing Association of Listed Companies in June and September 2021; participated in the special training course on the financial work of central enterprises organized by the SASAC in September 2021; participated in the interpretation of "zero tolerance" policy in the capital market under new circumstances organized by the Shenzhen Association of Listed Companies in September 2021; and read the Monthly Correspondences to the Directors and Supervisors
XIONG Xianliang (熊賢良)	Non-executive Director (Resigned in January 2022)	He read the Monthly Correspondences to the Directors and Supervisors
SU Min (蘇敏)	Non-executive Director	She participated in the interpretation of "zero tolerance" policy in the capital market under new circumstances organized by the Shenzhen Association of Listed Companies in September 2021; participated in the 2021 training courses for the directors, supervisors and senior management of listed companies organized by the Shenzhen Securities Regulatory Bureau in December 2021; and read the Monthly Correspondences to the Directors and Supervisors

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Name	Position	Time and content of the training
PENG Lei (彭磊)	Non-executive Director	She participated in the interpretation of Amendment XI to the Criminal Law – amendments to securities and futures crimes organized by the Shenzhen Association of Listed Companies in February 2021; participated in the interpretation of “zero tolerance” policy in the capital market under new circumstances organized by the Shenzhen Association of Listed Companies in September 2021; participated in the 2021 training courses for the directors, supervisors and senior management of listed companies organized by the Shenzhen Securities Regulatory Bureau in December 2021; and read the Monthly Correspondences to the Directors and Supervisors
GAO Hong (高宏)	Non-executive Director	He participated in the interpretation of “zero tolerance” policy in the capital market under new circumstances organized by the Shenzhen Association of Listed Companies in September 2021; participated in the 2021 training courses for the directors, supervisors and senior management of listed companies organized by the Shenzhen Securities Regulatory Bureau in December 2021; and read the Monthly Correspondences to the Directors and Supervisors
HUANG Jian (黄坚)	Non-executive Director	He participated in the interpretation of Amendment XI to the Criminal Law – amendments to securities and futures crimes organized by the Shenzhen Association of Listed Companies in February 2021; participated in the interpretation of “zero tolerance” policy in the capital market under new circumstances organized by the Shenzhen Association of Listed Companies in September 2021; and read the Monthly Correspondences to the Directors and Supervisors
WANG Daxiong (王大雄)	Non-executive Director	He participated in the interpretation of “zero tolerance” policy in the capital market under new circumstances organized by the Shenzhen Association of Listed Companies in September 2021; participated in the training regarding the National “14th Five-Year Plan” and SOE Reform organized by COSCO SHIPPING Group throughout the year; and read the Monthly Correspondences to the Directors and Supervisors
WANG Wen (王文)	Non-executive Director	He participated in the interpretation of Amendment XI to the Criminal Law – amendments to securities and futures crimes organized by the Shenzhen Association of Listed Companies in February 2021; participated in the training on regulatory measures on Internet insurance business organized by the CBIRC in April 2021; participated in the financial actuarial training organized by the People’s Insurance Company (Group) of China in May 2021; participated in the human resources training organized by the People’s Insurance Company (Group) of China in August 2021; participated in the counseling and training regarding “emission peak and carbon neutrality” organized by the People’s Insurance Company (Group) of China in September 2021; participated in the interpretation of “zero tolerance” policy in the capital market under new circumstances organized by the Shenzhen Association of Listed Companies in September 2021; participated in the online training on anti-money laundering organized by the People’s Insurance Company (Group) of China in October 2021; participated in the Excellent Insurance Lecture Phase Three Training and New Business Value Training organized by the People’s Insurance Company (Group) of China in November 2021; participated in the written training on reputational risks organized by the CBIRC in December 2021; participated in the training on C-ROSS risk management and training on consumer rights protection of the life insurance cadre online college organized by the People’s Insurance Company (Group) of China in December 2021; and read the Monthly Correspondences to the Directors and Supervisors
XIANG Hua (向华)	Independent non-executive Director	He participated in the Quantitative Trading, Alternative Assets organized by the Hong Kong Securities and Investment Institute in May 2021; participated in the 2021 second phase follow-up training for independent directors of listed companies of the SSE organized by the SSE in August 2021; participated in the interpretation of “zero tolerance” policy in the capital market under new circumstances organized by the Shenzhen Association of Listed Companies in September 2021; and read the Monthly Correspondences to the Directors and Supervisors

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Name	Position	Time and content of the training
XIAO Houfa (肖厚發)	Independent non-executive Director	He participated in the seventh session of Tsinghua PBCSF course for scientific entrepreneur organized by the PBC School of Finance, Tsinghua University in July 2021; participated in the interpretation of “zero tolerance” policy in the capital market under new circumstances organized by the Shenzhen Association of Listed Companies in September 2021; participated in the seminar on Financial and Accounting Supervision organized by the Anhui Construction Management Bureau of the Ministry of Finance in October 2021; participated in the education of national certified public accountant industry on promotion of “Guo Ban Fa No.30” training (全國註冊會計師行業學習宣傳「國辦發30號文件」動員宣講暨「一竿子到底」培訓班) organized by the Beijing Institute of Certified Public Accountants in October 2021; and read the Monthly Correspondences to the Directors and Supervisors
XIONG Wei (熊偉)	Independent non-executive Director	He participated in the annual meeting of American Academy of Financial Management in January 2021; participated in the seminar on fintech organized by Yale University in June 2021; participated in the interpretation of “zero tolerance” policy in the capital market under new circumstances organized by the Shenzhen Association of Listed Companies in September 2021; and read the Monthly Correspondences to the Directors and Supervisors
HU Honggao (胡鴻高)	Independent non-executive Director	He participated in the 2021 second phase follow-up training for independent directors of listed companies of the SSE organized by the SSE in August 2021; participated in the interpretation of “zero tolerance” policy in the capital market under new circumstances organized by the Shenzhen Association of Listed Companies in September 2021; and read the Monthly Correspondences to the Directors and Supervisors
WONG Ti (汪棣)	Independent non-executive Director	He read the Monthly Correspondences to the Directors and Supervisors
SU Jian (粟健)	Non-executive Director (Resigned in April 2021)	He read the Monthly Correspondences to the Directors and Supervisors
XIONG Jiantao (熊劍濤)	Executive Director (Resigned in October 2021)	He participated in the interpretation of Amendment XI to the Criminal Law – amendments to securities and futures crimes organized by the Shenzhen Association of Listed Companies in February 2021; participated in the interpretation of “zero tolerance” policy in the capital market under new circumstances organized by the Shenzhen Association of Listed Companies in September 2021; and read the Monthly Correspondences to the Directors and Supervisors

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

As at the end of the Reporting Period, there were eight non-executive Directors (LIU Weiwu, XIONG Xianliang (resigned on January 21, 2022), SU Min, PENG Lei, GAO Hong, HUANG Jian, WANG Daxiong and WANG Wen), and five independent non-executive Directors (XIANG Hua, XIAO Houfa, XIONG Wei, HU Honggao and WONG Ti). For details of their terms of office, see “Change in shareholdings and remunerations of existing and resigned/retired Directors, Supervisors and senior management during the Reporting Period” in this chapter of this report.



### 3. *Diversity policy*

#### (1) Purpose

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

#### (2) Statements

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

#### (3) Measurable objectives

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

#### (4) Monitoring and reporting

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

#### (5) Review of this policy

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

#### (6) Disclosure of this policy

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

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### 4. *Nomination policy*

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

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

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

## VII. Information about Special Committees under the Board

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

For details of the composition of the committees as at the end of the Reporting Period, see "Information about the members of Special Committees under the Board" below.

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

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### (I) Information about the members of Special Committees under the Board

Category of Special Committee	Name of members
Strategy Committee	HUO Da (chairman), XIONG Xianliang (resigned on January 21, 2022), XIONG Jiantao (resigned on October 7, 2021), GAO Hong, WANG Daxiong, WANG Wen, XIANG Hua
Risk Management Committee	SU Min (chairman), SU Jian (resigned on April 16, 2021), LIU Weiwu (appointed on June 15, 2021), XIONG Jiantao (resigned on October 7, 2021), PENG Lei, WANG Daxiong, WANG Wen, XIANG Hua
Audit Committee	XIAO Houfa (chairman), SU Jian (resigned on April 16, 2021), LIU Weiwu (appointed on June 15, 2021), HUANG Jian, HU Honggao, WONG Ti
Remuneration and Appraisal Committee	XIANG Hua (chairman), SU Min, PENG Lei, XIONG Wei, WONG Ti
Nomination Committee	XIONG Wei (chairman), HUO Da, PENG Lei, XIAO Houfa, HU Honggao

### (II) Strategy Committee

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

During the Reporting Period, the Strategy Committee held a total of one meeting, and reviewed the report on the development direction of the “14th Five-Year Plan” on financial technology of the Company.

Date of meeting	Details of meeting	Major opinions and recommendations	Other duty performance
August 27, 2021	Reviewed the report on the development direction of the “14th Five-Year Plan” on financial technology of the Company.	Recommended the Company to conduct comprehensive transformation on processes from clients' perspective.	Nil

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

No.	Name	Number of meetings attended/ Number of meetings held
1	HUO Da (霍達) (chairman)	1/1
2	XIONG Xianliang (熊賢良) (resigned on January 21, 2022)	1/1
3	XIONG Jiantao (熊劍濤) (resigned on October 7, 2021)	1/1
4	GAO Hong (高宏)	1/1
5	WANG Daxiong (王大雄)	1/1
6	WANG Wen (王文)	1/1
7	XIANG Hua (向華)	1/1

### (III) Risk Management Committee

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

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

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Date of meeting	Details of meeting	Major opinions and recommendations	Other duty performance
March 18, 2021	Considered and approved the risk evaluation report of the Company for the fourth quarter of 2020 and report on allocation of economic capital for 2021, report on continuous achievement of risk control indicators (such as net capital) of the Company at the end of 2020, report on an all-inclusive budget arrangement for the proprietary investment of the Company for 2021, resolution regarding the budget for the proprietary investment of the Company for 2021, compliance report of the Company for the fourth quarter of 2020, and compliance report of the Company for 2020.	Recommended the Company to optimize the asset allocation mechanism for proprietary investment, and push forward client demand-driven investment transformation. The investment banking business should have a mechanism with long-term effect and fundamental measures, so as to avoid risk events that may affect the economic benefit and reputation of the Company. The Company should attach great importance to the risks associated with the risk of joint and several liabilities of the custody business.	Nil
June 21, 2021	Considered and approved the risk evaluation report of the Company for the first quarter of 2021, and compliance report of the Company for the first quarter of 2021.	In terms of credit risk, the proprietary business and capital-based intermediary business should conduct project screening, strengthen their post-investment continuing follow-up management, actively respond to the change in industry policies, and attach great importance to the risks regarding urban investment bonds. In terms of market risk management and control, the Company should allocate more resources to client demand-driven business, respond to risks regarding exits of co-investment projects on the STAR Market, and conduct post-investment follow-up management on private equity investment. In terms of operational risk, the Company should pay attention to the risk of the custody business, construct its knowledge by inference, and attach great importance to the compliance risks of the investment banking business to establish the investment bank of high quality.	Nil

## Chapter 4: Corporate Governance Report

Date of meeting	Details of meeting	Major opinions and recommendations	Other duty performance
August 26, 2021	Considered and approved the risk evaluation report of the Company for the second quarter of 2021, compliance report of the Company for the second quarter of 2021, report on continuous achievement of risk control indicators (such as net capital) of the Company at the end of June 2021, and resolution regarding adjustment of risk appetite statement of the Company.	The Company should pay attention to the use of leverage, use its capital to fulfill the needs of risk-neutral strategic investment business and client demand-driven business, and implement strict restriction on the use of capital for stock pledge repo and stock investment business. The Company should build on investment bank instead of on investment, serve for the real economy and the development of the capital market, and control the speed of growth, risks and leverage. The Company should comply with the requirements of the Opinions on Strictly Cracking Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》) issued by the General Office of the CPC Central Committee and the General Office of the State Council to optimize compliance management comprehensively.	Nil
November 11, 2021	Considered and approved the risk evaluation report of the Company for the third quarter of 2021, and compliance report of the Company for the third quarter of 2021.	Recommended the Company to attach great attention to the risks of real estate related business and the risks arising therefrom in relation to upstream and downstream, urban investment bonds, small and medium banks and small and medium financial institutions, and conduct stress test and risk prevention. The Company should pay attention to the credit risk of capital-based intermediary business, in particular credit risk related to industries with high energy consumption and high pollution. The Company should seek to include indicators related to real estate and "emission peak and carbon neutrality" into risk appetite. The Company should pay attention to risks of defaults of bonds underwritten and defaults of custody clients, pay attention to the risk management of client-driven investment and market-driven investment, and optimize its system and processes.	Nil

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

No.	Name	Number of meetings attended/ Number of meetings held
1	SU Min (蘇敏) (chairman)	4/4
2	SU Jian (粟健) (resigned on April 16, 2021)	1/1
3	LIU Weiwu (劉威武) (appointed on June 15, 2021)	3/3
4	XIONG Jiantao (熊劍濤) (resigned on October 7, 2021)	3/3
5	PENG Lei (彭磊)	4/4
6	WANG Daxiong (王大雄)	4/4
7	WANG Wen (王文)	4/4
8	XIANG Hua (向華)	4/4

### (IV) Audit Committee

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

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



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

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

Date of meeting	Details of meeting	Major opinions and recommendations	Other duty performance
March 25, 2021	Considered and approved the 2020 Annual Report of the Company, 2020 final financial report of the Company, report on the deposit and usage of proceeds in 2020, resolution regarding the appointment of auditing firm of the Company for 2021, resolution regarding the contemplated ordinary related party transactions of the Company for 2021, work report of the Audit Committee under the Board for 2020, internal audit report of the Company for 2020 and internal audit work plan of the Company for 2021, internal control assessment report of the Company for 2020, and internal control audit report of the Company for 2020. Reviewed the report on audit work of the Company for 2020.	Nil	Enquired about the reasons for the significant year-on-year changes in profits of subsidiaries, the application of accounting policies, account management and control, the withdrawal of the application of IPO projects of the Company, the relevant information of litigation cases, and the provision of risk reserves.
April 27, 2021	Considered and approved the first quarterly report of the Company for 2021.	Nil	Nil
August 26, 2021	Considered and approved the 2021 interim report of the Company and its summary, the 2021 interim audit work report of the Company, and interim report on the deposit and actual usage of proceeds for 2021.	Recommended that systematic and hidden risks that need to be brought to the attention of the Audit Committee should be classified according to the business sector in the internal audit work report.	Enquired about the source of revenue growth of the Company in the first half of the year, and the measurement of proprietary investment.
September 17, 2021	Considered and approved the 2021 self-assessment program on internal control of the Company.	Nil	Nil

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Date of meeting	Details of meeting	Major opinions and recommendations	Other duty performance
October 22, 2021	Considered and approved the third quarterly report of the Company for 2021. Reviewed the 2021 audit work plan of the Company.	This year, there are material uncertainties due to issues such as COVID-19, Sino-U.S. competition, risks in the real estate industry and severe winter weather. It is recommended that the Company should consider financial asset valuation, impairment testing and other issues as early as possible, and analyze the scenarios for various situations.	Enquired about the ranking of the Company's competitiveness indicators, and the accountants' audit strategy for the Company's litigation cases.
December 9, 2021	Considered and approved the third quarterly internal audit report of the Company for 2021.	Recommended the Company to attach great importance to the compliance management of anti-money laundering for the brokerage business.	Nil

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

No.	Name	Number of meetings attended/ Number of meetings held
1	XIAO Houfa (肖厚發) (chairman)	6/6
2	SU Jian (粟健) (resigned on April 16, 2021)	1/1
3	LIU Weiwu (劉威武) (appointed on June 15, 2021)	4/4
4	HUANG Jian (黃堅)	6/6
5	HU Honggao (胡鴻高)	6/6
6	WONG Ti (汪棣)	6/6

### (V) Remuneration and Appraisal Committee

The main duties of the Remuneration and Appraisal Committee of the Company include: considering, reviewing and providing recommendations on the remuneration policy, standard and proposal of the Directors and senior management of the Company with reference to the principal scope of authorization, duties and importance of the Directors and senior management as well as the remuneration package for similar positions of comparable companies; making recommendations to the Board on the overall remuneration policy and structure of the Directors and senior management of the Company and the formulation of official and transparent procedures for determining the remuneration policy. The remuneration standard and proposal include but are not limited to appraisal standards and procedures, major evaluation systems, and major proposals and systems on reward and penalty. The Remuneration and Appraisal Committee is also responsible for reviewing and approving the remuneration proposal for the management in accordance with the corporate missions and targets determined by the Board; reviewing the overall remuneration policy of the Company and the total amount of annual remuneration and examining the remuneration policy and the execution of annual remuneration; making recommendation to the Board on the remuneration of executive Directors and senior management (including salary, pension and compensation (including the compensation

## Chapter 4: Corporate Governance Report

as to the loss or termination of office or appointment)), as well as the remuneration of non-executive Directors; considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions of other positions of the Company; reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the terms of the employment contracts or is otherwise fair and reasonable; reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with the terms of the employment contracts or are otherwise reasonable and appropriate; ensuring that no Director or any of his associates is involved in deciding his own remuneration; examining the appraisal standards of the Directors and senior management of the Company; reviewing and examining the performance of the duties of the Directors and senior management, conducting annual performance assessment and providing recommendations; overseeing the implementation of remuneration system of the Company; performing other duties as authorized by the Board; and performing other duties as required by the listing rules or laws and regulations of the places where the Company is listed.

During the Reporting Period, the Remuneration and Appraisal Committee held a total of three meetings. The Remuneration and Appraisal Committee reviewed the performance of and conducted annual performance appraisals for the senior management of the Company. It conducted special assessment on the compliance of the compliance officer of the Company, and made amendments to the Management Methods for Total Remuneration of China Merchants Securities Co., Ltd. and the Management Methods for Remuneration of Senior Management of China Merchants Securities Co., Ltd.

Date of meeting	Details of meeting	Major opinions and recommendations	Other duty performance
March 18, 2021	Considered and approved the resolution regarding the amendments to the Management Methods for Total Remuneration of China Merchants Securities Co., Ltd., resolution regarding the amendments to the Management Methods for Remuneration of Senior Management of China Merchants Securities Co., Ltd., resolution regarding the approval of remuneration of senior management of China Merchants Securities Co., Ltd. for 2018, and resolution regarding the approval of total remuneration of China Merchants Securities for 2018 and 2019.	Recommended the Company to supplement the background of the amendments to the remuneration management measures and the impact on the Company's financial statements. Upon the consideration and approval of the remuneration management measures by the Board, the accountants should issue an authentication report on the total remuneration in 2018 and 2019.	Nil
March 25, 2021	Reviewed the 2020 annual duty report of HU Yu, the Chief Compliance Officer, and considered and approved the resolution regarding the 2020 assessment report on compliance officer of China Merchants Securities, and resolution regarding the amendments to the Pilot Methods of Special Assessment on the Compliance of Senior Management of China Merchants Securities.	Nil	Nil

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Date of meeting	Details of meeting	Major opinions and recommendations	Other duty performance
April 12, 2021	Reviewed the 2020 annual duty report of eight members of senior management, namely HUO Da (Chairman), XIONG Jiantao (President and Chief Information Officer), DENG Xiaoli (Vice President), LI Zongjun (Vice President), WU Huifeng (Vice President and secretary to the Board), ZHAO Bin (Vice President), HU Yu (Chief Compliance Officer and Chief Risk Officer) and WU Guangyan (Vice President), and considered the duty report of Xie Jijun (Vice President).	Nil	Nil

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

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

### (VI) Nomination Committee

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

During the Reporting Period, the Nomination Committee held a total of three meetings. The Nomination Committee reviewed the structure of the Board of the Company (including Board diversity) and the qualifications of candidates for Directors and senior management.

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Date of meeting	Details of meeting	Major opinions and recommendations	Other duty performance
January 26, 2021	Considered and approved the resolution regarding the implementation of professional manager system for the position of Vice President responsible for investment banking business.	Recommended the investment banking business of the Company to facilitate the coordination to the current management model.	Nil
March 25, 2021	Considered and approved the resolution regarding the nomination of senior management of the Company, and resolution regarding the report on review of Board structure of the Company for 2020.	Nil	Nil
April 26, 2021	Considered and approved the resolution regarding the nomination of candidates for Directors.	Nil	Nil

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

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

### VIII. Duty Performance of Supervisors

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

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

Name of Supervisor	Position	Attendance of meetings of the Supervisory Committee						Attendance of shareholders' general meetings
		Number of meetings of the Supervisory Committee held during the year	Attendance in person (times)	Attendance through correspondence (times)	Attendance by proxy (times)	Absence (times)	Whether not attending in person in two consecutive meetings	Attendance of shareholders' general meeting (times)
ZHOU Linda Lei (周語蓀)	Chairman of the Supervisory Committee	5	5	3	0	0	No	1
LI Xiaofei (李曉霏)	Shareholder Representative Supervisor	5	5	5	0	0	No	1
WANG Zhangwei (王章為)	Shareholder Representative Supervisor	5	5	5	0	0	No	1
MA Yunchun (馬蘊春)	Shareholder Representative Supervisor	5	5	5	0	0	No	1
ZHANG Zhen (張震)	Shareholder Representative Supervisor	5	4	4	1	0	No	0
ZOU Qun (鄒群)	Shareholder Representative Supervisor	5	5	5	0	0	No	1
YIN Hongyan (尹虹艷)	Employee Representative Supervisor	5	5	3	0	0	No	1
HE Min (何敏)	Employee Representative Supervisor	5	5	3	0	0	No	1
SHEN Weihua (沈衛華)	Employee Representative Supervisor	5	5	3	0	0	No	1
Number of meetings of the Supervisory Committee convened								5
Of which: Number of onsite meetings								0
Number of meetings convened by way of correspondence								3
Number of meetings convened onsite and by way of correspondence								2

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### (II) Convening of the meetings of the Supervisory Committee

In 2021, the Supervisory Committee convened a total of five meetings, details of which are set out as follows:

No.	Session	Date of meeting	Proposal	Voting results
1	The second meeting of the seventh session of the Supervisory Committee	March 25, 2021	Resolution regarding the 2020 annual report of the Company, resolution regarding the 2020 operational report of the Company, resolution regarding the internal control evaluation report of the Company for 2020, resolution regarding the compliance report of the Company for 2020, resolution regarding the evaluation report on effectiveness of compliance management of the Company for 2020, resolution regarding the 2020 Corporate Social Responsibility and Environmental, Social and Governance Report, resolution regarding the report on the deposit and use of proceeds of the Company for 2020, and resolution regarding the work report of the Supervisory Committee of the Company for 2020	Passed
2	The third meeting of the seventh session of the Supervisory Committee	April 27, 2021	Resolution regarding the 2021 first quarterly report of the Company	Passed
3	The fourth meeting of the seventh session of the Supervisory Committee	August 6, 2021	Resolution regarding the audit report in respect of the resignation of Mr. XIE Jijun, the former Vice President of the Company	Passed
4	The fifth meeting of the seventh session of the Supervisory Committee	August 26, 2021	Resolution regarding the 2021 interim operational report of the Company, resolution regarding the 2021 interim report of the Company, and resolution regarding the 2021 interim report on the deposit and use of proceeds of the Company	Passed
5	The sixth meeting of the seventh session of the Supervisory Committee	October 25, 2021	Resolution regarding the 2021 third quarterly report of the Company	Passed

### IX. Risks of the Company Identified by the Supervisory Committee

The Supervisory Committee had no objections to the matters under supervision during the Reporting Period.



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

### (I) Employees

As at the end of the Reporting Period, the Company had a total of 12,061 employees.

Number of employees of parent company	11,078
Number of employees of major subsidiaries	927
Total number of employees	12,005
Number of resigned and retired employees with expenses borne by the parent company and major subsidiaries	56

Classification by business function	
Business function	Number
Administration and management	487
Securities and futures brokerage	7,687
Investment banking	1,437
Investment management	254
Investment and trading	226
Research	272
Legal and compliance, risk management and internal audit	174
IT	1,141
Finance and accounting	167
Others	160
Total	12,005

Classification by educational background	
Educational background	Number
Doctor	108
Master	4,080
Bachelor	5,381
Others	2,436
Total	12,005

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### (II) Remuneration policy

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

For the year ended December 31, 2021, total staff remuneration expenses (including Directors' remuneration) amounted to RMB8,315.8 million. For further details, please refer to note 12 to the financial report.

### (III) Training program

Focusing on its strategic planning and talent training objectives, the Company continuously improved training management, optimized training operations, and improved training quality while planning and implementing training programs classified based on different levels and categories with specific focus. A series of training programs tailored for particular objectives have been carried out to respond to the tasks of cultivating multi-functional talents for technology and finance, outstanding young management members and digital talents. In response to industry supervision, the Company strengthened the training of new employees and current employees in compliance, risk control, professional ethics and professional integrity to enhance their capacities in practice. Following the development trend of Internet learning, the Company strived to promote the extensive use of training via live-streaming and online training at mobile learning platforms, continuously enriched online training resources, expanded training coverage, and improved learning efficiency, with an aim to ensure that the training needs necessary for employees' growth and business development are met and thereby promoting the Company's core competitiveness.

### (IV) Outsourced services

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

### (V) Others

As of December 31, 2021, the Company entered into the securities agency contracts with 1,726 agents. The Company adopted categorized and classified management on its agents. In respect of categorized management, the headquarters of the Company is responsible for formulating centralized systems and regulations on the recruitment, remuneration, performance assessment, training, compliance management and routine code of conduct, while branch companies and branches shall determine their respective systems on recruitment, profit sharing commission rate, training and assessment of the marketing personnel under the framework formulated by the Company. In respect of classified management, the Company classifies its marketing personnel into different grades according to their sales performance, educational background, professional qualifications, compliance with laws and regulations and general qualifications. Marketing personnel are assigned with different remuneration package and scope of business according to their grades. In particular, general marketing staff is mainly responsible for soliciting new customers, while those with exceptional performance and higher qualifications is responsible for serving customers with a specific level of assets.

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

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

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

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

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

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

During the Reporting Period, the Company formulated and implemented the annual profit distribution plan for 2020 in accordance with the requirements on the policy, decision-making process and arrangement of dividend under the Plan on Shareholders' Returns of China Merchants Securities Co., Ltd. (2021–2023) and the Articles of Association of China Merchants Securities Co., Ltd.

The proposal on the annual profit distribution for 2020 is as follows: Based on the Company's total share capital of 8,696,526,806 shares prior to the implementation of the proposal, the Company shall distribute a cash dividend of RMB4.37 for every 10 shares (tax inclusive) to all shareholders, amounting to cash dividend of RMB3,800,382,214.22 in total (tax inclusive). The cash dividend distributed accounted for 40.04% of the net profit attributable to shareholders of the parent company in the consolidated statement of the Company for 2020.

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

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

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

The annual profit distribution plan for 2020 of the Company was implemented on July 30, 2021.

## Chapter 4: Corporate Governance Report

### (II) Details of cash dividend policy

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

### (III) Profit distribution

#### 1. Profit distribution plan for 2021

The Company will not allocate profit to the statutory reserve for the 2021. Based on the total share capital registered on the equity registration date for equity distribution, a cash dividend of RMB5.40 (tax inclusive) for every 10 shares will be distributed to all shareholders; no bonus shares will be distributed; and no capital reserve will be converted to share capital.

Based on the total number of shares of the Company of 8,696,526,806 shares as of December 31, 2021, the total distributed profit is RMB4,696,124,475.24. If the Company's total share capital changes on the equity registration date for equity distribution, the Company will keep the total distribution unchanged and adjust the distribution per share accordingly.

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

Upon consideration and approval of the 2021 annual profit distribution plan at the 2021 annual general meeting of the Company, the Company is expected to distribute the 2021 annual cash dividend before August 30, 2022. The Company will make separate announcement regarding the record date of such H Share dividend distribution, the period of closure of register of members, the share registration date for A Share dividend distribution and the specific payment date.

## Chapter 4: Corporate Governance Report

### 2. Profit distribution plan/proposal for the last three years:

Unit: Yuan Currency: RMB

Year	Number of bonus shares for every 10 shares	Dividend for every 10 shares (tax inclusive)	Conversion into share capital for every 10 shares	Cash dividends (tax inclusive)	Net profit attributable to holders of ordinary shares of the listed company for the year as stated in the consolidated financial statements	Percentage of net profit attributable to holders of ordinary shares of the listed company as stated in the consolidated financial statements (%)
2021	0	5.40	0	4,696,124,475.24	11,645,065,137.15	40.33
2020	0	4.37	0	3,800,382,214.22	9,491,638,796.98	40.04
Half year of 2020	0	3.35	0	2,913,336,480.01	4,333,834,391.86	67.22
2019	0	0	0	0.00	7,282,380,829.33	0.00

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

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

## Chapter 4: Corporate Governance Report

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

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

Summary of event	Reference
<p>The "Plan for Repurchasing A Shares of the Company by Centralized Bidding Transactions" was considered and approved at the 17th meeting of the sixth session of the Board, the 2019 first extraordinary general meeting, the 2019 first A Shareholders class meeting and the 2019 first H Shareholders class meeting of the Company. The Company intended to use all of the A Shares repurchased 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 Company engaged CMS Asset Management as the management authority for the employee stock ownership scheme, and signed the "CMS Asset Management – Asset Management Contract for Single Asset Management Scheme under the China Merchants Securities No. 1 Employee Stock Ownership Scheme" with CMS Asset Management on behalf of the employee stock ownership scheme. On March 6, 2020, the Company received the "Share Transfer Confirmation" issued by 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>	<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>

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

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

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

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

According to the evaluation results of internal control of the Company for 2021, the Company had no major defects in the internal control of financial reporting and non-financial reporting during the Reporting Period. The Company has established and effectively implemented a relatively comprehensive internal control mechanism, thereby achieving the overall goal of the Company's internal control.

### **XIV. Development of Compliance Management System of the Company**

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

The Company has established its five-level compliance management structure comprising the Board, senior management, Chief Compliance Officer, Legal and Compliance Department, and other departments, branches and subsidiaries at all levels. In 2021, each level duly performed its respective compliance management duties and maintained proper compliance level.



## Chapter 4: Corporate Governance Report

The Company continued to promote the construction of a compliance management system, further organized the implementation of new regulatory rules and properly conducted regulatory communication. It also carried out compliance management supervision such as compliance review, compliance training promotion, compliance inspection, compliance risk treatment, daily compliance monitoring and anti-money laundering in accordance with the laws and regulations as well as rules of the Company. Meanwhile, the Company strengthened the prevention and identification of compliance risks, and improved the compliance risk control mechanism. It followed up and interpreted laws, regulations and standards in a timely manner, and organized relevant departments to timely revise and refine internal rules and regulations, in order to implement new regulations and requirements, and effectively enhance the Company's internal control management. In addition, the Company newly formulated or revised nine legal and compliance management policies, including the "Compliance Management Measures of Subsidiaries of China Merchants Securities Co., Ltd." (《招商證券股份有限公司子公司合規管理辦法》), "Management Measures for Compliance Officer of China Merchants Securities Co., Ltd." (《招商證券股份有限公司合規專員管理辦法》) and "Management System for Legal Disputes of China Merchants Securities Co., Ltd." (《招商證券股份有限公司法律糾紛案件管理制度》), to continuously improve the compliance management system. It promoted vertically integrated compliance management, strengthened centralized management and overall coordination and revised relevant supporting systems to improve compliance management efficiency and compliance independence. The Company strictly implemented the "Accountability Regulations for cadre and staff of China Merchants Securities Co., Ltd." (《招商證券股份有限公司幹部員工問責管理規定》), and established a sound compliance accountability system.

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

In 2021, the legal and compliance department of the Company stepped up its compliance inspections, actively carried out compliance inspections which focused on major regulatory concerns, high-risk areas and new businesses, and comprehensively identified the compliance risk and supervised the rectification. A total of 37 compliance inspections were carried out throughout the year, which ensured the execution of the business regulations.

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

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

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

For details of the audit report on internal control of the Company, please refer to the 2021 Audit Report on Internal Control of China Merchants Securities Co., Ltd. (《招商證券股份有限公司2021年度內部控制審計報告》) published on the SSE website and the Hong Kong Stock Exchange website for the same period of this report.

### XVII. Progress of Audit

During the Reporting Period, the audit and supervision of the Company thoroughly followed the concept of “facilitating development through supervision”. First, the Company conducted careful planning to maintain a stable coverage while calmly responding to new changes in the industry and new requirements for internal audits to ensure overall coverage rate. Second, it adopted the problem-oriented approach and maintained strong internal control. Through continuously strengthening the depth and accuracy of audit findings as well as implementing and improving the institutional system and operational mechanism anchoring by reasonable, elaborative and feasible opinions and suggestions, the rectification rate of problems found before deadline remained at a high level. Third, it improved the quality and efficiency from a management perspective by understanding the development status of the industry, controlling the implementation of business strategies, comprehensively evaluating the effectiveness and strength of management policies and management measures and exploring the enhancement in quality and efficiency with others.

During the Reporting Period, the Company launched a total of 139 audit items of various types, in which 32 were related to audit and assessment of the headquarters and subsidiaries, comprehensively covering the Company’s risk control indicators, development management and testing management on information technology, agency sale of financial products, bond issuance of investment banking business, asset custody business, asset management business (subsidiary), private equity investment business (subsidiary) and other businesses or management areas, leading the completion of the effective self-assessment of the Company’s internal control project. There were 107 audit items with the departure or resignation of the head of branches.

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

## Chapter 4: Corporate Governance Report

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

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

### **XIX. Miscellaneous**

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

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

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

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

The Board of the Company has confirmed that it took responsibility for the preparation of the annual report for the year ended December 31, 2021 of the Group.

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

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

### (III) Joint company secretaries

Mr. WU Huifeng and Ms. KWONG Yin Ping Yvonne are the joint company secretaries of the Company, whose appointments were made in July 2015 and April 2016, respectively, and became effective in October 2016. Mr. WU Huifeng is the secretary to the Board and the main contact person within the Company. Ms. KWONG Yin Ping Yvonne is a vice president of SWCS Corporate Services Group (Hong Kong) Limited. According to Rule 3.29 of the Hong Kong Listing Rules, for the year ended December 31, 2021, both Mr. WU Huifeng and Ms. KWONG Yin Ping Yvonne have received over 15 hours of relevant professional training.

### (IV) Interests of shareholders

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

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

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

## Chapter 4: Corporate Governance Report

### (V) Auditor's remuneration

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

### (VI) Relationship with investors

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

In 2021, the Company held the online briefing and analyst telephone conference for 2020 annual results and 2021 interim results as well as the online briefing for 2021 third quarter results. The Company participated in the "Delivering value and creating a sound system through communication" online collective reception day for investors of listed companies in Shenzhen. The Company communicated with domestic and foreign analysts as well as investors of more than 600 person-times in-depth on issues such as industry trends, operation and development of the Company through various channels, including brokerage strategy meetings, telephone conference, SSE e-Interaction, hotline, e-mail and WeChat, with an aim to actively promote the investment value of the Company. The market value of the Company ranked seventh among listed brokerage companies as at the end of 2021, reflecting the high recognition on the Company's good image in the capital market by domestic and foreign investors.

### (VII) Risk management

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

For details of the internal control of the Company, please refer to the "2021 Internal Control Assessment Report of China Merchants Securities Co., Ltd." (《招商證券股份有限公司2021年度內部控制評價報告》) published on the SSE website and the Hong Kong Stock Exchange website for the same period of this report and "Establishment and Implementation of Internal Control System during the Reporting Period", "Development of Compliance Management System of the Company" and "Progress of Audit" in this Chapter.

### (VIII) Management of inside information

The Company has formulated certain management systems for information disclosure and relevant inside information and established an operating mechanism for managing inside information in accordance with regulatory requirements. During the Reporting Period, the Company revised the Registration System for Persons with Inside Information of China Merchants Securities Co., Ltd. (《招商證券股份有限公司內幕信息知情人登記制度》) in accordance with the Provisions on the Registration and Management System of Persons with Inside Information of Listed Companies (《關於上市公司內幕信息知情人登記管理制度的規定》) issued by the CSRC on February 3, 2021 and the Reporting Guidelines on Persons with Inside Information of Listed Companies (《上市公司內幕信息知情人報送指引》) issued by the SSE on February 28, 2020. On April 27, 2021, the revision was considered and approved at the sixth meeting of the seventh session of the Board of the Company. The Company has also standardized and strengthened the Company's inside information registration by issuing notices on strengthening the confidentiality and registration of inside information, and convening registration meeting for insiders.

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

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

There were no amendments to the Articles of Association of the Company in 2021.



# Chapter 5: Environment and Social Responsibility

## I. Information on Environmental Protection

### (I) Information on efforts conducive to ecological protection, pollution prevention and control and environmental responsibility fulfillment

Please refer to the 2021 Social Responsibility Report of China Merchants Securities Co., Ltd. (《招商證券股份有限公司2021年度社會責任報告》) and 2021 Environmental, Social and Governance Report published by the Company for the same period of this report on the SSE website and on the Hong Kong Stock Exchange website, respectively.

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

Please refer to the 2021 Social Responsibility Report of China Merchants Securities Co., Ltd. (《招商證券股份有限公司2021年度社會責任報告》) and 2021 Environmental, Social and Governance Report published by the Company for the same period of this report on the SSE website and on the Hong Kong Stock Exchange website, respectively.

## II. Performance of Social Responsibilities

Please refer to the 2021 Social Responsibility Report of China Merchants Securities Co., Ltd. (《招商證券股份有限公司2021年度社會責任報告》) and 2021 Environmental, Social and Governance Report of China Merchants Securities Co., Ltd. published by the Company for the same period of this report on the SSE website and on the Hong Kong Stock Exchange website, respectively.

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

In 2021, the Company strictly implemented the requirements of “not shirking its responsibilities, not repealing poverty alleviation policies, not ceasing assistance, and not stopping regulation (四個不摘)” and promoted the effective connection between the efforts of consolidation and advancement of poverty alleviation and rural revitalization through the priority layout of projects, the key guarantee of resource allocation and the preferential support of policies.

In 2021, the Company assisted 3 enterprises in poverty alleviation counties to raise RMB10.792 billion in total through equity financing, and assisted Handan Transportation Investment Group Co., Ltd. (邯鄲市交通投資集團有限公司) and Dazhou Investment Co., Ltd. (達州市投資有限公司) to raise a sum of RMB3.402 billion by issuing the rural revitalization bonds.



### **(I) Assisting Lantian Gas, a leading company in the gas field, to be 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, with the gross proceeds amounting 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 by the Securities Association), Zhumadian City, Henan Province, and is mainly engaged in pipeline natural gas and urban gas businesses in Henan Province. 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 played a role in ensuring the overall planning of urban and rural development and the facilitation of new-type urbanization, making significant contributions to improving the atmospheric environment, promoting economic and social development and enhancing the quality of life of the people.

### **(II) Assisting JinGuan Electric to be 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 RMB262.3505 million. 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 (once included in the list of national-level poverty-stricken counties by the Securities Association, and is one of targeted poverty alleviation counties of the Company), Nanyang City, Henan Province. It is a national hi-tech enterprise specializing in the R&D, manufacturing and sales of UHV power transmission, distribution and control equipment, with its metal oxide lightning arrester produced recognized as an individual champion product of the manufacturing industry by the Ministry of Industry and Information Technology. In 2017, it was rated as a leading innovation enterprise in Henan Province, and “JinGuan Electric” together with its trademark was recognized as a Chinese well-known trademark by the State Administration for Industry and Commerce. During the “14th Five-Year Plan”, the new cross-regional transmission channels of the State Grid will mainly transport clean energy. Upon the successful listing of JinGuan Electric, it will actively devote itself to transitioning to clean energy and low-carbon and assisting the adjustment of energy structure, thereby promoting rural revitalization and creating greater value for the society.

### **(III) Assisting Muyuan Foods to receive proceeds of RMB9.55 billion by issuing convertible bonds**

In August 2021, Muyuan Foods Co. Ltd. (stock code: 002714, hereinafter referred to as Muyuan Foods) publicly issued convertible corporate bonds, and the gross proceeds amounted to RMB9.55 billion. China Merchants Securities served as the sponsor and joint lead underwriter for such convertible bond issuance.

## Chapter 5: Environment and Social Responsibility

The principal businesses of Muyuan Foods are pig husbandry, feed processing, pig breeding and pig slaughtering, and its registered address is Neixiang County, Nanyang City, Henan Province. China Merchants Securities had been preparing for the listing of Muyuan Foods since 2008, and Muyuan Foods was listed on the SME Board of the SZSE in January 2014, raising proceeds of RMB722 million. Upon the listing of Muyuan Foods, by accurately understanding the development strategy of Muyuan Foods and deeply exploring the various needs of Muyuan Foods, China Merchants Securities provided all-round capital market services for Muyuan Foods, becoming a long-term and major partnering securities firm of Muyuan Foods, and vigorously supporting Muyuan Foods to become a leading enterprise in the livestock industry. Muyuan Foods utilized the proceeds for its own operation and development as well as poverty alleviation projects, which also effectively boosted the economic development and growth of social employment of Neixiang County. In recent years, as the economic growth rate and increment rate of Neixiang County continued to rise, the comprehensive development of Nanyang City climbed from the third tier to the first tier, becoming a star county in the regional economy.

### (IV) Assisting the issuance of rural revitalization bonds

In August 12, 2021, the Company assisted Handan Transportation Investment Group Co., Ltd. (邯鄲市交通投資集團有限公司) to issue rural revitalization bonds named as the “2021 Medium-term Notes (Rural Revitalization) (First Tranche) of Handan Transportation Investment Group Co., Ltd. (邯鄲市交通投資集團有限公司2021年度第一期中期票據(鄉村振興))”, with a total issuance amount of RMB1 billion.

In November 24, 2021, the Company assisted the issuance of asset-backed securities of the Anhe Asset Support Special Scheme (Rural Revitalization) (Third Tranche) (安和第3期資產支持專項計劃(鄉村振興)), with a total issuance amount of RMB1.402 billion.

In December 16, 2021, the Company assisted Dazhou Investment Co., Ltd. (達州市投資有限公司) to issue the 2021 Directional Debt Financing Instrument (Old Revolutionary Base Areas/Rural Revitalization) (First Tranche) (2021年度第一期定向債務融資工具(革命老區／鄉村振興)), with a total issuance amount of RMB1 billion.

## 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	-	-
Undertaking related to the initial public offering	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	-	-
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	-	-

## 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	Others	China Merchants Group, CM Finance Investment	They have undertaken not to interfere in the operation and management activities of the Company beyond the authority; not to encroach upon the interests of the Company; not to deliver interests to other units or individuals free of charge or under unfair conditions, nor damage the interests of the Company 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	-	-

## II. Appointment and Removal of Accounting Firms

Unit: 10,000 Yuan Currency: RMB

	Currently appointed
Name of domestic accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)
Remuneration of domestic accounting firm	236.50
Term of appointment of domestic accounting firm	4 years
Name of international accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration of international accounting firm	108
Term of appointment of international accounting firm	4 years

Unit: 10,000 Yuan Currency: RMB

	Name	Remuneration
Accounting firm for internal control and auditing	Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)	35

### Description of appointment and dismissal of accounting firm

The Company has continued to engage Deloitte (including Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) and Deloitte Touche Tohmatsu Public Accountants LLP) as the auditors for the Company's financial reports and internal control for the year 2021. Deloitte has been providing annual audit services for the Company for four consecutive years since 2018.

## Chapter 6: Major Events

### III. Material Litigations or Arbitrations

Certain investors of China Security Co., Ltd. (hereinafter referred to as “China Security”) commenced litigations against China Security and its directors, China Security & Fire Technology Co., Limited (its subsidiary, hereafter referred to as “China Security & Fire Technology”) and intermediaries such as the Company, respectively, in the Shanghai Financial Court for civil compensation regarding relevant investment losses caused by false statements in the securities market, claiming China Security to compensate for their losses and bear the litigation expenses and requesting China Security & Fire Technology, directors and relevant personnel of China Security and relevant intermediaries to be jointly liable for the losses. On May 18, 2021, the Higher People’s Court of Shanghai made second trial judgments on the cases involving two investors, ordering the Company to bear joint liability within the scope of 25% for the total losses of RMB228 thousand payable by China Security to the two investors. As of March 25, 2022, in addition to the two investors in the above cases, the Company received litigation materials and notices of a total of 4,071 investors from the Shanghai Financial Court. Among which, the Company received first trial judgments from the Shanghai Financial Court on the cases involving 3,630 investors, ordering the Company to bear joint liability within the scope of 25% for the losses of RMB459.6293 million payable by China Security to the investors.

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

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

In November 2021, the CSRC and its local offices issued the “Decision on Taking Remedial Measures against China Merchants Securities Asset Management Co., Ltd.” and “Decision on Taking Administrative Supervision Measures by Issuing Warning Letters to China Merchants Securities Asset Management Co., Ltd.” to CMS Asset Management. In response to the irregular operation of certain asset management products, the imprudent investment decisions and the valuation of assets related to certain private asset management products proposed by regulatory authorities, CMS Asset Management actively promoted rectification, formulated special investment management guidelines for relevant products, comprehensively standardized the management before, during and after investment, and actively facilitated the change of valuation methods.

On May 26, 2021, the Company received the Administrative Punishment Decision (Shen Ren Yin Fa [2021] No. 10) from the Shenzhen Central Sub-branch of the People’s Bank of China (hereinafter referred to as PBOC Shenzhen). PBOC Shenzhen imposed a fine of RMB1.73 million on the Company for client identification, suspicious transaction reports and other issues found in the anti-money laundering inspection on the Company in 2020. The Company paid the fine in a timely manner, formulated a special rectification plan, earnestly carried out rectification, and submitted a rectification report to PBOC Shenzhen.

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

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

### VI. Material Connected Transactions

#### Continuing connected transactions

We entered into the Securities and Financial Products, Transactions and Services Framework Agreement, the Administrative Procurement Framework Agreement (the “2019 Administrative Procurement Framework Agreement”) and the Property Leasing Framework Agreement (the “2019 Property Leasing Framework Agreement”, together with other framework agreements, the “Framework Agreements”) with China Merchants Group on May 21, 2019. Of which, the term of the Securities and Financial Products, Transactions and Services Framework Agreement shall commence from September 9, 2019 until December 31, 2021, and the term of the 2019 Administrative Procurement Framework Agreement and 2019 Property Leasing Framework Agreement shall commence from May 21, 2019 until December 31, 2021. On August 28, 2020, the Company and China Merchants Group entered into the new Administrative Procurement Framework Agreement (the “2020 Administrative Procurement Framework Agreement”), the term of which shall commence from August 28, 2020 until December 31, 2021, and the 2019 Administrative Procurement Framework Agreement was terminated on the same day. Pursuant to the Framework Agreements, the Company and China Merchants Group and/or its associates agreed that (i) they shall provide securities and financial products and transactions to each another, and the Group shall provide financial services to China Merchants Group and/or its associates, in their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates; (ii) the Group shall procure various administrative office supplies and administrative comprehensive services related to its daily business activities from China Merchants Group and/or its associates in its ordinary course of business; and (iii) China Merchants Group and/or its associates shall lease properties to the Group in its ordinary course of business. For details, please refer to the announcements of the Company dated May 21, 2019 and August 28, 2020, respectively.

Given that the terms of the 2019 Property Leasing Framework Agreement and the 2020 Administrative Procurement Framework Agreement expired on December 31, 2021, on March 27, 2022, the Company and China Merchants Group renewed the 2019 Property Leasing Framework Agreement for a term commencing from March 27, 2022 to December 31, 2026 and the 2020 Administrative Procurement Framework Agreement for a term commencing March 27, 2022 to December 31, 2024. For details, please refer to the announcement of the Company dated March 27, 2022.

We entered into the 2021 Securities and Financial Products, Transactions and Services Framework Agreement (the “COSCO Shipping Framework Agreement”) with China COSCO Shipping Corporation Limited (“COSCO Shipping”) on December 30, 2020 for a term commencing from December 30, 2020 until December 31, 2021. Pursuant to the COSCO Shipping Framework Agreement, the Company and COSCO Shipping and/or its associates agreed that they shall provide securities and financial products and transactions to each another, and the Group shall provide financial services to COSCO Shipping and/or its associates, in their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates.

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

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



## Chapter 6: Major Events

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

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

##### Reasons for the transactions

We conduct securities and financial transactions with China Merchants Group and/or its associates in our ordinary course of business from time to time. Such transactions can generate cost synergies by integrating the advantageous resources of the Group and China Merchants Group and/or its associates, thereby enhancing the Group's profitability and strengthening the Group's leading position in the securities industry. The estimated annual caps of the total inflow and total outflow of the securities and financial products and transactions contemplated under the Framework Agreement for the three years ended December 31, 2021 are as follows:

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

- (1) "Inflow" represents our total cash inflow from the sale of fixed-income products and equity products to, trading of derivative products with and/or borrowing/repurchase from financing transactions with China Merchants Group and its associates.
- (2) "Outflow" represents our total cash outflow from the purchase of fixed-income products and equity products from, trading of derivative products with and/or lending/resale from financing transactions with China Merchants Group and its associates.
- (3) The estimated annual caps include China Merchants Fund and its subsidiaries

##### Historical figures

The Group had securities and financial products transactions with China Merchants Group and/or its associates, with a total cash inflow of RMB3,545 million and a total cash outflow of RMB4,345 million. Such amounts did not exceed the caps for 2021.

	RMB million
Securities and financial products and transactions	As at December 31, 2021
Inflow	3,544.63
Outflow	4,345.38

Note: Historical figures include China Merchants Fund and its subsidiaries

**B. Financial services****Reasons for the transactions**

In our ordinary course of business, we provide various financial services to our clients, which include China Merchants Group and its associates. Such transactions can generate cost synergies by integrating the advantageous resources of the Group and China Merchants Group and/or its associates, thereby enhancing the Group's profitability and strengthening the Group's leading position in the securities industry. Due to their business needs and our expertise and professional capabilities, we had been engaged by China Merchants Group and its associates to provide financial services including (but not limited to) underwriting, sponsoring, financial advisory and financial products agency sale services from time to time. The estimated annual caps of the financial services (insofar as an annual cap is required to be set for that service) to be provided under the Framework Agreement for the three years ended December 31, 2021 are as follows:

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

**Historical figures**

As at December 31, 2021, the Group provided securities and financial services to China Merchants Group and/or its associates and generated income of RMB185.6510 million, which was below the annual cap of 2021. The figures are set out in the table below:

	RMB million
Financial services	As at December 31, 2021
Total income generated by us	185.6510

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

## Chapter 6: Major Events

### C. Administrative procurement and property leasing

#### Reasons for the transactions

We conduct administrative procurement and property leasing with China Merchants Group, our controlling shareholder, and its associates from time to time in our ordinary course of business. Such transactions can generate synergies by integrating the strengths of the Group and China Merchants Group and/or its associates, thereby reducing the Group's overall operating costs and overheads to further enhance its profitability and the Group's leading position in the securities industry. The estimated annual caps of the administrative procurement and property leasing contemplated under the Framework Agreement for the three years ended December 31, 2021 are as follows:

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

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

#### Historical figures

As at December 31, 2021, the administrative procurement and property leasing between the Group and China Merchants Group and its associates from time to time amounted to RMB64.4575 million and RMB16.6106 million, respectively, which were below the annual caps of 2021. The figures are set out in the table below:

	RMB million
Transactions	As at December 31, 2021
Administrative procurement	64.4575
Property leasing	16.6106

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

## A. Securities and financial products and transactions

## Reasons for the transactions

We conduct securities and financial transactions with COSCO SHIPPING Group and/or its associates in our ordinary course of business from time to time. Such transactions can give full play to the resource advantages of the Group and COSCO Shipping and enhance the market competitiveness of the cooperation between the two parties. The transactions under the agreement can facilitate the provision of comprehensive and high-quality services for both parties and their clients. The estimated annual caps of the total inflow and total outflow of the securities and financial products and transactions contemplated under the Framework Agreement for the year ended December 31, 2021 are as follows:

	RMB million
<b>Securities and financial products and transactions</b>	<b>2021</b>
Inflow	1,280
Outflow	1,280

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

## Historical figures

The Group had securities and financial products transactions with COSCO SHIPPING Group and/or its associates, with a total cash inflow of RMB156.8022 million and a total cash outflow of RMB319.7495 million. Such amounts did not exceed the caps for 2021.

	RMB million
<b>Securities and financial products and transactions</b>	<b>As at December 31, 2021</b>
Inflow	156.8022
Outflow	319.7495

## Chapter 6: Major Events

### B. Financial services

#### Reasons for the transactions

In our ordinary course of business, we provide various financial services to our clients, which include COSCO SHIPPING Group and/or its associates. Such transactions can give full play to the resource advantages of the Group and COSCO SHIPPING and enhance the market competitiveness of the cooperation between the two parties. The transactions under the agreement can facilitate the provision of comprehensive and high-quality services for both parties and their clients. Due to their business needs and our expertise and professional capabilities, we had been engaged by COSCO SHIPPING Group and/or its associates to provide financial services including (but not limited to) underwriting, sponsoring, financial advisory and financial products agency sale services from time to time. The estimated annual cap of the financial services (insofar as an annual cap is required to be set for that service) to be provided under the Framework Agreement for the year ended December 31, 2021 is as follows:

	RMB million
<b>Financial services</b>	<b>2021</b>
Income generated by us	39

#### Historical figures

As at December 31, 2021, the Group provided securities and financial services to COSCO SHIPPING Group and/or its associates and generated income of RMB2.9006 million, which was below the annual cap of 2021. The figures are set out in the table below:

	RMB million
<b>Financial services</b>	<b>As at December 31, 2021</b>
Total income generated by us	2.9006

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

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

### **Confirmation of independent non-executive Directors**

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

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

### **Confirmation of independent auditor**

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

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

## Chapter 6: Major Events

### Connected transactions

On September 24, 2021, China Merchants Securities Investment Co., Ltd. (“CMS Investment”, a wholly-owned subsidiary of the Company) entered into a cooperation agreement with Zhuhai Yiyun Real Estate Co., Ltd. (珠海依雲房地產有限公司) (“Zhuhai Yiyun”), pursuant to which CMS Investment and Zhuhai Yiyun agreed to establish a joint venture company for the purpose of holding 37% equity interest in Changsha Renhui Real Estate Development Co., Ltd. (長沙仁惠房地產有限公司) in accordance with the Changsha Cooperation Framework Agreement. The registered capital of the joint venture company is RMB602.81 million, of which RMB307.433 million and RMB295.377 million will be contributed by Zhuhai Yiyun and CMS Investment, respectively, representing 51% and 49% of the registered capital of the joint venture company. Such transactions can optimize the asset allocation structure of the equity investment business of China Merchants Securities and improve its capital utilization efficiency leveraging the coordination of internal resources of China Merchants Group and its subsidiaries.

China Merchants Group is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Zhuhai Yiyun is a wholly-owned subsidiary of CM Shekou (which is in turn held by China Merchants Group as to 63.64% as of September 2, 2021 and 63.31% as of December 31, 2021), and is therefore an associate of China Merchants Group and a connected person of the Company under the Listing Rules.

For details of the above connected transaction, please refer to the announcement published by the Company on the Hong Kong Stock Exchange website on September 24, 2021.

In addition, on August 18, 2021, CMS Investment terminated the cooperation with China Merchants Real Estate (Hangzhou) Co., Ltd. (招商局地產(杭州)有限公司) in relation to the proposed acquisition of Hangzhou Zhaoying Real Estate Development Co., Ltd. (杭州招盈房地產開發有限公司). For details, please refer to the announcements published by the Company on the Hong Kong Stock Exchange website on December 23, 2020 and August 18, 2021, respectively.

For details of other connected transactions subject to the listing rules for A Shares, please refer to the Announcement on the Contemplated Ordinary Connected Transactions of the Company for 2022 (《關於公司2022年度預計日常關聯交易的公告》) published by the Company on the SSE website, China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily.

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



## VII. Material Contracts and their Performance

## (I) Guarantees

Unit: 100 Million Yuan Currency: RMB

Guarantees provided by the Company (excluding guarantees for subsidiaries)														
Guarantor	Relationship between the guarantor and the listed company	Guaranteed party	Amount of guarantee	Date of guarantee (date of agreement)	Effective date of guarantee	Expiry date of guarantee	Type of guarantee	Collateral (if any)	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Outstanding amount of guarantee overdue	Counter guarantee	Whether it is a guarantee for related parties	Relationship
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total guarantees provided during the Reporting Period (excluding guarantees for subsidiaries)						0								
Balance of guarantees as at the end of the Reporting Period (A) (excluding guarantees for subsidiaries)						0								
Guarantees for subsidiaries by the Company and its subsidiaries														
Total guarantees for subsidiaries during the Reporting Period						44.98								
Balance of guarantees for subsidiaries as at the end of the Reporting Period (B)						75.97								
Total guarantees (including guarantees for subsidiaries)														
Total guarantees (A+B)						75.97								
Ratio of total guarantee to net assets of the Company (%)						6.75								
Among which:														
Guarantees for shareholders, de facto controller and their related parties (C)						0								
Debt guarantee provided directly or indirectly for companies with gearing ratio over 70% (D)						0								
Amount of guarantees in excess of 50% of the net assets (E)						0								
Total amount of the above three types of guarantees (C+D+E)						0								
Outstanding guarantees subject to joint and several liabilities						-								
Details of guarantees						<p>1. On January 20, 2014, the provision of net assets guarantee of up to RMB500 million for CMS Asset Management was approved at the 2014 first extraordinary meeting of the fourth session of the Board. On September 27, 2016, the increase of net assets guarantee in favor of CMS Asset Management by no more than RMB3 billion in stages and authorization for the management of the Company to perform in stages, or terminate, such net assets guarantee within the above limit based on the actual operating condition of CMS Asset Management were approved at the 42th meeting of the fifth session of the Board. The balance of net assets guarantee provided by the Company for CMS Asset Management as at the end of the Reporting Period amounted to RMB2 billion;</p> <p>2. In June 2021, at the 2020 annual general meeting of the Company, it was considered and agreed that the total amount of guarantees provided by CMS International and its wholly-owned subsidiaries within the term of authorization shall not exceed HK\$57 billion equivalent, of which, financing guarantees shall not exceed HK\$14.5 billion equivalent. As at the end of the Reporting Period, the agreed amount of guarantees provided by CMS International and its wholly-owned subsidiaries was approximately RMB24.114 billion in total (with financing guarantees of approximately RMB6.270 billion). At the end of the year, the balance of guarantees utilized and traded was approximately RMB5.597 billion in total.</p>								

## Chapter 6: Major Events

### VIII. Other Disclosures

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

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

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

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

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

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

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

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

#### (V) Permitted indemnity provision

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

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

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

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

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

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

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

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

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

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

Save for those disclosed in note 69 to the financial report and "Chapter 6: Major Events" of this report, there were no other major events after the Reporting Period.

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

The Audit Committee of the Company has reviewed the annual results announcement for the year ended December 31, 2021, the 2021 annual report and the audited financial statements for 2021 prepared in accordance with the International Financial Reporting Standards and did not raise any objection to the accounting policy and practices adopted by the Company. The external auditor of the Company has reviewed the annual financial information for the year ended December 31, 2021 in accordance with International Standard on Review Engagements 2410.

### **(XII) Qualification of accounts**

According to the statistics from the internal data center of the Company, as at December 31, 2021, there were 5,987 unqualified capital accounts, 6,111 unqualified securities accounts, 1,075,639 dormant capital accounts, 1,684,219 dormant securities accounts, 52 capital accounts under freezing order, 1,231 securities accounts under freezing order, 569 risk disposal capital accounts (including dormant accounts of companies to be disposed of), 2,761 risk disposal securities accounts (including dormant accounts of companies to be disposed of) and 69,772 capital accounts among the A share capital accounts and securities accounts of the Company.

## Chapter 6: Major Events

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

The Company used the proceeds from the A+H rights issue as follows:

Approximately 70% was used to increase capital in subsidiaries and diversify business of the Company. As at December 31, 2021, the accumulated actual amount used was RMB10.105 billion;

Approximately 13.33% was used for the development of capital intermediary business. As at December 31, 2021, the accumulated actual amount used was approximately RMB2 billion;

Approximately 13.33% was used for the development of capital investment business. As at December 31, 2021, the accumulated actual amount used was approximately RMB2 billion;

Approximately 3.34% was used as working capital of the Group. As at December 31, 2021, the accumulated actual amount used was approximately RMB0.5 billion;

As of December 31, 2021, the proceeds have been fully utilized, and the remaining balance is the interest. The balance in the special account for the proceeds was HK\$54,511,835.18 and RMB8,340.38. Upon translation of Hong Kong dollar into Renminbi at the central parity rate of Hong Kong dollar against Renminbi as of December 31, 2021, the sum of the above proceeds in Hong Kong dollar and Renminbi was RMB44,577,216.82. The actual use of the proceeds were in line with the commitment announced by the Company.

### (XIV) Tax reduction

#### 1. A Shareholders

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

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

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

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

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

## Chapter 6: Major Events

### 2. H Shareholders

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

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

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

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

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

### **(XV) Management contracts**

Save for employment contracts, no contract in relation to the management and administration of the whole or any substantial part of the business of the Company was entered into or subsisted during 2021.

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

During the Reporting Period or as at the end of 2021, none of the Directors and Supervisors or their respective associates were granted any right by the Company or its subsidiaries to subscribe for the equity or debentures of the Company or any other body corporate or had exercised any of such right.



## Chapter 6: Major Events

### (XVII) Reserves and distributable reserves

For changes in reserves and distributable reserves of the Company, please refer to “Financial Report – Consolidated Statement of Changes in Equity” and note 67 of this report.

### (XVIII) Fixed assets

For details of the fixed assets of the Group as of December 31, 2021, please refer to “Financial Report – Consolidated Statement of Changes in Equity” and note 19 of this report.

### (XIX) Equity-linked agreements

No equity-linked agreement was entered into by the Company at any time during or subsisted at the end of the year ended December 31, 2021.

### (XX) Major customers and suppliers

In 2021, the revenue generated from the Group’s five largest customers accounted for less than 30% of the Group’s total revenue.

Due to the nature of business of the Company, the Company has no major suppliers.

### (XXI) Pension schemes

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

No forfeited contribution (by the Group on behalf of its employees who leave the scheme prior to vesting fully in such contributions) is available to be utilized by the Group to reduce the contributions payable in the future years or to reduce the Group’s existing level of contributions to the retirement scheme.

# Chapter 7: Changes in Shares and Shareholders

## I. Changes in Share Capital

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

## II. Issuance and Listing of Securities

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

Unit: share Currency: RMB

Class of shares and their derivative securities	Code	Abbreviation	Date of completion of issuance	Offer price (or interest rate)	Issuance amount	Date of listing	Amount approved for listing and trading	Date of closing
Ordinary shares								
-	-	-	-	-	-	-	-	-
Convertible corporate bonds, bonds with warrants								
-	-	-	-	-	-	-	-	-
Bonds (including enterprise bonds, corporate bonds and non-financial enterprise debt financing instruments)								
Corporate bonds	175637.SH	21 China Merchants Securities G1 (21招證G1)	January 18, 2021	3.24%	1.5 billion	January 21, 2021	1.5 billion	January 18, 2023
Corporate bonds	175638.SH	21 China Merchants Securities G2 (21招證G2)	January 18, 2021	3.53%	4.5 billion	January 21, 2021	4.5 billion	January 18, 2024
Corporate bonds	175715.SH	21 China Merchants Securities G3 (21招證G3)	January 28, 2021	3.58%	1.4 billion	February 2, 2021	1.4 billion	January 28, 2024
Corporate bonds	163865.SH	21 China Merchants Securities S1 (21招證S1)	February 3, 2021	3.25%	4.2 billion	February 9, 2021	4.2 billion	January 19, 2022
Corporate bonds	188386.SH	21 China Merchants Securities G4 (21招證G4)	July 12, 2021	3.00%	2.0 billion	July 15, 2021	2.0 billion	July 12, 2023

## Chapter 7: Changes in Shares and Shareholders

Class of shares and their derivative securities	Code	Abbreviation	Date of completion of issuance	Offer price (or interest rate)	Issuance amount	Date of listing	Amount approved for listing and trading	Date of closing
Corporate bonds	188387.SH	21 China Merchants Securities G5 (21招證G5)	July 12, 2021	3.22%	4.0 billion	July 15, 2021	4.0 billion	July 12, 2024
Corporate bonds	188481.SH	21 China Merchants Securities G6 (21招證G6)	July 29, 2021	2.95%	2.0 billion	August 3, 2021	2.0 billion	October 12, 2023
Corporate bonds	188482.SH	21 China Merchants Securities G7 (21招證G7)	July 29, 2021	3.12%	4.3 billion	August 3, 2021	4.3 billion	June 13, 2024
Corporate bonds	188567.SH	21 China Merchants Securities G9 (21招證G9)	August 12, 2021	3.08%	5.0 billion	August 17, 2021	5.0 billion	August 12, 2024
Corporate bonds	188568.SH	21 China Merchants Securities 10 (21招證10)	August 12, 2021	3.41%	2.0 billion	August 17, 2021	2.0 billion	August 12, 2026
Non-public corporate bonds	177972.SH	21 China Merchants Securities F1 (21招證F1)	February 26, 2021	3.55%	2.5 billion	March 4, 2021	2.5 billion	August 26, 2022
Non-public corporate bonds	177973.SH	21 China Merchants Securities F2 (21招證F2)	February 26, 2021	3.85%	7.5 billion	March 4, 2021	7.5 billion	August 26, 2023
Subordinated bonds	175705.SH	21 China Merchants Securities C1 (21招證C1)	January 27, 2021	3.95%	4.8 billion	February 2, 2021	4.8 billion	January 27, 2024
Subordinated bonds	175813.SH	21 China Merchants Securities C2 (21招證C2)	March 9, 2021	3.95%	6.0 billion	March 15, 2021	6.0 billion	March 9, 2024
Subordinated bonds	188003.SH	21 China Merchants Securities C3 (21招證C3)	April 15, 2021	3.80%	6.0 billion	April 21, 2021	6.0 billion	April 15, 2024

## Chapter 7: Changes in Shares and Shareholders

Class of shares and their derivative securities	Code	Abbreviation	Date of completion of issuance	Offer price (or interest rate)	Issuance amount	Date of listing	Amount approved for listing and trading	Date of closing
Subordinated bonds	188122.SH	21 China Merchants Securities C4 (21招證C4)	May 18, 2021	3.55%	3.0 billion	May 21, 2021	3.0 billion	November 18, 2023
Subordinated bonds	188306.SH	21 China Merchants Securities C5 (21招證C5)	June 24, 2021	3.48%	2.7 billion	June 30, 2021	2.7 billion	June 24, 2023
Subordinated bonds	188307.SH	21 China Merchants Securities C6 (21招證C6)	June 24, 2021	3.60%	2.0 billion	June 30, 2021	2.0 billion	December 23, 2023
Subordinated bonds	188997.SH	21 China Merchants Securities C7 (21招證C7)	November 11, 2021	3.40%	4.0 billion	November 17, 2021	4.0 billion	November 11, 2024
Subordinated bonds	188998.SH	21 China Merchants Securities C8 (21招證C8)	November 11, 2021	3.70%	1.0 billion	November 17, 2021	1.0 billion	November 11, 2026
Short-term financing bonds	072100004	21 China Merchants Securities CP001BC (21招商證券CP001BC)	January 7, 2021	2.49%	4.0 billion	January 8, 2021	4.0 billion	April 7, 2021
Short-term financing bonds	072100025	21 China Merchants Securities CP002BC (21招商證券CP002BC)	February 5, 2021	3.03%	3.0 billion	February 7, 2021	3.0 billion	May 7, 2021
Short-term financing bonds	072100056	21 China Merchants Securities CP003BC (21招商證券CP003BC)	April 12, 2021	2.64%	5.0 billion	April 13, 2021	5.0 billion	July 9, 2021

## Chapter 7: Changes in Shares and Shareholders

Class of shares and their derivative securities	Code	Abbreviation	Date of completion of issuance	Offer price (or interest rate)	Issuance amount	Date of listing	Amount approved for listing and trading	Date of closing
Short-term financing bonds	072100071	21 China Merchants Securities CP004BC (21招商證券 CP004BC)	May 12, 2021	2.42%	4.0 billion	May 13, 2021	4.0 billion	August 10, 2021
Short-term financing bonds	072100085	21 China Merchants Securities CP005BC (21招商證券 CP005BC)	May 27, 2021	2.43%	4.0 billion	May 28, 2021	4.0 billion	August 25, 2021
Short-term financing bonds	072100093	21 China Merchants Securities CP006BC (21招商證券 CP006BC)	June 9, 2021	2.48%	5.0 billion	June 10, 2021	5.0 billion	September 7, 2021
Short-term financing bonds	072100107	21 China Merchants Securities CP007BC (21招商證券 CP007BC)	June 24, 2021	2.50%	4.0 billion	June 25, 2021	4.0 billion	September 17, 2021
Short-term financing bonds	072100121	21 China Merchants Securities CP008BC (21招商證券 CP008BC)	July 14, 2021	2.37%	4.0 billion	July 15, 2021	4.0 billion	October 12, 2021
Short-term financing bonds	072100130	21 China Merchants Securities CP009BC (21招商證券 CP009BC)	July 21, 2021	2.38%	4.0 billion	July 22, 2021	4.0 billion	October 19, 2021

## Chapter 7: Changes in Shares and Shareholders

Class of shares and their derivative securities	Code	Abbreviation	Date of completion of issuance	Offer price (or interest rate)	Issuance amount	Date of listing	Amount approved for listing and trading	Date of closing
Short-term financing bonds	072100133	21 China Merchants Securities CP010BC (21招商證券CP010BC)	July 27, 2021	2.38%	4.0 billion	July 28, 2021	4.0 billion	October 26, 2021
Short-term financing bonds	072100145	21 China Merchants Securities CP011BC (21招商證券CP011BC)	August 13, 2021	2.32%	3.0 billion	August 16, 2021	3.0 billion	November 11, 2021
Short-term financing bonds	072100149	21 China Merchants Securities CP012BC (21招商證券CP012BC)	August 20, 2021	2.20%	3.0 billion	August 23, 2021	3.0 billion	November 18, 2021
Short-term financing bonds	072110001	21 China Merchants Securities CP013 (21招商證券CP013)	September 8, 2021	2.38%	2.0 billion	September 9, 2021	2.0 billion	December 17, 2021
Short-term financing bonds	072110104	21 China Merchants Securities CP014 (21招商證券CP014)	December 22, 2021	2.75%	1.8 billion	December 23, 2021	1.8 billion	September 23, 2022
Medium-term notes	40843.HK	CMSI GEM N2409	September 16, 2021	1.295%	US\$0.5 billion	September 17, 2021	US\$ 0.5 billion	September 16, 2024

## Chapter 7: Changes in Shares and Shareholders

Issuance of securities during the Reporting Period:

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

In July 2020, the Company received the Approval on the Registration of Corporate Bonds Publicly Issued by China Merchants Securities Co., Ltd. to Professional Investors (Zheng Jian Xu Ke [2020] No. 1322) (《關於同意招商證券股份有限公司向專業投資者公開發行公司債券註冊的批覆》(證監許可[2020]1322號)) from the CSRC, pursuant to which, the CSRC approved that the Company may publicly issue to professional investors corporate bonds with a maturity of more than one year, the total face value of which shall not be more than RMB25 billion, and short-term corporate bonds, the balance of face value of which shall not be more than RMB10 billion. In 2021, the Company issued two tranches of corporate bonds with a maturity of more than one year and one tranche of short-term corporate bonds accordingly.

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

### 2. *Non-public issuance of corporate bonds*

In March 2019, the Company received the No Objection Letter for the Offer for Sale of Corporate Bonds Non-publicly Issued by China Merchants Securities Co., Ltd. (Shang Zheng Han [2019] No. 523) (《關於對招商證券股份有限公司非公開發行公司債券掛牌轉讓無異議的函》(上證函[2019]523號)) from the SSE, pursuant to which, the SSE has no objection to the offer for sale of corporate bonds non-publicly issued by the Company to qualified investors in a total amount of not more than RMB45 billion. In 2021, the Company issued one tranche of non-publicly issued corporate bonds accordingly.

### 3. *Subordinated corporate bonds*

In November 2020, the Company received the Approval on the Registration of Subordinated Corporate Bonds Publicly Issued by China Merchants Securities Co., Ltd. to Professional Investors (Zheng Jian Xu Ke [2020] No. 3138) (《關於同意招商證券股份有限公司向專業投資者公開發行次級公司債券註冊的批覆》(證監許可[2020]3138號)) from the CSRC, pursuant to which, the CSRC approved that the Company may publicly issue to professional investors subordinated corporate bonds, the total face value of which shall not be more than RMB30 billion. In 2021, the Company issued five tranches of subordinated corporate bonds accordingly.

In September 2021, the Company received the Approval on the Registration of Subordinated Corporate Bonds Publicly Issued by China Merchants Securities Co., Ltd. to Professional Investors (Zheng Jian Xu Ke [2021] No. 3036) (《關於同意招商證券股份有限公司向專業投資者公開發行次級公司債券註冊的批覆》(證監許可[2021]3036號)) from the CSRC, pursuant to which, the CSRC approved that the Company may publicly issue to professional investors subordinated corporate bonds, the total face value of which shall not be more than RMB20 billion. In 2021, the Company issued one tranche of subordinated corporate bonds accordingly.



### 4. *Short-term financing bonds*

In June 2019, the Company received the Notice of the Financial Market Department of the People's Bank of China on the Maximum Outstanding Balance of Short-term Financing Bonds of China Merchants Securities Co., Ltd. (Yin Shi Chang [2019] No. 129) (《中國人民銀行金融市場司關於招商證券股份有限公司短期融資券最高待償還餘額有關事項的通知》(銀市場[2019]129號)) from the People's Bank of China, pursuant to which, the maximum outstanding balance of short-term financing bonds of the Company shall be RMB31.6 billion. In 2021, the Company issued 12 tranches of short-term financing bonds accordingly.

In September 2021, the National Interbank Funding Center issued the Announcement of the National Interbank Funding Center on the Authorization to Announce the Maximum Balance of Short-term Financing Bonds of Securities Firms (Zhong Hui Jiao Announcement [2021] No. 43) (《全國銀行間同業拆借中心授權公佈證券公司短期融資券餘額上限公告》(中匯交公告[2021]43號)), pursuant to which, the maximum outstanding balance of short-term financing bonds of the Company shall be RMB31 billion. In 2021, the Company issued two tranches of short-term financing bonds accordingly.

## III. Shareholders and De Facto Controller

### (I) Total number of shareholders

Total number of holders of ordinary shares as of the end of the Reporting Period	182,897
Total number of holders of ordinary shares as of the end of the month preceding the disclosure of this annual report	190,653

## Chapter 7: Changes in Shares and Shareholders

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

Unit: share

Shareholdings of the top ten shareholders							
Name of shareholder (in full)	Changes during the Reporting Period	Number of shares held at the end of the period	Percentage (%)	Number of restricted shares held	Pledged, marked or locked-up		Nature of shareholder
					Status	Number	
China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司)	–	2,047,900,517	23.55	–	Nil	–	State-owned legal person
Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司)	–	1,703,934,870	19.59	–	Nil	–	State-owned legal person
Hong Kong Securities Clearing Company Nominees Limited	50,890	1,274,215,711	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 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
China Communications Construction Company Ltd. (中國交通建設股份有限公司)	-120,000,000	152,219,361	1.75	–	Nil	–	State-owned legal person
CCCC Capital Holdings Co., Ltd. (中交資本控股有限公司)	120,000,000	120,000,000	1.38	–	Nil	–	State-owned legal person
Hong Kong Securities Clearing Company Limited	3,983,680	116,190,611	1.34	–	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

## 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	1,274,215,711	Overseas listed foreign shares	1,274,215,711
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 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
China Communications Construction Company Ltd. (中國交通建設股份有限公司)	152,219,361	RMB ordinary shares	152,219,361
CCCC Capital Holdings Co., Ltd. (中交資本控股有限公司)	120,000,000	RMB ordinary shares	120,000,000
Hong Kong Securities Clearing Company Limited	116,190,611	RMB ordinary shares	116,190,611
COSCO Shipping (Guangzhou) Co., Ltd. (中遠海運(廣州)有限公司)	109,199,899	RMB ordinary shares	109,199,899
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 indirectly holds 100% of the equity interest in Jisheng Investment. 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> <li>3. CCCC Capital Holdings Co., Ltd. is a wholly-owned subsidiary of China Communications Construction Company Ltd.</li> </ol>		

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

## Chapter 7: Changes in Shares and Shareholders

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

As at December 31, 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 (Share)	Percentage of total number of issued shares of the Company (%)	Percentage of total number of issued A Shares/H Shares of the Company (%)	Long positions <sup>6/</sup> / short positions <sup>7/</sup> shares available for lending
1	China Merchants Group	A Shares	Interest held by controlled corporations <sup>1</sup>	3,751,835,387	43.14	50.55	Long position
		H Shares	Interest held by controlled corporations <sup>2</sup>	89,042,607	1.02	6.99	Long position
2	China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司)	A Shares	Beneficial owner and interest of corporation controlled by substantial shareholders <sup>3</sup>	3,751,835,387	43.14	50.55	Long position
		H Shares	Interest held by controlled corporations <sup>3</sup>	89,042,607	1.02	6.99	Long position
3	Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司)	A Shares	Beneficial owner	1,703,934,870	19.59	22.96	Long position
4	CMF Holdings Limited	H Shares	Interest held by controlled corporations <sup>3</sup>	89,042,607	1.02	6.99	Long position
5	Best Winner Investment Limited	H Shares	Beneficial owner	89,042,607	1.02	6.99	Long position
6	China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司)	A Shares	Interest held by controlled corporations <sup>4</sup>	663,437,515	7.63	8.94	Long position
		H Shares	Interest held by controlled corporations <sup>5</sup>	207,797,720	2.39	16.30	Long position

## Chapter 7: Changes in Shares and Shareholders

No.	Name of de facto controller and substantial shareholders	Class of shares	Nature of interest	Number of shares held (Share)	Percentage of total number of issued shares of the Company (%)	Percentage of total number of issued A Shares/H Shares of the Company (%)	Long positions <sup>6</sup> / short positions <sup>7</sup> / shares available for lending
7	China Ocean Shipping Company Limited (中國遠洋運輸有限公司)	A Shares	Beneficial owner	544,632,418	6.26	7.34	Long position
8	Hebei Port Group Co., Ltd. (河北港口集團有限公司)	A Shares	Beneficial owner	343,282,732	3.95	4.63	Long position
		H Shares	Beneficial owner	89,338,460	1.03	7.01	Long position
9	PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司)	H Shares	Beneficial owner	433,290,000	4.98	34.00	Long position
10	The People's Insurance Company (Group) of China Limited (中國人民保險集團股份有限公司)	H Shares	Interest held by controlled corporations <sup>6</sup>	433,290,000	4.98	34.00	Long position
11	COSCO SHIPPING Investment Holdings Co., Limited	H Shares	Beneficial owner	207,797,720	2.39	16.30	Long position

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

## 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., a wholly-owned subsidiary of China Shipping Group Co., Ltd. (1.26%), COSCO SHIPPING Investment Holdings Co., Limited, a wholly-owned subsidiary of China Shipping Group Co., Ltd. (0.10%), and Guangzhou Sanding Oil Products Transport Co., Ltd. (廣州市三鼎油品運輸有限公司) (0.01%) are interested in under the SFO.
5. China COSCO Shipping Corporation Limited is deemed to be interested in the same number of H Shares which COSCO SHIPPING Investment Holdings Co., Limited, a wholly-owned subsidiary of China Shipping Group Co., Ltd. (中國海運集團有限公司) (2.39%), is interested in under the SFO.
6. The People's Insurance Company (Group) of China Limited directly and indirectly holds 80% of the equity interest in PICC Life Insurance Company Limited, and is deemed to be interested in the same number of H Shares which PICC Life Insurance Company Limited is interested in under the SFO.
7. A shareholder has a "long position" if it has an interest in shares, including interests through holding, selling or issuing financial instruments (including derivatives) under which such shareholder has the following 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 December 31, 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.

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

### (I) Details of controlling shareholder

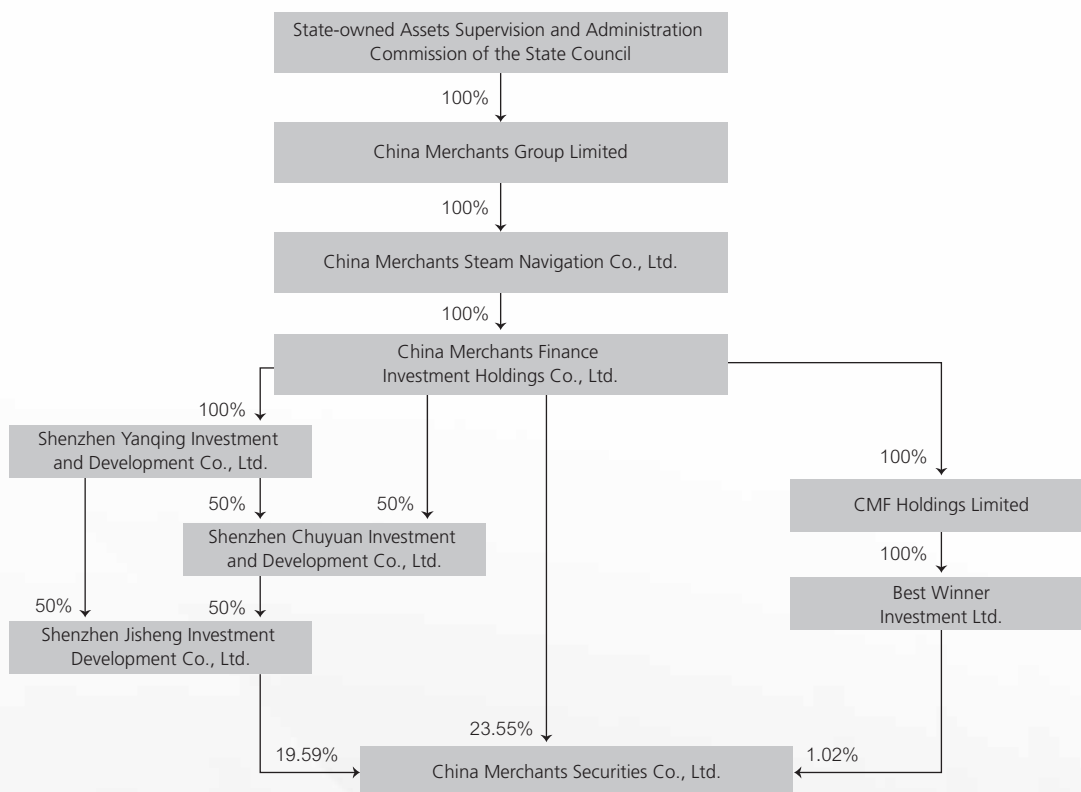
#### 1 Legal person

Name	China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司)
Person in charge or legal representative	HONG Xiaoyuan (洪小源)
Date of incorporation	May 28, 1997
Principal business	Investment in the establishment of various businesses and the operation and management of assets
Shareholdings in other domestic or overseas listed companies controlled by or associated with it during the Reporting Period	Directly holds 4.55% of the A shares of China Merchants Bank; in aggregate holds 13.28% of the A shares of China Merchants Bank through its controlled subsidiaries, namely Shenzhen Yanqing Investment and Development Co., Ltd. (深圳市晏清投資發展有限公司) and Shenzhen Chuyuan Investment and Development Co., Ltd. (深圳市楚源投資發展有限公司); and indirectly holds 1.53% of the H shares of China Merchants Bank through Best Winner Investment Limited.
Other assets and restrictions	Mainly equity investment, and there are no major restrictions on the equity and other assets held in China Merchants Securities.
Credit status	Good credit standing
Other descriptions	Nil



## Chapter 7: Changes in Shares and Shareholders

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



### (II) *Details of de facto controller*

#### 1 *Legal person*

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

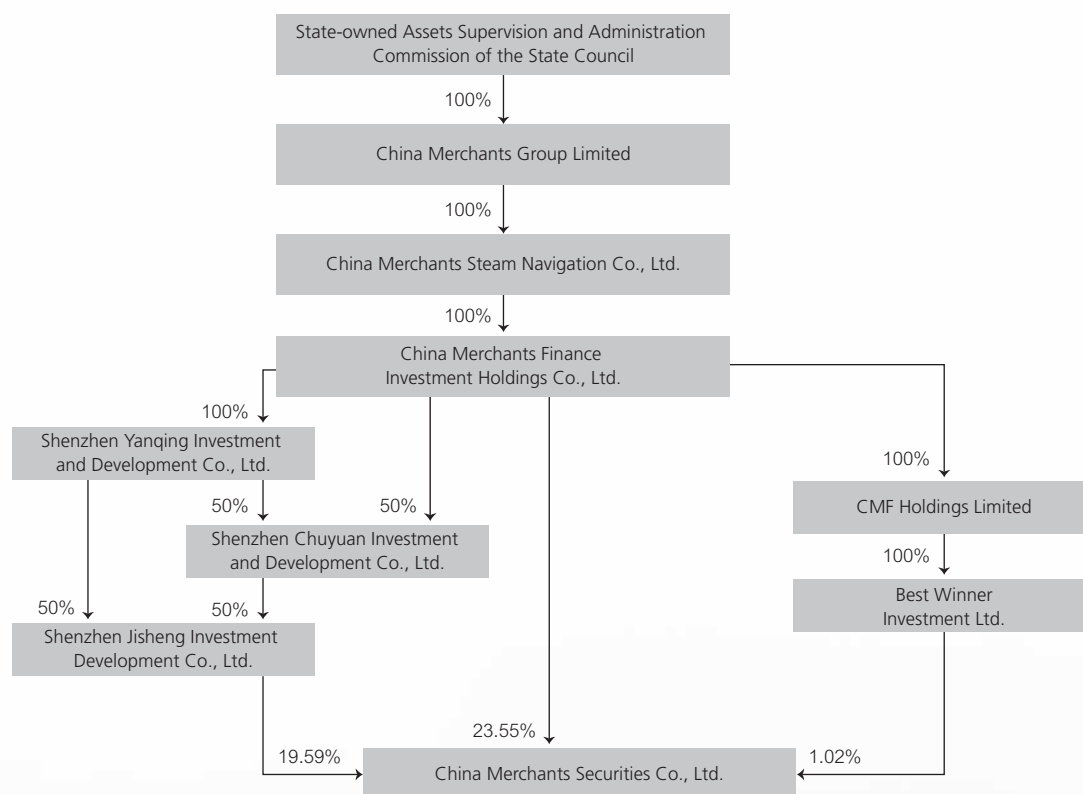
### Principal business

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

## Chapter 7: Changes in Shares and Shareholders

Shareholdings in other domestic or overseas listed companies controlled by or associated with it during the Reporting Period	<p>Holds 81.92% interests in China Merchants Port Group Company Limited, 78.29% interests in Yingkou Port Liability Co., Ltd., 74.35% interests in China Merchants Land Limited, 69.15% interests in Liaoning Port Co., Ltd., 68.72% interests in China Merchants Expressway Network &amp; Technology Holdings Co., Ltd., 65.69% interests in China Merchants Port Holdings Company Limited, 63.57% interests in China Merchants Shekou Industrial Zone Holdings Co., Ltd., 57.64% interests in Sinotrans Limited, 54.26% interests in China Merchants Energy Shipping Co., Ltd., 51.16% interests in China Merchants Property Operation &amp; Service Co., Ltd., 44.17% interests in China Merchants Securities Co., Ltd., 35.50% interests in China Merchants Commercial REIT, 29.97% interest in China Merchants Bank Co., Ltd., 29.94% interests in Anhui Expressway Company Limited, 27.97% interests in Nanjing Tanker Corporation, 27.59% interests in China Merchants China Direct Investments Limited, 26.64% interests in Shanghai International Port (Group) Co., Ltd., 24.88% interests in Sichuan Expressway Company Limited, 24.49% interests in China International Marine Containers (Group) Co., Ltd., 19.08% interests in Jinzhou Port Co., Ltd., 17.75% interests in Fujian Expressway Development Co., Ltd., 16.52% interests in Heilongjiang Transport Development Co., Ltd., 16.32% interests in Hubei Chutian Smart Communication Co., Ltd., 16.29% interests in Shangdong Hi-Speed Company Limited, 15.43% interests in Henan Zhongyuan Expressway Co., Ltd., 14.04% interests in Jilin Expressway Co., Ltd., 13.86% interests in Guangxi Wuzhou Communications Co., Ltd., 12.36% interests in China Greatwall Securities Co., Ltd., 11.69% interests in Jiangsu Expressway Company Limited, 9.59% interests in Shanxi Road and Bridge Co., Ltd., 8.70% interests in Qilu Expressway Company Limited, 8.12% interests in Shenzhen Expressway Company Limited, 8.04% interests in Xiandai Investment Co., Ltd., 6.03% interests in S.F. Holding Co., Ltd., 6.00% interests in Pangang Group Vanadium &amp; Titanium Resources Co., Ltd., 5.00% interests in Ningbo Zhoushan Port Co., Ltd., 2.43% interests in Linklogis Inc., 2.36% interests in Qingdao Port International Co., Ltd., 2.10% interests in International Business Settlement Holdings Limited, 1.66% interests in Zhejiang Expressway Company Limited, 1.20% interests in Oriental Times Media Corporation, 1.02% interests in Chang Jiang Shipping Group Phoenix Co., Ltd., 0.62% interests in JD Logistics, Inc., 0.53% interests in China Shipbuilding Industry Co., Ltd., 0.16% interests in CMMB Vision Holdings Limited, 0.11% interests in Haitong Securities Co., Ltd., 0.10% interests in Sinopec Engineering (Group) Co., Ltd., 0.02% interests in Bank of Tianjin Co., Ltd., 0.02% interests in Air China Limited, and 0.01% interests in Bank of China Limited.</p>
Other assets and restrictions	Major assets are cash and bank balances, inventory and long-term equity investment, and there are no major restrictions on the equity and other assets held in China Merchants Securities.
Credit status	Granted AAA credit rating with good credit standing.
Other descriptions	Nil.

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



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

## Chapter 7: Changes in Shares and Shareholders

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

Unit: 10,000 Yuan Currency: RMB

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

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

As at December 31, 2021, to the best knowledge of the Directors having made reasonable enquiries, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations which would be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or interests or short positions which would be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange were as follows:

Directors/ Supervisors	Position	Class of shares	Nature of interest	Number of shares held	Percentage of total number of issued shares of the Company (%)	Percentage of total number of issued A Shares of the Company (%)	Long positions/ short positions/ shares available for lending
HUO Da (霍達)	Chairman of the Board, executive Director	A Shares	Beneficial owner	531,210	0.006	0.007	Long position
ZHOU Linda Lei (周語菡)	Chairman of the Supervisory Committee	A Shares	Beneficial owner	429,054	0.004	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
XIONG Jiantao (熊劍濤)	Former Executive Director, President, Chief Information Officer (Resigned on October 7, 2021)	A Shares	Beneficial owner	531,210	0.006	0.007	Long position

# Chapter 8: Relevant Information of Bonds

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

### (I) Corporate bonds

#### 1. General information of corporate bonds

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

Unit: 100 Million Yuan    Currency: RMB

Name	Abbreviation	Code	Date of issuance	Value date	Date of expiry	Remaining balance	Interest rate (%)	Payment of principal and interest	Trading place	Eligibility of investors (if any)	Trading mechanism	Whether there is any risk of termination of listing and trading
The 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, 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 25, 2015	May 26, 2015	May 26, 2025	55.00	5.08	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to investors	Auction, quote, quote request and trade by agreement	No
The 2017 Perpetual Subordinated Bonds (third tranche) of China Merchants Securities Co., Ltd. <sup>(Notes)</sup> (招商證券股份有限公司2017年永續次級債券(第三期))	17 China Merchants Y3 (17招商Y3)	145545.SH	May 19, 2017	May 22, 2017	N/A	37.00	5.65	Payment of interest annually if the option of deferring payment of interest is not exercised	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. <sup>(Notes)</sup> (招商證券股份有限公司2017年永續次級債券(第四期))	17 China Merchants Y4 (17招商Y4)	145579.SH	June 16, 2017	June 19, 2017	N/A	23.00	5.58	Payment of interest annually if the option of deferring payment of interest is not exercised	SSE	Offering to qualified institutional investors	Quote, quote request and trade by agreement	No
The 2019 Type Two Non-public issuance of Corporate Bonds (second tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第二期)(品種二))	19 China Merchants F4 (19招商F4)	151413.SH	April 9, 2019	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 Non-public issuance of Corporate Bonds (third tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第三期)(品種二))	19 China Merchants F6 (19招商F6)	151496.SH	April 24, 2019	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



## Chapter 8: Relevant Information of Bonds

Name	Abbreviation	Code	Date of issuance	Value date	Date of expiry	Remaining balance	Interest rate (%)	Payment of principal and interest	Trading place	Eligibility of investors (if any)	Trading mechanism	Whether there is any risk of termination of listing and trading
The 2020 Type Two Non-public issuance of Corporate Bonds (fourth tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2020年非公開發行公司債券(第四期)(品種二))	20 China Merchants F7 (20招商F7)	166997.SH	June 10, 2020	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 2020 Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第一期))	20 China Merchants G1 (20招商G1)	163757.SH	July 21, 2020	July 22, 2020	July 22, 2023	30.00	3.55	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional 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招選G3)	163925.SH	August 12, 2020	August 13, 2020	August 13, 2023	30.00	3.50	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	No
The 2020 Type One Corporate Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第三期)(品種一))	20 China Merchants Securities G4 (20招選G4)	175174.SH	September 18, 2020	September 21, 2020	September 21, 2022	29.00	3.55	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional 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招選G5)	175175.SH	September 18, 2020	September 21, 2020	September 21, 2023	29.00	3.78	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional 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招選G6)	175292.SH	October 23, 2020	October 26, 2020	October 26, 2022	30.00	3.43	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional 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招選G7)	175293.SH	October 23, 2020	October 26, 2020	October 26, 2023	10.00	3.63	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, 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招選C1)	175515.SH	December 2, 2020	December 3, 2020	June 3, 2023	44.30	4.38	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Auction, quote, quote request and trade by agreement	No

## Chapter 8: Relevant Information of Bonds

Name	Abbreviation	Code	Date of issuance	Value date	Date of expiry	Remaining balance	Interest rate (%)	Payment of principal and interest	Trading place	Eligibility of investors (if any)	Trading mechanism	Whether there is any risk of termination of listing and trading
The 2020 Type Two Subordinated Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2020年面向專業投資者公開發行次級債券(第一期)(品種二))	20 China Merchants Securities C2 (20招證C2)	175516.SH	December 2, 2020	December 3, 2020	December 3, 2023	10.70	4.43	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	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 15, 2021	January 18, 2021	January 18, 2023	15.00	3.24	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional 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 15, 2021	January 18, 2021	January 18, 2024	45.00	3.53	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional 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招證C1)	175705.SH	January 26, 2021	January 27, 2021	January 27, 2024	48.00	3.95	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	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 27, 2021	January 28, 2021	January 28, 2024	14.00	3.58	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	No
The 2021 Type One Non-public issuance of Corporate Bonds (first tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2021年非公開發行公司債券(第一期)(品種一))	21 China Merchants Securities F1 (21招證F1)	177972.SH	February 25, 2021	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 Non-public issuance of Corporate Bonds (first tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2021年非公開發行公司債券(第一期)(品種二))	21 China Merchants Securities F2 (21招證F2)	177973.SH	February 25, 2021	February 26, 2021	August 26, 2023	75.00	3.85	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to qualified investors	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招證C2)	175813.SH	March 8, 2021	March 9, 2021	March 9, 2024	60.00	3.95	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	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招證C3)	188003.SH	April 14, 2021	April 15, 2021	April 15, 2024	60.00	3.80	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Auction, quote, quote request and trade by agreement	No

## Chapter 8: Relevant Information of Bonds

Name	Abbreviation	Code	Date of issuance	Value date	Date of expiry	Remaining balance	Interest rate (%)	Payment of principal and interest	Trading place	Eligibility of investors (if any)	Trading mechanism	Whether there is any risk of termination of listing and trading
The 2021 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 17, 2021	May 18, 2021	November 18, 2023	30.00	3.55	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	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 23, 2021	June 24, 2021	June 24, 2023	27.00	3.48	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	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 23, 2021	June 24, 2021	December 23, 2023	20.00	3.60	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	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 9, 2021	July 12, 2021	July 12, 2023	20.00	3.00	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional 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 9, 2021	July 12, 2021	July 12, 2024	40.00	3.22	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional 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 28, 2021	July 29, 2021	October 12, 2023	20.00	2.95	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional 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 28, 2021	July 29, 2021	June 13, 2024	43.00	3.12	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional 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 11, 2021	August 12, 2021	August 12, 2024	50.00	3.08	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	No

## Chapter 8: Relevant Information of Bonds

Name	Abbreviation	Code	Date of issuance	Value date	Date of expiry	Remaining balance	Interest rate (%)	Payment of principal and interest	Trading place	Eligibility of investors (if any)	Trading mechanism	Whether there is any risk of termination of listing and trading
The 2021 Type Three Corporate Bonds (fifth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第五期)(品種三))	21 China Merchants Securities 10 (21招證10)	188568.SH	August 11, 2021	August 12, 2021	August 12, 2026	20.00	3.41	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	No
The 2021 Type One Subordinated Bonds (sixth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第六期)(品種一))	21 China Merchants Securities C7 (21招證C7)	188997.SH	November 10, 2021	November 11, 2021	November 11, 2024	40.00	3.40	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Auction, quote, quote request and trade by agreement	No
The 2021 Type Two Subordinated Bonds (sixth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第六期)(品種二))	21 China Merchants Securities C8 (21招證C8)	188998.SH	November 10, 2021	November 11, 2021	November 11, 2026	10.00	3.70	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional institutional investors	Auction, quote, quote request and trade by agreement	No
The 2022 Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2022年公司債券(第一期))	22 China Merchants Securities G1 (22招證G1)	185286.SH	January 14, 2022	January 17, 2022	January 17, 2025	50.00	2.89	Payment of interest annually, and payment of principal upon expiry	SSE	Offering to professional investors	Auction, quote, quote request and trade by agreement	No
The 2022 Perpetual Subordinated Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2022年面向專業投資者公開發行永續次級債券(第一期))	22 China Merchants Securities Y1 (22招證Y1)	185584.SH	March 23, 2022	March 24, 2022	N/A	43.00	3.95	Payment of interest annually if the option of deferring payment of interest is not exercised	SSE	Offering to professional institutional investors	Auction, quote, quote request and trade by agreement	No

### Notes:

1. Among perpetual subordinated bonds, for "17 China Merchants Y3" and "17 China Merchants Y4", the issuer shall have the option of renewal and the right of deferring payment of interest; and for "22 China Merchants Securities Y1", the issuer shall have the right of redemption, and when specific conditions are met, the issuer shall have the option of redemption and the option of deferring payment of interest.
2. The coupon rate for the first five interest-bearing years of the perpetual subordinated bonds is determined through bookkeeping and filing, and shall remain unchanged during the first five interest-bearing years. Since the sixth interest-bearing year, the coupon rate shall be re-determined every five years. The coupon rate re-determined every five years is the benchmark interest rate for the relevant period plus the initial spread plus 300 basis points. The initial spread is the difference between the coupon rate and the initial benchmark interest rate in the first five interest-bearing years.

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

Name	Interest payment
The 2012 Corporate Bonds of China Merchants Securities Co., Ltd. (10-Year Maturity) (招商證券股份有限公司2012年公司債券(10年期))	Full payment of interest in a timely manner
The 2014 Corporate Bonds publicly issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司公開發行2014年公司債券)	Full payment of interest in a timely manner
The 2018 Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to qualified investors (招商證券股份有限公司面向合格投資者公開發行2018年公司債券(第一期))	Full payment of principal in a timely manner
The 2018 Type Two Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to qualified investors (招商證券股份有限公司面向合格投資者公開發行2018年公司債券(第二期)(品種二))	Full payment of principal in a timely manner
The 2018 Type Two Corporate Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to qualified investors (招商證券股份有限公司面向合格投資者公開發行2018年公司債券(第三期)(品種二))	Full payment of principal in a timely manner
The 2018 Type One Corporate Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to qualified investors (招商證券股份有限公司面向合格投資者公開發行2018年公司債券(第四期)(品種一))	Full payment of principal in a timely manner
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))	Full payment of principal in a timely manner
The 2019 Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to qualified investors (招商證券股份有限公司面向合格投資者公開發行2019年公司債券(第一期))	Full payment of interest in a timely manner
The 2020 Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第一期))	Full payment of interest in a timely manner
The 2020 Type Two Short-term Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2020年面向專業投資者公開發行短期公司債券(第一期)(品種二))	Full payment of principal in a timely manner
The 2020 Type One Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第二期)(品種一))	Full payment of principal in a timely manner
The 2020 Type Two Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第二期)(品種二))	Full payment of interest in a timely manner

## Chapter 8: Relevant Information of Bonds

Name	Interest payment
The 2020 Type One Corporate Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第三期)(品種一))	Full payment of interest in a timely manner
The 2020 Type Two Corporate Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第三期)(品種二))	Full payment of interest in a timely manner
The 2020 Type One Corporate Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第四期)(品種一))	Full payment of interest in a timely manner
The 2020 Type Two Corporate Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第四期)(品種二))	Full payment of interest in a timely manner
The 2020 Type One Subordinated Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2020年面向專業投資者公開發行次級債券(第一期)(品種一))	Full payment of interest in a timely manner
The 2020 Type Two Subordinated Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2020年面向專業投資者公開發行次級債券(第一期)(品種二))	Full payment of interest in a timely manner
The 2017 Perpetual Subordinated Bonds (first tranche) of China Merchants Securities Co., Ltd. (招商證券股份有限公司2017年永續次級債券(第一期))	Full payment of interest in a timely manner
The 2017 Perpetual Subordinated Bonds (second tranche) of China Merchants Securities Co., Ltd. (招商證券股份有限公司2017年永續次級債券(第二期))	Full payment of interest in a timely manner
The 2017 Perpetual Subordinated Bonds (third tranche) of China Merchants Securities Co., Ltd. (招商證券股份有限公司2017年永續次級債券(第三期))	Full payment of interest in a timely manner
The 2017 Perpetual Subordinated Bonds (fourth tranche) of China Merchants Securities Co., Ltd. (招商證券股份有限公司2017年永續次級債券(第四期))	Full payment of interest in a timely manner
The 2020 Type Two Non-public issuance of Corporate Bonds (second tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2020年非公開發行公司債券(第二期)(品種二))	Full payment of interest in a timely manner



## Chapter 8: Relevant Information of Bonds

Name	Interest payment
The 2020 Type One Non-public issuance of Corporate Bonds (first tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2020年非公開發行公司債券(第一期)(品種一))	Full payment of principal in a timely manner
The 2019 Type One Non-public issuance of Corporate Bonds (second tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第二期)(品種一))	Full payment of principal in a timely manner
The 2019 Type Two Non-public issuance of Corporate Bonds (second tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第二期)(品種二))	Full payment of interest in a timely manner
The 2020 Type One Non-public issuance of Corporate Bonds (second tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2020年非公開發行公司債券(第二期)(品種一))	Full payment of principal in a timely manner
The 2019 Type One Non-public issuance of Corporate Bonds (third tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第三期)(品種一))	Full payment of principal in a timely manner
The 2019 Type Two Non-public issuance of Corporate Bonds (third tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第三期)(品種二))	Full payment of interest in a timely manner
The 2019 Type Two Non-public issuance of Corporate Bonds (fourth tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第四期)(品種二))	Full payment of principal in a timely manner
The 2020 Non-public issuance of Corporate Bonds (third tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2020年非公開發行公司債券(第三期))	Full payment of principal in a timely manner
The 2020 Type Two Non-public issuance of Corporate Bonds (fourth tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2020年非公開發行公司債券(第四期)(品種二))	Full payment of interest in a timely manner
The 2020 Type One Non-public issuance of Corporate Bonds (fourth tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2020年非公開發行公司債券(第四期)(品種一))	Full payment of principal in a timely manner
The 2018 Non-public issuance of Corporate Bonds (seventh tranche) 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))	Full payment of principal in a timely manner



## Chapter 8: Relevant Information of Bonds

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

Issuer's option of renewal and issuer's right of deferring payment of interest are available for "17 China Merchants Y1", "17 China Merchants Y2", "17 China Merchants Y3" and "17 China Merchants Y4" of the Company. At the end of each repricing cycle of the above bonds, the issuer has the right to choose to extend the maturity of the bonds for one repricing cycle, or to pay the principal in full.

Issuer's right of redemption and (when specific conditions are met) issuer's option of redemption and option of deferring payment of interest are available for "22 China Merchants Securities Y1" of the Company. On the fifth and every subsequent interest payment date, the issuer shall have the right to redeem the bonds at the face value plus the interest payable.

February 17, 2022 and March 3, 2022 are the fifth interest payment date (i.e. the end of the first repricing cycle) of "17 China Merchants Y1" and "17 China Merchants Y2", respectively. The Company decided not to exercise the issuer's option of renewal for "17 China Merchants Y1" and "17 China Merchants Y2" and to pay the principal in full.

As of the Latest Practicable Date, "17 China Merchants Y3", "17 China Merchants Y4" and "22 China Merchants Securities Y1" have not triggered the option as the exercise date has not yet reached.

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

Name of intermediary	Office address	Name of signing accountant	Contact person	Contact number
Huatai United Securities Co., Ltd.	27/F-28/F, Fund Building, 5999 Yitian Road, Futian District, Shenzhen, Guangdong Province, the PRC	–	XU Shengcheng (徐晟程)	0755-81902000
Everbright Securities Co., Ltd.	51/F & 53/F, Tower One, Hang Lung Plaza, 1266 West Nanjing Road, Jing'an District, Shanghai, the PRC	–	WANG Yicong (王一聰) XING Yiwei (邢一唯) ZHOU Chengying (周程穎)	021-52523039 021-52523023 021-52523279
Essence Securities Co., Ltd.	9/F, Tower 1, China Phoenix Building, 2008 Shennan Road, Shenzhen, the PRC	–	XU Yingjie (徐英傑)	0755-82558271
China Galaxy Securities Co., Ltd.	11/F, Qinghai Finance Building, 8 Xiying Street, Fengtai District, Beijing, the PRC	–	XU Jinjun (許進軍)	010-80927270

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Name of intermediary	Office address	Name of signing accountant	Contact person	Contact number
CITIC Securities Company Limited	North Tower, Excellence Times Plaza II, 8 Zhongxin San Road, Futian District, Shenzhen, Guangdong Province, the PRC	–	FENG Yuan (馮源) QIU Chengfei (丘承飛)	0755-23835062
Ping An Securities Company Limited	22/F-25/F, Block B, Ping An Financial Center, 5023 Yitian Road, Futian Street, Futian District, Shenzhen, the PRC	–	ZHOU Shunqiang (周順強) GUO Jinzhi (郭錦智)	0755-33547866
Guotai Junan Securities Co., Ltd.	36/F, Bohua Plaza, 669 Xinzha Road, Jing'an District, Shanghai, the PRC	–	CAI Rui (蔡銳) GE Xinyue (葛忻悅) WU Hao (吳昊)	021-38677556
GF Securities Co., Ltd.	Room 618, 2 Tengfei 1st Street, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong Province	–	WANG Lixin (王麗欣) WU Xueting (伍雪婷) YE Runxuan (葉潤軒)	020-66338971
Jia Yuan Law Offices	F408, Ocean Building, 158 Fuxingmennei Street, Xicheng District, Beijing, the PRC	–	SU Dunyuan (蘇敦淵) WANG Hao (王浩)	0755-82789766
Deloitte Touche Tohmatsu Certified Public Accountants LLP	30/F, Bund Center, 222 Yan An Road East, Huangpu, Shanghai, the PRC	HONG Ruiming (洪銳明) Barry MAN (文啟斯)	HONG Ruiming (洪銳明)	020-28311202
Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.	13/F, Huasheng Building, 398 Hankou Road, Shanghai, the PRC	–	ZHU Linyi (朱琳藝) GAO Fei (高飛)	021-63501349
China Chengxin International Credit Rating Co., Ltd.	60101, Building 1, 2 Nanzhugan Hutong, Dongcheng District, Beijing, the PRC	–	Xu Wenbo (許文博)	010-66428877-449

## Chapter 8: Relevant Information of Bonds

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

Unit: 100 Million Yuan Currency: RMB

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
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))	55.00	55.00	–	N/A	Nil	Yes
The 2014 Corporate Bonds publicly issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司公開發行2014年公司債券)	55.00	55.00	–	Operating normally	Nil	Yes
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))	37.00	37.00	–	Operating normally	Nil	Yes
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))	23.00	23.00	–	Operating normally	Nil	Yes
The 2019 Type Two Non-public issuance of Corporate Bonds (second tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第二期)(品種二))	36.00	36.00	–	Operating normally	Nil	Yes
The 2019 Type Two Non-public issuance of Corporate Bonds (third tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2019年非公開發行公司債券(第三期)(品種二))	40.00	40.00	–	Operating normally	Nil	Yes

## Chapter 8: Relevant Information of Bonds

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
The 2020 Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第一期))	30.00	30.00	–	Operating normally	Nil	Yes
The 2020 Type Two Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第二期)(品種二))	30.00	30.00	–	Operating normally	Nil	Yes
The 2020 Type One Corporate Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第三期)(品種一))	29.00	29.00	–	Operating normally	Nil	Yes
The 2020 Type Two Corporate Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第三期)(品種二))	29.00	29.00	–	Operating normally	Nil	Yes

## Chapter 8: Relevant Information of Bonds

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
The 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))	30.00	30.00	–	Operating normally	Nil	Yes
The 2020 Type Two Corporate Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第四期)(品種二))	10.00	10.00	–	Operating normally	Nil	Yes
The 2020 Type One Subordinated Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2020年面向專業投資者公開發行次級債券(第一期)(品種一))	44.30	44.30	–	Operating normally	Nil	Yes
The 2020 Type Two Subordinated Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2020年面向專業投資者公開發行次級債券(第一期)(品種二))	10.70	10.70	–	Operating normally	Nil	Yes

## Chapter 8: Relevant Information of Bonds

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
The 2020 Type Two Non-public issuance of Corporate Bonds (fourth tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2020年非公開發行公司債券(第四期)(品種二))	40.00	40.00	–	Operating normally	Nil	Yes
The 2021 Type One Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第一期)(品種一))	15.00	15.00	0.00	Operating normally	Nil	Yes
The 2021 Type Two Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第一期)(品種二))	45.00	45.00	0.00	Operating normally	Nil	Yes
The 2021 Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第二期))	14.00	14.00	0.00	Operating normally	Nil	Yes

## Chapter 8: Relevant Information of Bonds

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
The 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))	42.00	42.00	0.00	Operating normally	Nil	Yes
The 2021 Type One Corporate Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第三期)(品種一))	20.00	20.00	0.00	Operating normally	Nil	Yes
The 2021 Type Two Corporate Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第三期)(品種二))	40.00	40.00	0.00	Operating normally	Nil	Yes
The 2021 Type One Corporate Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第四期)(品種一))	20.00	20.00	0.00	Operating normally	Nil	Yes



## Chapter 8: Relevant Information of Bonds

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
The 2021 Type Two Corporate Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第四期)(品種二))	43.00	43.00	0.00	Operating normally	Nil	Yes
The 2021 Type Two Corporate Bonds (fifth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第五期)(品種二))	50.00	50.00	0.00	Operating normally	Nil	Yes
The 2021 Type Three Corporate Bonds (fifth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第五期)(品種三))	20.00	20.00	0.00	Operating normally	Nil	Yes
The 2021 Type One Non-public issuance of Corporate Bonds (first tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2021年非公開發行公司債券(第一期)(品種一))	25.00	25.00	0.00	Operating normally	Nil	Yes

## Chapter 8: Relevant Information of Bonds

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
The 2021 Type Two Non-public issuance of Corporate Bonds (first tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2021年非公開發行公司債券(第一期)(品種二))	75.00	75.00	0.00	Operating normally	Nil	Yes
The 2021 Subordinated Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第一期))	48.00	48.00	0.00	Operating normally	Nil	Yes
The 2021 Subordinated Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第二期))	60.00	60.00	0.00	Operating normally	Nil	Yes
The 2021 Subordinated Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第三期))	60.00	60.00	0.00	Operating normally	Nil	Yes

## Chapter 8: Relevant Information of Bonds

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
The 2021 Subordinated Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第四期))	30.00	30.00	0.00	Operating normally	Nil	Yes
The 2021 Type One Subordinated Bonds (fifth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第五期)(品種一))	27.00	27.00	0.00	Operating normally	Nil	Yes
The 2021 Type Two Subordinated Bonds (fifth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第五期)(品種二))	20.00	20.00	0.00	Operating normally	Nil	Yes
The 2021 Type One Subordinated Bonds (sixth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第六期)(品種一))	40.00	40.00	0.00	Operating normally	Nil	Yes
The 2021 Type Two Subordinated Bonds (sixth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第六期)(品種二))	10.00	10.00	0.00	Operating normally	Nil	Yes

## Chapter 8: Relevant Information of Bonds

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

#### (1) Guarantees

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

#### (2) Debt repayment plans

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

## (3) Repayment guarantee measures

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

## 6. Other information on corporate bonds

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

Unit: Yuan Currency: RMB

Type of liability	Balance of liability	As at the end of 2021	As at the end of 2020	Change
Short-term borrowings		5,248,005,983.09	3,290,295,411.76	59.50%
Short-term debt instruments		26,935,839,064.49	36,216,758,288.55	-25.63%
Placements from banks and other financial institutions		6,743,717,383.90	11,002,762,277.75	-38.71%
Financial assets sold under repurchase agreements		127,417,730,458.56	119,258,195,351.42	6.84%
Long-term borrowings		980,181,988.83	671,356,616.04	46.00%
Bonds payable		146,313,957,294.30	92,980,627,829.89	57.36%
Total		313,639,432,173.17	263,419,995,775.41	19.06%

## Chapter 8: Relevant Information of Bonds

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

Unit: Yuan Currency: RMB

Type of liability	Within one year	Over one year
Short-term borrowings	5,248,005,983.09	–
Short-term debt instruments	26,935,839,064.49	–
Placements from banks and other financial institutions	6,743,717,383.90	–
Financial assets sold under repurchase agreements	127,417,730,458.56	–
Long-term borrowings	641,985.91	979,540,002.92
Bonds payable	32,920,742,044.09	113,393,215,250.21
Sub-total	199,266,676,920.04	114,372,755,253.13
Proportion	63.53%	36.47%

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

Unit: 100 Million Yuan Currency: RMB

Key indicators	2021	2020	Year-on-year change (%)	Reason for the change
Net profit after deduction of non-recurring profit or loss	115.87	94.88	22.13	–
Current ratio	1.76	1.54	13.96	–
Quick ratio	1.76	1.54	13.96	–
Gearing ratio (%)	77.37	74.46	3.92	–
EBITDA/debt ratio	6.88	6.62	3.85	–
Interest coverage ratio	2.47	2.65	-6.84	–
Cash interest coverage ratio	-5.30	-4.32	N/A	–
EBITDA/interest coverage ratio	2.53	2.73	-7.25	–
Loan repayment ratio (%)	100.00	100.00	–	–
Interest payment ratio (%)	100.00	100.00	–	–

Notes:

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

### INDEPENDENT AUDITOR'S REPORT

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

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

### Opinion

We have audited the consolidated financial statements of China Merchants Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 215 to 363, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

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



## Chapter 9: Financial Report

### Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<b>1</b> <i>Determination of consolidation scope of structured entities</i>	
<p>We identified the determination of consolidation scope of structured entities as a key audit matter due to the significant judgment applied by the management in determining whether a structured entity was required to be consolidated by the Group and the significance of the impact arising from consolidating these structured entities to the Group's consolidated financial statements as a whole.</p> <p>The Group held a number of interests in structured entities including investment funds, collective asset management schemes, trust schemes and limited partnerships where the Group was involved as investment manager or investor. As disclosed in note 4 to the consolidated financial statements, the management applied judgment in determining whether these investments should be consolidated in accordance with International Financial Reporting Standard 10: Consolidated Financial Statements ("IFRS 10") by determining i) whether the Group had power over these investees, and ii) whether the combination of investments it held, if any, together with its remuneration and credit enhancement created exposure to variability of returns from the activities of the asset management schemes, investment funds and limited partnerships that was of such significance that it indicated that the Group had control.</p> <p>As disclosed in notes 21 and 23, as at December 31, 2021, the total assets of the consolidated structured entities amounted to RMB20,539 million and the total assets of the unconsolidated structured entities sponsored by the Group amounted to RMB475,795 million, respectively.</p>	<p>Our procedures in relation to the determination of consolidation scope of structured entities included:</p> <ul style="list-style-type: none"><li>• Understanding the key controls of management in determining the consolidation scope as set out in IFRS 10 of interests in structured entities and evaluating the effectiveness of these controls;</li><li>• Examining, on a sample basis, the related investment contracts and other related service agreements of significant structured entities to determine whether management's conclusion as to whether or not a structured entity was required to be consolidated by the Group was in accordance with IFRS 10;</li><li>• Checking, on a sample basis, the accuracy of management's calculations of the Group's exposure or right to variable returns from its involvement with the structured entities and examining the data used in these calculations by reference to the related contracts.</li></ul>

## Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>2 <i>Measurement of expected credit losses ("ECL") for advances to customers and stock-pledged repurchase agreements under financial assets held under resale agreements</i></p> <p>We identified the measurement of ECL for the Group's financial assets of credit business (advances to customers and stock-pledged repurchase agreements under financial assets held under resale agreements) as a key audit matter due to the significance of these assets to the Group's consolidated financial statements and the significant management estimates and judgment required in the measurement.</p> <p>As set out in note 62(2) to the consolidated financial statements, the measurement involved significant management estimates and judgment in the following key areas:</p> <ul style="list-style-type: none"> <li>• Determination of the criteria for significant increase in credit risk ("SICR") and financial assets that are credit impaired;</li> <li>• Use of models and assumptions;</li> <li>• Determination of loss rate.</li> </ul> <p>The high degree of estimation uncertainty of the ECL had a significant impact on the carrying values of these assets, which in aggregate amounted to RMB112,386 million and constituted appropriately 18.82% of the total assets of the Group as at December 31, 2021.</p> <p>As at December 31, 2021, the Group recognized expected credit losses of RMB146 million for advances to customers; RMB741 million for stock-pledged repurchase agreements; as disclosed in notes 29 and 26 to the consolidated financial statements, respectively.</p>	<p>Our procedures in relation to the measurement of ECL for financial assets of credit business included:</p> <ul style="list-style-type: none"> <li>• Understanding the key controls relating to the measurement of ECL for advances to customers and stock-pledged repurchase agreements and evaluating the effectiveness of these controls;</li> <li>• Evaluating the appropriateness of the ECL model and the critical assumptions and parameters used in the model, in particular, loss rate, with the involvement of our internal experts;</li> <li>• Evaluating the appropriateness of the criteria for SICR and financial assets that are credit impaired determined by management and, on a sample basis, testing the application of criteria for SICR and financial assets that are credit impaired to individual advances to customers and stock-pledged repurchase agreements;</li> <li>• Examining the correctness of major inputs to the ECL model for selected samples, including exposure at default and loss rate;</li> <li>• For credit-impaired financial assets, on a sample basis, assessing the reasonableness of expected credit losses made by management based on the estimated future cash flows by reference to the latest collateral valuations, as appropriate.</li> </ul>

## Chapter 9: Financial Report

### Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>3 <i>Valuations of financial assets classified under the fair value hierarchy as Level 3</i></p> <p>We identified the valuations of financial assets classified under the fair value hierarchy as Level 3 (“Level 3 financial assets”) as a key audit matter due to the significant management estimates and judgments arising from the involvement of significant unobservable inputs in their valuations.</p> <p>As disclosed in note 63 to the consolidated financial statements, the fair value of the Group’s Level 3 financial assets amounted to RMB14,378 million as at December 31, 2021. Level 3 financial assets were measured using valuation models that involved a number of inputs; some of significant inputs were not based on observable market data, including volatility and discount for lack of marketability, etc.</p>	<p>Our procedures in relation to the valuations of Level 3 financial assets included:</p> <ul style="list-style-type: none"><li>• Understanding the key controls over the valuation process for Level 3 financial assets and evaluating the effectiveness of these controls;</li><li>• Evaluating the appropriateness of the valuation models used by the management for Level 3 financial assets, based on our knowledge of current industry practice;</li><li>• On a sample basis, reading the investment agreements, to understand the relevant investment terms, identifying any conditions that were relevant to the valuations of these financial assets and assessing the application in the valuation;</li><li>• Evaluating, on a sample basis, the appropriateness of the unobservable and observable inputs which are significant, used for measuring the fair value of Level 3 financial assets;</li><li>• Performing independent valuations of Level 3 financial assets, on a sample basis, and comparing these valuations with the Group’s valuations, with the involvement of our valuation experts, as appropriate.</li></ul>

### Other Information

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

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

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

China Merchants Securities Co., Ltd.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

March 27, 2022

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

## Consolidated Statement of Profit or Loss

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended December 31,	
		2021	2020
Fee and commission income	7	15,304,295	12,798,077
Interest income	8	11,342,235	9,716,966
Investment gains or losses, net	9	9,454,795	6,783,213
Other income and gains or losses, net	10	4,241,097	3,171,060
<b>Total revenue, gains and other income</b>		<b>40,342,422</b>	<b>32,469,316</b>
Depreciation and amortization	11	(645,607)	(591,279)
Staff costs	12	(8,315,756)	(7,498,108)
Fee and commission expenses	13	(2,835,270)	(2,101,235)
Interest expenses	14	(9,649,572)	(7,118,053)
Tax and surcharges		(169,923)	(140,492)
Other operating expenses	15	(6,246,319)	(4,598,325)
Impairment losses under expected credit loss model, net of reversal	16	(373,061)	(155,575)
Other impairment losses, net		(3,318)	(18)
<b>Total expenses</b>		<b>(28,238,826)</b>	<b>(22,203,085)</b>
Share of results of associates		1,600,257	1,042,638
<b>Profit before income tax</b>		<b>13,703,853</b>	<b>11,308,869</b>
Income tax expenses	17	(2,046,045)	(1,805,002)
<b>Profit for the year</b>		<b>11,657,808</b>	<b>9,503,867</b>
Attributable to:			
Shareholders of the Company and holders of other equity instruments		11,645,065	9,491,639
Non-controlling interests		12,743	12,228
		<b>11,657,808</b>	<b>9,503,867</b>
Earnings per share attributable to shareholders of the Company (Expressed in RMB per share)	18		
<b>— Basic and diluted</b>		<b>1.25</b>	<b>1.06</b>

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

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

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Year ended December 31,	
	2021	2020
<b>Profit for the year</b>	<b>11,657,808</b>	<b>9,503,867</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 year	(220,830)	163,467
Income tax impact	60,834	(40,867)
Sub-total	(159,996)	122,600
Share of other comprehensive income of associates	—	(22,095)
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Debt instruments at fair value through other comprehensive income:		
Net fair value changes during the year	74,805	(160,799)
Reclassification adjustment to profit or loss	5,827	(316,546)
Impairment losses under expected credit loss model, net of reversal	3,697	9,511
Income tax impact	(25,534)	120,974
Sub-total	58,795	(346,860)
Share of other comprehensive income of associates, net of related income tax	9,153	(7,648)
Exchange differences arising from translation of foreign operations	(184,320)	(321,880)
<b>Other comprehensive expense for the year (net of tax)</b>	<b>(276,368)</b>	<b>(575,883)</b>
<b>Total comprehensive income for the year (net of tax)</b>	<b>11,381,440</b>	<b>8,927,984</b>
<b>Attributable to:</b>		
Shareholders of the Company and holders of other equity instruments	11,368,697	8,915,756
Non-controlling interests	12,743	12,228
	<b>11,381,440</b>	<b>8,927,984</b>

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



## Consolidated Statement of Financial Position

As at December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	As at December 31,	
		2021	2020
<b>Non-current assets</b>			
Property and equipment	19	1,480,506	1,547,029
Right-of-use assets	20	1,643,651	1,608,964
Goodwill		9,671	9,671
Other intangible assets		35,602	19,988
Interests in associates	22	9,648,858	9,508,149
Equity instruments at fair value through other comprehensive income	24	1,409,254	7,420,580
Debt instruments at amortized cost	25	164,506	921,389
Financial assets held under resale agreements	26	665,863	1,362,032
Financial assets at fair value through profit or loss	32	10,577,488	7,565,032
Deferred tax assets	27	1,561,415	1,818,424
Other non-current assets	28	747,041	1,132,319
<b>Total non-current assets</b>		<b>27,943,855</b>	<b>32,913,577</b>
<b>Current assets</b>			
Advances to customers	29	98,686,506	81,754,350
Current tax assets		139,954	106,799
Accounts and other receivables	30	5,457,785	6,429,522
Debt instruments at fair value through other comprehensive income	31	40,582,323	44,614,600
Debt instruments at amortized cost	25	953,120	818,001
Financial assets held under resale agreements	26	38,532,729	50,898,293
Financial assets at fair value through profit or loss	32	254,766,790	166,030,032
Derivative financial assets	33	3,204,641	1,726,339
Deposits with exchanges and non-bank financial institutions	34	13,141,791	9,067,233
Clearing settlement funds	35	25,873,373	22,529,340
Cash and bank balances	36	87,938,261	82,838,593
<b>Total current assets</b>		<b>569,277,273</b>	<b>466,813,102</b>
<b>Total assets</b>		<b>597,221,128</b>	<b>499,726,679</b>

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

## Consolidated Statement of Financial Position (Continued)

As at December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	As at December 31,	
		2021	2020
<b>Current liabilities</b>			
Short-term borrowings	38	5,248,006	3,290,295
Short-term debt instruments	39	26,935,839	36,216,758
Placements from banks and other financial institutions	40	6,743,717	11,002,762
Accounts payables to brokerage clients	41	99,605,342	85,441,243
Accrued staff costs	42	8,059,301	6,759,837
Other payables and accrued charges	43	32,690,883	18,451,855
Current tax liabilities		553,519	249,546
Financial liabilities at fair value through profit or loss	44	21,320,342	11,249,844
Derivative financial liabilities	33	4,616,992	3,071,802
Financial assets sold under repurchase agreements	45	127,417,730	119,258,195
Lease liabilities	46	321,889	294,159
Provisions		128,144	377
Long-term borrowings due within one year	51	642	253,004
Bonds payables due within one year	53	32,920,742	36,939,761
<b>Total current liabilities</b>		<b>366,563,088</b>	<b>332,479,438</b>
<b>Net current assets</b>		<b>202,714,185</b>	<b>134,333,664</b>
<b>Total assets less current liabilities</b>		<b>230,658,040</b>	<b>167,247,241</b>
<b>Equity</b>			
Share capital	47	8,696,526	8,696,526
Other equity instruments	48	15,000,000	15,000,000
Capital reserves		40,361,022	40,361,022
Less: Treasury stocks	47	—	—
Investment revaluation reserve of financial assets at fair value through other comprehensive income	49	196,165	288,626
Foreign currency translation reserve		(227,414)	(43,094)
General reserves	50	20,744,058	18,514,639
Retained profits		27,732,673	22,919,086
<b>Equity attributable to shareholders of the Company</b>		<b>112,503,030</b>	<b>105,736,805</b>
Non-controlling interests		87,421	87,908
<b>Total equity</b>		<b>112,590,451</b>	<b>105,824,713</b>

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

## Consolidated Statement of Financial Position (Continued)

As at December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	As at December 31,	
		2021	2020
<b>Non-current liabilities</b>			
Accrued staff costs	42	223,661	395,360
Deferred tax liabilities	27	491,857	790,161
Financial liabilities at fair value through profit or loss	44	1,867,596	2,692,207
Deferred income		116,144	119,340
Lease liabilities	46	995,576	966,240
Long-term borrowings	52	979,540	418,353
Bonds payables	54	113,393,215	56,040,867
<b>Total non-current liabilities</b>		<b>118,067,589</b>	<b>61,422,528</b>
<b>Total equity and non-current liabilities</b>		<b>230,658,040</b>	<b>167,247,241</b>

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

The consolidated financial statements on pages 215 to 363 were approved and authorized for issue by the board of directors on March 27, 2021 and are signed on its behalf by:

**HUO Da**

*Executive Director, Chairman*

**Xiao Houfa**

*Independent non-executive Director*

## Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Equity attributable to shareholders of the Company									Non-controlling interests	Total
	Share capital	Other equity instruments	Capital reserves	Treasury stocks	Investment revaluation reserve of financial assets at fair value through other comprehensive income	Foreign currency translation reserve	General reserves	Retained profits	Sub-total		
	(Note 47)	(Note 48)		(Note 47)	(Note 49)		(Note 50)				
At January 1, 2020	6,699,409	15,000,000	27,533,939	(663,954)	542,629	278,786	16,401,426	19,256,086	85,048,321	79,530	85,127,851
Profit for the year	—	—	—	—	—	—	—	9,491,639	9,491,639	12,228	9,503,867
Other comprehensive expense for the year	—	—	—	—	(254,003)	(321,880)	—	—	(575,883)	—	(575,883)
<b>Total comprehensive (expense) income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(254,003)</b>	<b>(321,880)</b>	<b>—</b>	<b>9,491,639</b>	<b>8,915,756</b>	<b>12,228</b>	<b>8,927,984</b>
Appropriation to general reserves	—	—	—	—	—	—	2,113,213	(2,113,213)	—	—	—
Distribution to holders of other equity instruments (note 55)	—	—	—	—	—	—	—	(802,090)	(802,090)	—	(802,090)
Dividends recognized as distribution (note 55)	—	—	—	—	—	—	—	(2,913,336)	(2,913,336)	(3,850)	(2,917,186)
Settlement of treasury stocks (note 47)	—	—	—	663,954	—	—	—	—	663,954	—	663,954
Issuance of shares	1,997,117	—	12,827,083	—	—	—	—	—	14,824,200	—	14,824,200
<b>At December 31, 2020</b>	<b>8,696,526</b>	<b>15,000,000</b>	<b>40,361,022</b>	<b>—</b>	<b>288,626</b>	<b>(43,094)</b>	<b>18,514,639</b>	<b>22,919,086</b>	<b>105,736,805</b>	<b>87,908</b>	<b>105,824,713</b>
<b>At January 1, 2021</b>	<b>8,696,526</b>	<b>15,000,000</b>	<b>40,361,022</b>	<b>—</b>	<b>288,626</b>	<b>(43,094)</b>	<b>18,514,639</b>	<b>22,919,086</b>	<b>105,736,805</b>	<b>87,908</b>	<b>105,824,713</b>
Profit for the year	—	—	—	—	—	—	—	11,645,065	11,645,065	12,743	11,657,808
Other comprehensive expense for the year	—	—	—	—	(92,048)	(184,320)	—	—	(276,368)	—	(276,368)
<b>Total comprehensive (expense) income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(92,048)</b>	<b>(184,320)</b>	<b>—</b>	<b>11,645,065</b>	<b>11,368,697</b>	<b>12,743</b>	<b>11,381,440</b>
Appropriation to general reserves	—	—	—	—	—	—	2,229,419	(2,229,419)	—	—	—
Distribution to holders of other equity instruments (note 55)	—	—	—	—	—	—	—	(802,090)	(802,090)	—	(802,090)
Dividends recognized as distribution (note 55)	—	—	—	—	—	—	—	(3,800,382)	(3,800,382)	(13,230)	(3,813,612)
Transfer to retained profits for cumulative fair value change of FVTOCI in associates upon disposal	—	—	—	—	22,095	—	—	(22,095)	—	—	—
Transfer to retained profits for cumulative fair value change of FVTOCI upon disposal	—	—	—	—	(22,508)	—	—	22,508	—	—	—
<b>At December 31, 2021</b>	<b>8,696,526</b>	<b>15,000,000</b>	<b>40,361,022</b>	<b>—</b>	<b>196,165</b>	<b>(227,414)</b>	<b>20,744,058</b>	<b>27,732,673</b>	<b>112,503,030</b>	<b>87,421</b>	<b>112,590,451</b>

## Consolidated Statement of Cash Flows

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Year ended December 31	
	2021	2020
<b>Operating activities</b>		
Profit before income tax	13,703,853	11,308,869
<b>Adjustments for:</b>		
Interest expenses	9,649,572	7,118,053
Share of results of associates	(1,600,257)	(1,042,638)
Depreciation and amortization	645,607	591,279
Impairment losses under expected credit loss model, net of reversal	376,379	155,592
Losses on disposal of property and equipment, other intangible assets and other non-current assets, net	5,608	3,940
Foreign exchange gains, net	(12,136)	(17,803)
Gain on disposal of investments in associates	(134,216)	—
Net realized losses (gains) from disposal of financial assets at fair value through other comprehensive income	5,827	(316,546)
Dividend income and interest income on financial assets at fair value through other comprehensive income and debt instrument at amortized cost	(1,957,110)	(1,678,936)
Unrealized fair value changes in financial instruments at fair value through profit or loss	(1,285,316)	(1,596,412)
Unrealized fair value changes in derivative financial instruments	584,685	113,657
<b>Operating cash flows before movements in working capital</b>	<b>19,982,496</b>	<b>14,639,055</b>
Increase in advances to customers	(16,735,721)	(26,441,460)
Decrease (Increase) in other current assets	903,631	(3,614,028)
Decrease (Increase) in financial assets held under resale agreements	12,777,863	(16,698,305)
Increase in financial instruments at fair value through profit or loss, net	(81,249,971)	(29,106,776)
Increase in deposits with exchanges and non-bank financial institutions	(4,074,558)	(4,286,343)
Increase in pledged and restricted bank deposits	(399,126)	(1,614,522)
Increase in clearing settlement funds	(5,001,348)	(5,853,305)
Increase in cash held on behalf of customers	(8,124,202)	(17,684,846)
Increase in accounts payables to brokerage clients	14,164,099	23,743,508
Increase in accrued staff costs	1,127,765	1,587,280
Increase in other current liabilities	13,910,712	11,520,666
Increase in financial assets sold under repurchase agreements	8,033,572	21,484,880
(Decrease) Increase in placements from other financial institutions	(4,270,000)	4,000,000
<b>Cash used in operations</b>	<b>(48,954,788)</b>	<b>(28,324,196)</b>
Income taxes paid	(1,780,392)	(2,145,894)
Interest paid	(3,583,425)	(2,873,405)
<b>Net cash used in operating activities</b>	<b>(54,318,605)</b>	<b>(33,343,495)</b>

## Consolidated Statement of Cash Flows (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Year ended December 31	
	2021	2020
<b>Investing activities</b>		
Dividends and interest received from investments	2,632,357	2,040,425
Purchases of property and equipment, other intangible assets and other non-current assets	(412,759)	(373,714)
Proceeds from disposals of property and equipment, other intangible assets and other non-current assets	1,471	1,011
Proceeds on disposal of interest in an associate	1,160,630	14,400
Net purchase or proceeds from disposals of financial instruments at fair value through other comprehensive income	9,826,753	675,565
Net purchase or proceeds from disposals of debt instruments at amortized cost	604,955	163,298
<b>Net cash from investing activities</b>	<b>13,813,407</b>	<b>2,520,985</b>
<b>Financing activities</b>		
Dividends paid to shareholders and other equity instrument holders	(4,615,702)	(3,719,276)
Interest payment of bonds and short-term debt instruments	(4,696,562)	(3,858,452)
Interest payment of borrowings	(129,838)	(103,297)
Interest payment of lease liabilities	(33,324)	(38,191)
Repayment of bonds and short-term debt instruments	(131,975,509)	(122,528,154)
Repayment of lease liabilities	(308,249)	(290,263)
Proceeds from bonds and short-term debt instruments	175,065,469	152,633,222
Net repayment or proceeds from short-term borrowings	2,080,182	409,477
Repayment of long-term borrowings	331,848	(673,250)
Proceeds from issuance of shares	—	14,824,200
Proceeds from settlement of treasury stocks	—	663,954
<b>Net cash from financing activities</b>	<b>35,718,315</b>	<b>37,319,970</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(4,786,883)</b>	<b>6,497,460</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>19,443,988</b>	<b>13,173,740</b>
Effect of foreign exchange rate changes	(59,867)	(227,212)
<b>Cash and cash equivalents at the end of the year</b>	<b>14,597,238</b>	<b>19,443,988</b>
<b>Net cash flows from operating activities include Interest received</b>	<b>9,186,958</b>	<b>7,982,977</b>

## Notes to the Consolidated Financial Statements

For the year ended December 31, 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 Co., Ltd.. On August 1, 1993, with the approval of People’s Bank of China (Shenzhen branch) and Shenzhen Administration for Industry and Commerce, the Company was duly established as the Securities Department of China Merchants Bank Co., Ltd. (招商銀行證券業務部). On August 26, 1994, the Securities Department of China Merchants Bank Co., Ltd. was renamed as Shenzhen CMB Securities Company (深圳招銀證券公司). On September 28, 1994, Shenzhen CMB Securities Company (深圳招銀證券公司) further changed its name to CMB Securities Company (招銀證券公司). On November 6, 1998, with the approval of People’s Bank of China and China Securities Regulatory Commission, CMB Securities Company (招銀證券公司) increased its paid-in capital and changed its name to Guotong Securities Limited Liability Company (國通證券有限責任公司).

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

On November 2, 2009, with the approval by China Securities Regulatory Commission ([2009] No. 1132), the Company launched its initial public offering of 358,546,141 A shares. On November 17, 2009, the Company started to be listed on the Shanghai Stock Exchange. The Company’s ultimate holding company is China Merchants Group Limited (“CMG”). CMG is a PRC enterprise regulated and directly managed by the State-Owned Assets Supervision and Administration Commission of the State Council. CMG is owned and controlled by the PRC Government.

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

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

As at December 31, 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 Consolidated Financial Statements (Continued)

For the year ended December 31, 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 services relating to securities trading and investment activities, securities underwriting and sponsorship, proprietary trading, asset management, margin financing and securities lending, securities investment fund distribution, agency sales of financial products, securities investment management, stock options market-making business, commodity futures brokerage, financial futures brokerage, futures investment consulting and other business approved by China Securities Regulatory Commission’s (“CSRC”).

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

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

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

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark — Phase 2
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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 years.

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

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

IFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>2</sup>
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020 <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2022

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

The principal accounting policies are as follows.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of consolidation

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

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

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

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

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

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

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

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of consolidation (Continued)

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

#### Structured entities

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Business combinations

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

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

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

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

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Foreign currencies

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

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

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

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

#### Cash and cash equivalents

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

#### Goodwill

Goodwill represents the excess of:

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

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



## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Goodwill (Continued)

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

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

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

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

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

#### Interests in associates

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

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

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Interests in associates (Continued)

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

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

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

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

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

#### Property and equipment and other non-current assets

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Intangible assets

##### (i) *Intangible assets acquired separately*

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

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

Classes	Useful lives
Trading rights	10 years
Others	5 years

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

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

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Impairment on non-financial assets other than goodwill

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

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

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

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

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

#### Leases

##### (i) Definition of a lease

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases (Continued)

##### (ii) The Group as lessee

#### Allocation of consideration to components of a contract

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

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

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

#### Short-term leases and leases of low-value assets

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

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

#### Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

China Merchants Securities Co., Ltd.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases (Continued)

##### (ii) The Group as lessee (Continued)

#### Lease liabilities

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

The lease payments include:

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

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

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

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

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



## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases (Continued)

##### (ii) The Group as lessee (Continued)

#### Lease modifications

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

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

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

##### (iii) The Group as lessors

#### Classification and measurement of leases

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

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

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

#### Allocation of consideration to components of a contract

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Borrowing costs

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

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

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

#### Government grants

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

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

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

#### Employee benefits

##### (i) Salaries and allowances

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Employee benefits (Continued)

##### *(ii) Contributions to retirement benefits scheme*

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

##### *(iii) Other social welfare*

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

##### *(iv) Other long-term employee benefits*

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

#### Taxation

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

##### *(i) Current tax*

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Taxation (Continued)

##### (ii) *Deferred tax*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

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

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

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

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

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

##### (iii) *Income tax offsetting*

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments

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

##### (i) *Recognition and derecognition of financial instruments*

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

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

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

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

##### (ii) *Classification of financial assets*

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

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

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

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### (ii) Classification of financial assets (Continued)

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income as stated above. However the Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At initial recognition, the Group may irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

##### (iii) Financial liabilities and equity instruments

#### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for:

- financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- Financial guarantee contracts and loan commitments which bear interest lower than the prevailing market rates that are not within the scope of the above.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### *(iv) Embedded derivatives*

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host. An embedded derivative and its host contract form a hybrid contract.

If a hybrid contract contains a host that is an asset within the scope of IFRS 9, the Group shall not separate an embedded derivative from the host, but shall apply the requirements of IFRS 9 to the entire hybrid contract.

##### *(v) Reclassification of financial instruments*

When, and only when, the Group changes its business model for managing financial assets it shall reclassify all affected financial assets. The Group shall not reclassify any financial liability.

If the Group reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Group shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

- If the Group reclassifies a financial asset out of the amortized cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.
- If the Group reclassifies a financial asset out of the amortized cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.
- If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortized cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortized cost. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.
- If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss at the reclassification date.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### (v) *Reclassification of financial instruments (Continued)*

- If the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the amortized cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.
- If the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

When reclassifying the financial assets, the Group determines effective interest rate based on the fair value of the financial assets at the reclassification date.

##### (vi) *Measurement of financial instruments*

The Group initially recognizes a financial asset or financial liability at its fair value. Fair value is the transaction price of a financial asset or financial liability. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

After initial recognition, the Group subsequently measure a financial asset at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

After initial recognition, the Group subsequently measure a financial liability at amortized cost or fair value through profit or loss.

Interest income is calculated by using the effective interest method. Interest income is recognized by applying the effective interest rate to the gross carrying amount of financial assets, except the follows:

For purchased or originated credit-impaired financial assets, the interest income is recognized by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

For financial assets that are not purchased or originated credit-impaired but become credit-impaired financial assets subsequently, the interest income is recognized by applying the effective interest rate to the amortized cost of financial assets. If the credit risk on the credit-impaired financial instrument improves so that it is no longer credit-impaired and the improvement in the credit quality is related objectively to a certain event occurring after the application of rules mentioned above, such as the credit rating of the borrower is increased, then the interest income will be recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### *(vii) Impairment of financial instruments*

The Group recognize a loss allowance for expected credit losses ("ECL") for the following items:

- financial assets that are measured at amortized cost or debt instruments measured at fair value through other comprehensive;
- lease receivables;
- contract assets;
- loan commitments that are not measured at fair value through profit or loss.

ECL is a probability-weighted estimate of credit losses (ie the present value of all cash shortfalls) over the expected life of the financial instrument.

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

- The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition. An impairment loss (gain) is recognized in profit or loss for the amount of ECL (or reversal) needed to adjust the loss allowance at the reporting date to the required amount.
- The Group always recognizes lifetime ECL for accounts receivable recognized under IFRS 15. The ECL is assessed individually for debtors with significant balances and/or collectively using a provision matrix with aging groupings.
- Except for accounts receivable recognized under IFRS 15, the Group measure the loss allowance for a financial instrument at an amount equal to the 12-month ECL if the credit risk on that financial instrument has not increased significantly since initial recognition. An impairment loss (gain) is recognized in profit or loss for the amount of ECL (or reversal) needed to adjust the loss allowance at the reporting date to the required amount.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### *(viii) Profit of loss*

A gain or loss on a financial asset or financial liability that is measured at fair value shall be recognized in profit or loss unless:

- it is a non-held for trading investment in an equity instrument that is designated as at fair value through other comprehensive income based on “3. Financial Instruments (ii) Classification of financial assets”. When the financial asset is derecognized, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment;
- it is a financial liability designated as at fair value through profit or loss and the entity is required to present the effects of changes in the liability’s credit risk in other comprehensive income and other changes in the fair value of the financial liabilities are included in the profit and loss. When the financial liability is derecognized, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earnings as a reclassification adjustment;
- it is a financial asset measured at fair value through other comprehensive income based on “3. Financial Instruments (ii) Classification of financial assets” and the entity is required to recognize fair value changes in other comprehensive income except for impairment gains or losses and foreign exchange gains and losses. Interest calculated using the effective interest method is recognised in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

A gain or loss on a financial asset that is measured at amortized cost and is not part of a hedging is recognized in profit or loss when the financial asset is derecognized, reclassified, during the amortization process or in order to recognize impairment or losses. A gain or loss on a financial liability that is measured at amortized cost and is not part of a hedging is recognized in profit or loss when the financial liability is derecognized and through the amortization process.

##### *(ix) Estimation of fair value*

If there is a principal market for the asset or liability, the fair value measurement represents the price in that market.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include market approach, income approach and cost approach. Unobservable inputs are acceptable in valuation technique only when observable inputs are not available.

The fair value of a liability reflects the effect of non-performance risk. Non-performance risk includes, but may not be limited to, an entity’s own credit risk. Non-performance risk is assumed to be the same before and after the transfer of the liability.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### **(x) Transfer and derecognize of financial assets**

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between:

- the carrying amount (measured at the date of derecognition) and
- the consideration received and the related fair value change previously recognized in other comprehensive income are recognized in profit or loss.

If a part of a financial asset is transferred and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference between:

- the carrying amount (measured at the date of derecognition) allocated to the part derecognized and
- the consideration received for the part derecognized and the related fair value change previously recognized in other comprehensive income are recognized in profit or loss.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the entity shall continue to recognize the transferred asset in its entirety and shall recognize a financial liability for the consideration received.

For continuing involvement in transfer of financial assets, the group continues to recognise the transferred asset to the extent of its continuing involvement and an associated liability

##### **(xi) Derivative financial instruments**

Derivative financial instruments are initially measured at fair value at the date a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value of these derivative financial instruments other than those designed as hedging instrument are recognized in profit or loss.

All derivatives are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

Fair values are obtained from quoted market prices in active market or are determined using valuation techniques, including discounted cash flow model and options pricing model as appropriate.

##### **(xii) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when the Group has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis, or by realizing the asset and settling the liability simultaneously.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

An entity shall account for a contract with a customer that is within the scope of this Standard only when all of the following criteria are met:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- the entity can identify each party’s rights regarding the goods or services to be transferred;
- the entity can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity’s future cash flows is expected to change as a result of the contract); and
- it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

When a contract with a customer does not meet the criteria stated above and an entity receives consideration from the customer, the entity shall recognize the consideration received as revenue only when either of the following events has occurred: the entity has no remaining obligations to transfer goods or services to the customer and all, or substantially all, of the consideration promised by the customer has been received by the entity and is non-refundable, otherwise the consideration received from a customer should be considered as a contract liability.

Revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue from contracts with customers (Continued)

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service. The Group shall consider indicators of the transfer of control, which include, but are not limited to, the following:

- The Group has a present right to payment for the asset and a customer is presently obliged to pay for an asset.
- The group has transferred the significant risks and rewards of ownership of the asset and the customer has the significant risks and rewards of ownership of the asset.
- The group has transferred the legal title of the asset and the customer has legal title of the asset.
- The Group has transferred physical possession of the asset and the customer has obtained physical possession of an asset.
- The customer has accepted the good for service.
- Other indicators of the transfer of control of the good or service to the customer.

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue from contracts with customers (Continued)

Details of the recognition criteria of major types of revenue of the Group are as follows:

##### (i) *Fee and commission income*

- Brokerage commission income is recognized at a point in time on a trade date basis at a certain percentage of the transaction value of the trades executed.
- Handling and settlement fee income arising from brokerage business is recognized at a point in time when the related services are rendered.
- Commission income of the agency custody of securities business is recognized over time as the customers simultaneously receive benefits provided by the Group.
- Underwriting and sponsoring fees are recognised when the Group has fulfilled its obligations under the underwriting and sponsoring contract.
- Asset and fund management fee income is recognized as a performance obligation satisfied over time as the customers simultaneously receive benefits provided by the Group.
- Depending on the nature of the services and the contract terms, financial advisory are recognised in profit or loss over time using a method that depicts the Group's performance, or at a point in time when the service is completed.

##### (ii) *Interest income*

Interest income from a financial asset is recognised on an accrual basis using the effective interest method.

##### (iii) *Other income*

Other income is recognized when contracts are due for settlement or services are provided. It mainly comes from the bulk commodities trading of the Group's commodities trading subsidiaries. The revenue is recognized at a point in time when the Group fulfills its performance obligations in the contract and the customer obtains the control of relevant bulk commodity goods.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Provision

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and the amount of the obligation can be reliably measured.

The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organization, management requirements and internal reporting system. Each of the Group's operating segments represents a strategic business unit that offers services which are subject to risks and returns that are different from the other operating segments.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of the nature of each products and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Financial performance is regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance, and for which consolidated financial statements regarding financial position, financial performance and cash flows is available.

Inter segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group include, but are not limited to:

- the Company's parent/ultimate controlling company;
- the Company's subsidiaries;
- enterprises that are controlled by the Company's parent;
- investors that have joint control or exercise significant influence over the Group;
- enterprises if a party has control or joint control over both the enterprises and the Group;
- joint ventures of the Group, including subsidiaries of joint ventures;
- associates of the Group, including subsidiaries of associates;
- principal individual investors of the Group and close family members of such individuals;
- key management personnel of the Group and close family members of such individuals;
- key management personnel of the Company's parent;
- close family members of key management personnel of the Company's parent;
- other enterprises that are controlled or jointly controlled by the principal individual investors, key management personnel of the Group, and close family members of such individuals; and
- a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical judgments in applying accounting policies

The followings are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized and disclosures made in the consolidated financial statements.

#### *Determination of consolidation scope*

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor and/or as an investment manager, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes, investment funds and limited partnerships where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes, investment funds and limited partnerships that is of such significance that it indicates that the Group is a principal. The collective asset management schemes, investment funds and limited partnerships are consolidated if the Group has control.

#### *Classification of financial assets*

The classification and measurement of financial assets depend on contractual cash flow test and business model test. The Group will consider all the relevant evidences in the business model test, including the way the performance of financial assets are evaluated and reported to the key management, the risk affected the performance of financial asset and how the risk are managed, as well as how the management are paid. The Group also needs to judge whether the contractual cash flow generated by financial assets is only the payment of the principal and interest based on the principal outstanding.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Measurement of ECL*

##### Significant increase in credit risk and impairment

In assessing the measurement of expected credit losses ("ECLs") of financial assets, the group judges whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition and whether a credit impairment occurs. During the judgement process, both quantitative and qualitative information is also taken into consideration, including forward-looking information.

##### Establishment of assets group with similar risk characteristics

When the expected credit loss is measured on group basis, the financial instruments are grouped by similar characteristics of risk. The Group continuously assesses whether these financial instruments continue to maintain similar credit risk characteristics, so as to ensure that once the characteristics of credit risk change, the financial instruments will be appropriately reclassified. This may result in new assets group or reclassification of assets to certain existing assets group, so as to better reflect the similar credit risk characteristics of which category of assets.

##### Use of model and assumption

The Group adopts different models and assumptions to assess the fair value and expected credit loss of financial assets. The Group determines the applicable model for each category of financial assets using judgment so as to determine the assumptions used by such models, including assumptions relating to the key drivers of credit risk.

##### Forward-looking information

In assessing the expected credit loss, the Group used reasonable forward-looking information. Such information is based on the assumption of future trend of different economic driving factors, and the assumption of how these economic driving factors affect each other.

##### Probability of default

The probability is key input of expected credit risk. The probability of default is the estimates of possibility of default in certain period of time. The calculation involves historical information, assumption and expectation of future conditions.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### Key sources of estimation uncertainty (Continued)

##### *Measurement of ECL (Continued)*

##### **Loss given default**

Loss given default is the estimate of loss arising from default. It is based on the difference between contractual cash flows and the cash flows expected to be received by the borrower, and also considered the cash flows from pledge assets and overall credit enhancement.

Details of above significant judgment and estimation on ECL are set out in note 62(2) and note 63.

##### *Fair value of financial instruments*

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques use observable inputs and data of the market. When the market observable inputs are not available, the Group make estimate on the significant unobservable inputs and data. Details of fair value measurement are set out in note 63.

##### *Income taxes and deferred tax assets*

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realization of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognized in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the tax losses and deductible temporary differences are disclosed in note 27 to consolidated financial statements. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 5. TAXATION

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax basis	Tax rates
Enterprise income tax ("EIT") <sup>(i)</sup>	Based on taxable profits	25%, 20% <sup>(ii)</sup> , 16.5% <sup>(iii)</sup> , 15% <sup>(iv)</sup>
Value added tax ("VAT")	The output VAT is calculated on the basis of taxable income. After deducting the input VAT allowed to be deducted in the current period, the difference is the VAT payable.	6%, 3% <sup>(v)</sup>
City maintenance and construction tax	Based on value added tax accrued	7%
Education surcharge	Based on value added tax accrued	3%
Local education surcharge	Based on value added tax accrued	2%

- (i) In accordance with the announcement of the State Administration of Taxation concerning the collection of EIT for cross regional operation (No. 57 of the State Administration of Taxation in 2012). The Company adopts the regulations of "integrated calculation, hierarchical management, advance payments in regions where the entities operate, centralization of final settlements and transfers between central and local authorities" for payments of EIT.
- (ii) According to the Enterprise Income Tax Law of the People's Republic of China and relevant regulation on the implementation, and the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (Cai Shui [2019] No. 13, hereinafter referred to as the "Notice") and other regulations, during the period from January 1, 2019 to December 31, 2021, for a small low-profit enterprise with an annual taxable income that is not more than RMB1 million, it will have its taxable income reduced by 25% and the applicable enterprise income tax rate will be 20%; and for an enterprise with an annual taxable income that is not less than RMB1 million nor more than RMB3 million, it will have its taxable income reduced by 50%, and the applicable enterprise income tax rate will be 20%. Seven subsidiaries of China Merchants Zhiyuan Capital Investment Co., Ltd., which is the subsidiary of the Company, benefit from the above-mentioned preferential tax policies.
- (iii) The Company's subsidiary China Merchants Securities International Company Limited and its subsidiaries which are registered in Hong Kong shall pay Hong Kong Profits Tax. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime and will continue to be taxed at a flat rate of 16.5%.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 5. TAXATION (Continued)

- (iv) According to the announcement of the Ministry of Finance, the State Administration of Taxation and National Development and Reform Commission on continuing the EIT Preferential Policies for the Development of Western China, from January 1, 2021 to December 31, 2030, qualified companies are subject to a tax rate of 15%. The subsidiary of the Group incorporated in Ganzhou namely, Ganzhou China Merchants Zhiyuan No. 1 Fund Management Co., Ltd. is subject to the above-mentioned preferential tax policies.
- (v) According to the Notice on finance, real estate development, education industry, etc. (Cai Shui [2016] No. 140), the supplementary notice on issues related to VAT of asset management products (Cai Shui [2017] No. 2) and the notice on issues related to VAT of asset management products (Cai Shui [2017] No. 56) issued by the Ministry of Finance and the State Administration of Taxation, the VAT taxable income accrued from the asset management product manager in the process of managing their products can temporarily apply a simple tax calculation method and pay the VAT at the rate of 3% commencing from January 1, 2018.

### 6. SEGMENT INFORMATION

#### (1) Operating segments

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

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

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



## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 6. SEGMENT INFORMATION (Continued)

#### (1) Operating segments (Continued)

The operating and reportable segment information provided to the chief operating decision maker (hereinafter refer as “CODM”) for the years ended December 31, 2021 and 2020 are as follows:

	Wealth management and institutional business	Investment banking	Investment management	Investment and trading	Others	Elimination	Total
<b>For the year ended December 31, 2021</b>							
<b>Segment revenue and results</b>							
Segment revenue	20,650,534	2,610,454	1,746,405	10,840,752	288,409	(35,229)	36,101,325
Segment other income and gains or losses	23,213	545	55,991	107	4,161,241	—	4,241,097
Segment revenue and other income	20,673,747	2,610,999	1,802,396	10,840,859	4,449,650	(35,229)	40,342,422
Segment expenses	(13,829,404)	(1,133,501)	(546,435)	(7,372,978)	(5,391,737)	35,229	(28,238,826)
Segment result	6,844,343	1,477,498	1,255,961	3,467,881	(942,087)	—	12,103,596
Share of results of associates	—	—	1,740	2,897	1,595,620	—	1,600,257
Profit before income tax	6,844,343	1,477,498	1,257,701	3,470,778	653,533	—	13,703,853
<b>As at December 31, 2021</b>							
<b>Segment assets and liabilities</b>							
Segment assets	224,140,044	2,239,887	10,136,704	347,039,300	21,384,211	(7,719,018)	597,221,128
Segment liabilities	(167,423,698)	(2,071,599)	(3,764,729)	(302,617,600)	(16,472,069)	7,719,018	(484,630,677)
<b>For the year ended December 31, 2021</b>							
<b>Other segment information</b>							
Amounts included in the measurement of segment profit or loss or segment assets:							
Interest income	9,009,411	—	73,187	2,006,457	288,409	(35,229)	11,342,235
Interest expenses	(4,190,729)	(87,959)	(50,239)	(5,341,853)	(14,021)	35,229	(9,649,572)
Capital expenditure	(214,954)	(18,572)	(18,055)	(15,882)	(145,296)	—	(412,759)
Depreciation and amortization	(371,628)	(52,411)	(13,656)	(27,935)	(179,977)	—	(645,607)
Impairment losses, net of reversal	(247,331)	—	(98,528)	(27,202)	(3,318)	—	(376,379)

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 6. SEGMENT INFORMATION (Continued)

#### (1) Operating segments (Continued)

	Wealth management and institutional business	Investment banking	Investment management	Investment and trading	Others	Elimination	Total
<b>For the year ended December 31, 2020</b>							
<b>Segment revenue and results</b>							
Segment revenue	16,764,078	2,205,580	1,586,255	8,463,977	327,005	(48,639)	29,298,256
Segment other income and gains or losses	13,583	181	2,817	1	3,154,478	—	3,171,060
Segment revenue and other income	16,777,661	2,205,761	1,589,072	8,463,978	3,481,483	(48,639)	32,469,316
Segment expenses	(11,125,551)	(1,024,669)	(462,933)	(5,638,679)	(3,999,892)	48,639	(22,203,085)
Segment result	5,652,110	1,181,092	1,126,139	2,825,299	(518,409)	—	10,266,231
Share of results of associates	—	—	1,080	23,420	1,018,138	—	1,042,638
Profit before income tax	5,652,110	1,181,092	1,127,219	2,848,719	499,729	—	11,308,869
<b>As at December 31, 2020</b>							
<b>Segment assets and liabilities</b>							
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>For the year ended December 31, 2020</b>							
<b>Other segment information</b>							
Amounts included in the measurement of segment profit or loss or segment assets:							
Interest income	7,323,284	—	73,497	2,041,819	327,005	(48,639)	9,716,966
Interest expenses	(3,134,000)	(77,895)	(74,510)	(3,866,381)	(13,906)	48,639	(7,118,053)
Capital expenditure	(196,218)	(20,684)	(932)	(17,673)	(138,207)	—	(373,714)
Depreciation and amortization	(333,707)	(51,576)	(9,011)	(27,275)	(169,710)	—	(591,279)
Impairment losses, net of reversal	(146,307)	—	—	(9,286)	—	—	(155,593)

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 6. SEGMENT INFORMATION (Continued)

#### (2) Geographical segments

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

The geographical location of the specified non-current assets is based on i) the physical location of the asset or ii) the place of incorporation of the business units under which the goodwill is recorded.

	Mainland China	Outside Mainland China	Total
<b>For the year ended December 31, 2021</b>			
Segment Revenue			
Revenue	34,292,474	1,808,851	36,101,325
Other income and gains or losses, net	4,236,033	5,064	4,241,097
	<b>38,528,507</b>	<b>1,813,915</b>	<b>40,342,422</b>
<b>For the year ended December 31, 2020</b>			
Segment Revenue			
Revenue	28,017,582	1,280,674	29,298,256
Other income and gains or losses, net	3,142,987	28,073	3,171,060
	<b>31,160,569</b>	<b>1,308,747</b>	<b>32,469,316</b>

#### *Specified non-current assets*

	Mainland China	Outside Mainland China	Total
<b>As at December 31, 2021</b>			
Specified non-current assets	13,380,630	184,699	13,565,329
<b>As at December 31, 2020</b>			
Specified non-current assets	13,645,731	180,389	13,826,120

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 6. SEGMENT INFORMATION (Continued)

#### (3) Information about major customers

No customer for the years ended December 31, 2021 and 2020 contributed over 10% to the total revenue of the Group.

### 7. FEE AND COMMISSION INCOME

	Year ended December 31,	
	2021	2020
Securities and futures brokerage business	10,668,498	8,752,903
Underwriting and sponsorship business	2,450,094	2,003,405
Asset management and fund management business	1,046,033	1,147,164
Financial advisory business	167,043	206,713
Investment advisory business	972,627	687,892
	<b>15,304,295</b>	<b>12,798,077</b>

### 8. INTEREST INCOME

	Year ended December 31,	
	2021	2020
Advances to customers and securities lending	6,233,534	4,640,314
Exchanges and financial institutions balances, deposits and clearing settlement funds	2,004,027	1,761,085
Debt instruments at fair value through other comprehensive income ("FVTOCI")	1,460,827	1,587,377
Financial assets held under securities back-lending resale agreements	1,141,805	1,298,369
Other financial assets held under resale agreements	431,834	338,262
Debt instruments at amortized cost	70,208	91,559
	<b>11,342,235</b>	<b>9,716,966</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 9. INVESTMENT GAINS OR LOSSES, NET

	Year ended December 31,	
	2021	2020
Dividend and interest income from financial assets at FVTPL	5,943,362	4,462,834
Net gains from financial assets at FVTPL	4,828,781	4,170,690
Dividend from financial assets at FVTOCI	426,075	—
Net gains on disposal of interests in an associate	134,216	—
Net (losses) gains from disposals of debt instruments measured at FVTOCI	(5,827)	316,546
Net losses from derivative financial instruments	(823,053)	(1,827,878)
Net losses from financial liabilities at FVTPL	(1,048,759)	(338,979)
	<b>9,454,795</b>	<b>6,783,213</b>

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

	Year ended December 31,	
	2021	2020
Income from commodity trading	4,008,036	3,000,410
Government grants <sup>(i)</sup>	82,297	29,564
Refund from tax withholding and remittance	33,447	21,978
Rental income	19,147	18,610
Foreign exchange gains, net	12,136	17,803
Others	86,034	82,695
	<b>4,241,097</b>	<b>3,171,060</b>

- (i) Government grants represent the unconditional grants received by the Group from local government and are used for supporting the business at specific locations.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 11. DEPRECIATION AND AMORTIZATION

	Year ended December 31,	
	2021	2020
Depreciation of right-of-use assets	326,505	304,487
Depreciation of property and equipment	191,380	175,350
Amortization of other non-current assets	122,855	110,365
Amortization of other intangible assets	4,867	1,077
	<b>645,607</b>	<b>591,279</b>

### 12. STAFF COSTS

	Year ended December 31,	
	2021	2020
Salaries, bonus and allowances	7,217,754	6,695,992
Contributions to retirement benefits <sup>(i)</sup>	505,550	312,261
Other social welfare <sup>(ii)</sup>	382,201	297,774
Others	210,251	192,081
	<b>8,315,756</b>	<b>7,498,108</b>

- (i) The domestic employees of the Group in the PRC participate in state-managed retirement benefits plans, which are operated by the relevant municipal and provincial governments. According to the relevant regulations, retirement benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. These retirement benefits plans are defined contribution plans and contributions to the plans are expensed as incurred. In addition to the above retirement benefits plans, the Group also provides annuity schemes for certain qualified employees in the PRC. The employees' and the Group's contributions for the annuity schemes are calculated based on certain percentage of employees' salaries and recognized in profit or loss as expense. These annuity schemes are defined contribution plans.

The Group also operates MPF schemes for all qualified employees in Hong Kong. The Group contributes certain percentage of relevant payroll costs to the schemes, and contributions of the same amounts are made by employees but are subject to maximum for individual employees. The assets of the scheme are held separately from those of the Group, and in funds under the control of trustees.

- (ii) The domestic employees of the Group in the PRC participate in state-managed social welfare plans, including social pension insurance, health care insurance, housing funds and other social welfare contributions, which are operated by the relevant municipal and provincial governments. These social welfare plans are recognized as expense as incurred.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 13. FEE AND COMMISSION EXPENSES

	Year ended December 31,	
	2021	2020
Securities and futures brokerage business	2,752,580	2,033,171
Underwriting and sponsorship business	62,183	57,734
Financial advisory business	12,842	6,507
Asset management and fund management business	7,455	3,822
Investment advisory business	210	1
	<b>2,835,270</b>	<b>2,101,235</b>

### 14. INTEREST EXPENSES

	Year ended December 31,	
	2021	2020
Bonds payables	4,728,369	2,996,912
Financial assets sold under repurchase agreements	2,607,276	2,153,245
Short-term debt instruments	1,024,378	992,313
Placements from banks and other financial institutions	605,017	442,159
Accounts payables to brokerage clients	300,554	250,798
Borrowings	174,023	141,666
Lease liabilities	38,360	40,413
Others	171,595	100,547
	<b>9,649,572</b>	<b>7,118,053</b>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 15. OTHER OPERATING EXPENSES

	Year ended December 31,	
	2021	2020
Cost of commodity trading	3,998,450	3,006,441
Electronic equipment operation expenses	437,772	302,890
Advertising and promotion expenses	429,080	305,518
Stock exchange fees	249,715	147,826
Postal and communications expenses	177,528	192,730
Business travel expenses	114,771	91,698
Securities and futures investor protection funds	105,263	90,674
General and administrative expenses	83,688	75,527
Rental and property management expenses <sup>(i)</sup>	80,157	92,877
Auditors' remuneration	3,795	3,710
Others	566,100	288,434
	<b>6,246,319</b>	<b>4,598,325</b>

- (i) Expense relating to short-term leases is RMB11,396 thousand (Year ended December 31, 2020: RMB30,200 thousand).

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

	Year ended December 31,	
	2021	2020
Impairment loss on financial assets held under resale agreements (note 26)	277,516	130,722
Impairment loss on advances to customers (note 29)	43,055	15,117
Impairment loss on accounts and other receivables (note 30)	25,288	2,513
Impairment loss (Reversal of) on debt instruments at amortized cost (note 25)	23,505	(2,288)
Impairment loss on debt instruments at FVTOCI (note 31)	3,697	9,511
	<b>373,061</b>	<b>155,575</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 17. INCOME TAX EXPENSES

	Year ended December 31,	
	2021	2020
Current tax:		
— PRC Enterprise Income Tax	1,937,596	2,371,429
— Hong Kong Profits Tax	126,775	69,721
	<b>2,064,371</b>	<b>2,441,150</b>
Over provision in respect of prior years:		
— PRC Enterprise Income Tax	(11,805)	(27,065)
— Hong Kong Profits Tax	(1,356)	(2,517)
	<b>(13,161)</b>	<b>(29,582)</b>
Deferred taxation		
— Origination and reversal of temporary differences (note 27)	(5,165)	(606,566)
	<b>2,046,045</b>	<b>1,805,002</b>

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	Year ended December 31,	
	2021	2020
<b>Profit before income tax</b>	<b>13,703,853</b>	<b>11,308,869</b>
Tax at the income tax rate of 25%	3,425,963	2,827,217
Tax effect of share of result of associates	(400,064)	(260,660)
Tax effect of expenses not deductible for tax purpose	30,303	54,676
Tax effect of income that are not taxable	(732,064)	(447,580)
Effect of different tax rates of subsidiaries	(73,036)	(41,159)
Tax effect of tax losses not recognized	3,004	3,688
Utilization of deferred tax assets previously not recognized	(1,107)	(103,106)
Over provision in respect of prior years	(13,161)	(29,582)
Others <sup>(i)</sup>	(193,793)	(198,492)
<b>Income tax expense for the year</b>	<b>2,046,045</b>	<b>1,805,002</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 17. INCOME TAX EXPENSES (Continued)

As at December 31, 2021, the estimated unused tax losses for the Group's subsidiaries were RMB62,128 thousand (December 31, 2020: RMB74,089 thousand), no deferred tax assets were recognized in relation to such item in the consolidated statement of financial position due to the unpredictability of future profit streams of the subsidiaries.

Majority of the tax losses comes from the subsidiaries in Hong Kong and these losses can be carried forward indefinitely for offsetting against future taxable profits of the respective companies in which the losses arose. These estimated tax losses have no expiry dates but are subject to the approval of the Hong Kong Inland Revenue Department.

- (i) According to the announcement on corporate income tax policy of perpetual bonds (Announcement No. 64, 2019 of the Ministry of Finance and the State Administration of Taxation), when an enterprise issues perpetual bonds that meet specified conditions, the interest expense attributable to the current year of perpetual bonds paid by the issuer is allowed to be deducted for corporate income tax. According to the above provisions, the Company deducted interest expenses of perpetual bonds amounted to RMB802,090 thousand (2020: RMB802,090 thousand) in the current year when calculating its taxable income.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

	Year ended December 31,	
	2021	2020
Earnings for the purpose of basic earnings per share:		
Profit attributable to shareholders of the Company and holders of other equity instruments	11,645,065	9,491,639
Less: Profit attributable to holders of perpetual subordinated bonds	(802,090)	(802,090)
	10,842,975	8,689,549
Number of shares:		
Number of issued shares on January 1 (in thousand)	8,696,526	6,699,409
Effect of treasury stocks (note 47)	—	(10,005)
Effect of A share rights issue on July 20, 2020 (note 47)	—	1,390,851
Effect of H share rights issue on August 20, 2020 (note 47)	—	132,579
Weighted average number of ordinary shares	8,696,526	8,212,834
Earnings per share:		
Earnings per share (in RMB)	1.25	1.06

For the years ended December 31, 2021 and 2020, there were no dilutive shares.

On July 20, 2020 and August 20, 2020, the Company offered rights issues to its existing A share and H share shareholders, respectively, at prices less than their fair values. Therefore, there were bonus elements for these rights issues and the weighted average number of ordinary shares were adjusted accordingly for the year of 2020.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 19. PROPERTY AND EQUIPMENT

	Leasehold land and buildings	Motor vehicles	Electronic and communication equipment	Office equipment	Construction in progress	Total
<b>Cost</b>						
As at January 1, 2021	1,329,857	60,464	945,547	58,539	39,146	2,433,553
Additions	—	—	176,150	12,863	64,298	253,311
Disposals	—	—	(159,478)	(6,493)	—	(165,971)
Transfer	—	—	3,803	—	(72,053)	(68,250)
Final account	(52,677)	—	—	—	—	(52,677)
Exchange differences	—	(33)	(1,910)	(975)	(491)	(3,409)
As at December 31, 2021	1,277,180	60,431	964,112	63,934	30,900	2,396,557
<b>Accumulated depreciation and impairment</b>						
As at January 1, 2021	278,700	48,303	524,635	34,886	—	886,524
Charge for the year	32,803	3,373	146,722	8,482	—	191,380
Disposals	—	—	(154,272)	(5,229)	—	(159,501)
Final account	(594)	—	—	—	—	(594)
Exchange differences	—	(33)	(1,639)	(86)	—	(1,758)
As at December 31, 2021	310,909	51,643	515,446	38,053	—	916,051
<b>Carrying values</b>						
As at December 31, 2021	966,271	8,788	448,666	25,881	30,900	1,480,506

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 19. PROPERTY AND EQUIPMENT (Continued)

	Leasehold land and buildings	Motor vehicles	Electronic and communication equipment	Office equipment	Construction in progress	Total
<b>Cost</b>						
As at January 1, 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	—	—	—	—	(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>						
As at January 1, 2020	244,940	47,164	476,551	30,935	—	799,590
Charge for the year	33,760	5,140	129,282	7,168	—	175,350
Disposals	—	(3,931)	(76,569)	(2,430)	—	(82,930)
Exchange differences	—	(70)	(4,629)	(787)	—	(5,486)
As at December 31, 2020	278,700	48,303	524,635	34,886	—	886,524
<b>Carrying values</b>						
As at December 31, 2020	1,051,157	12,161	420,912	23,653	39,146	1,547,029

As at December 31, 2021, included in leasehold land and buildings were carrying values of RMB830,366 thousand (December 31, 2020: RMB904,177 thousand), for which the Group was in the progress to obtain the relevant land and building certificates. The directors of the Company consider that this matter will not have significant impact on the consolidated financial statements for the year ended December 31, 2021.

As the lease payments included in the Group's leasehold land and buildings cannot be allocated reliably between the land and buildings, the entire leases are classified as lease and accounted for as property and equipment.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 20. RIGHT-OF-USE ASSETS

	Land and buildings	Leasehold land	Total
<b>Cost</b>			
As at January 1, 2021	2,087,869	432,600	2,520,469
Additions	559,067	—	559,067
Disposals	(213,684)	—	(213,684)
Exchange differences	(6,500)	—	(6,500)
As at December 31, 2021	2,426,752	432,600	2,859,352
<b>Accumulated depreciation and impairment</b>			
As at January 1, 2021	888,640	22,865	911,505
Charge for the year	315,530	10,975	326,505
Other additions	54,666	—	54,666
Deductions	(73,340)	—	(73,340)
Exchange differences	(3,635)	—	(3,635)
As at December 31, 2021	1,181,861	33,840	1,215,701
<b>Carrying values</b>			
<b>As at December 31, 2021</b>	<b>1,244,891</b>	<b>398,760</b>	<b>1,643,651</b>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 20. RIGHT-OF-USE ASSETS (Continued)

	Land and buildings	Leasehold land	Total
<b>Cost</b>			
As at January 1, 2020	1,867,741	432,600	2,300,341
Additions	315,199	—	315,199
Disposals	(84,221)	—	(84,221)
Exchange differences	(10,850)	—	(10,850)
As at December 31, 2020	2,087,869	432,600	2,520,469
<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)
As at December 31, 2020	888,640	22,865	911,505
<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>

The Group leases offices for its operations. Lease contracts are entered into for fixed term of 12 months to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended December 31, 2021, total cash outflow for leases amounted to RMB352,971 thousand (Year ended December 31, 2020: RMB358,678 thousand).

As at December 31, 2021 and December 31, 2020, the lease agreements did not impose any covenants other than the security interests in the leased assets that were held by the lessor. Leased assets may not be used as security for borrowing purposes.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 21. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

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

As at December 31, 2021, the Group consolidated 48 (December 31, 2020: 15) structured entities. The total assets of the consolidated structured entities amounted to RMB20,539,335 thousand (December 31 2020: RMB7,964,224 thousand).

The financial impact of these structured entities on the Group's financial position as at December 31, 2021 and 2020, and the results and cash flows for the years ended December 31, 2021 and 2020, though consolidated, are not significant and therefore not disclosed separately.

### 22. INTERESTS IN ASSOCIATES

	As at December 31,	
	2021	2020
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	5,731,873	4,645,759
<b>Sub-total</b>	<b>10,318,008</b>	<b>10,177,299</b>
Impairment loss	(669,150)	(669,150)
	<b>9,648,858</b>	<b>9,508,149</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22. INTERESTS IN ASSOCIATES (Continued)

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

Name of associates	Place and date of incorporation/ establishment	Equity interest held by the Group		Principal activities
		December 31,		
		2021	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 holding

\* English name translated is for identification purpose only.

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

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22. INTERESTS IN ASSOCIATES (Continued)

Summarized financial information of the Group's material associates, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

#### Bosera Asset Management Co., Ltd.

	As at December 31 and year ended December 31,	
	2021	2020
Total assets	10,849,149	8,859,227
Total liabilities	(3,714,036)	(3,098,397)
Net assets	7,135,113	5,760,830
Revenue	5,763,985	4,226,012
Profit for the year	1,778,698	1,247,026
Other comprehensive expense	(3,933)	(7,875)
Total comprehensive income	1,774,765	1,239,151
Dividends declared by the associate attributable to the Group	196,000	147,000
Net assets of the associate attributable to the Group	7,135,113	5,760,830
The Group's share of net assets of the associate	3,496,205	2,822,808
— Goodwill	3,425,523	3,425,523
— Impairment loss recognized <sup>(iv)</sup>	(669,150)	(669,150)
<b>Carrying amount in the consolidated financial statements</b>	<b>6,252,578</b>	<b>5,579,181</b>

- (iv) As at December 31, 2014, the Company had recognized an impairment loss amounted to RMB669,150 thousand for the interests in Bosera Asset Management Co., Ltd. The recoverable amounts of RMB3,763,141 thousand had been determined by Vocational International (Beijing) Asset Appraisal Co., Ltd., a qualified valuer not related to the Group. The valuer determined the value-in-use by using cash flow projections which is based on a financial budget covering a five-year period approved by management. The pre-tax discount rates applied and growth rate used to extrapolate the cash flow projections is 10.78% and 9.2% respectively. The growth rates beyond the five-year period is nil for the forecast period. As at December 31, 2021, the Company reassessed the valuation of the investment and determined no further impairment is needed at the end of the year.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22. INTERESTS IN ASSOCIATES (Continued)

#### China Merchants Fund Management Limited

	As at December 31 and year ended December 31,	
	2021	2020
Total assets	10,149,304	8,236,610
Total liabilities	(3,158,060)	(2,330,266)
Net assets	6,991,244	5,906,344
Revenue	5,231,916	3,235,132
Profit for the year	1,602,598	903,850
Other comprehensive income (expense)	24,611	(8,421)
Total comprehensive income	1,627,209	895,429
Dividends declared by the associate attributable to the Group	244,040	168,030
Net assets of the associate attributable to the Group	6,991,244	5,906,344
The Group's share of net assets of the associate	3,146,060	2,657,855
— Goodwill	199,545	199,545
<b>Carrying amount in the consolidated financial statements</b>	<b>3,345,605</b>	<b>2,857,400</b>

Aggregate information of associates that are not individually material:

	As at December 31 and year ended December 31,	
	2021	2020
The Group's share of profit for the year	7,762	24,863
The Group's share of other comprehensive income (expense)	22,095	(22,095)
The Group's share of total comprehensive income	29,857	2,768
Dividend declared by associates attributable to the Group	2,240	8,902
<b>Aggregate carrying amount of the Group's interests in these associates</b>	<b>50,675</b>	<b>1,071,568</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

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### 23. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

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

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

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

As at December 31, 2021, the total assets of these unconsolidated structured entities sponsored by the Group amounted to RMB475,795,492 thousand (December 31, 2020: RMB567,078,160 thousand).

The amount of fee income derived from these unconsolidated structured entities managed by the Group are detailed in Note 7.

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

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

The carrying amounts of the related accounts in the consolidated statement of financial position represents the maximum exposure of losses to the Group for its interests in these unconsolidated structured entities sponsored by third party institutions as at December 31, 2021 and 2020. They are listed as below:

	As at December 31, 2021	
	Financial assets at fair value through profit or loss	Total
Funds	23,756,461	23,756,461
Trust schemes	3,495,651	3,495,651
Wealth management products	401,000	401,000
Others <sup>(i)</sup>	68,060,297	68,060,297
	<b>95,713,409</b>	<b>95,713,409</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

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

- (i) As at December 31, 2021, the Group's FVTPL amounting to RMB34,756,981 thousand, derivative financial assets amounting to RMB176,488 thousand and derivative financial liabilities amounting to RMB1,573,335 thousand were arranged as a combination of contracts with an aim to lock in the gain or loss of these FVTPL.

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

	As at December 31,	
	2021	2020
Special account <sup>(i)</sup>	—	7,218,586
Equity investments <sup>(ii)</sup>	1,409,254	201,994
	<b>1,409,254</b>	<b>7,420,580</b>

- (i) Since the investment meets the condition in respect of 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 FVTOCI.
- (ii) The equity investments are only used by the Company for securities lending and the Company elected to designate these investments as FVTOCI. Due to the Company's changes in strategy, the Group disposed of these investments in equity instruments, and a profit after tax arising from such disposals amounting to RMB22,508 thousand was reclassified from other comprehensive income to retained earnings.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 25. DEBT INSTRUMENTS AT AMORTIZED COST

#### (1) Analyzed by nature

	As at December 31,	
	2021	2020
<b>Non-current</b>		
Bonds	164,590	922,061
Less: Expected credit losses	(84)	(672)
	<b>164,506</b>	<b>921,389</b>
<b>Current</b>		
Bonds	977,320	818,463
Less: Expected credit losses	(24,200)	(462)
	<b>953,120</b>	<b>818,001</b>

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

	As at December 31,	
	2021	2020
At the beginning of the year	1,134	3,496
Expected credit losses recognized	23,505	—
Reversal of expected credit losses	—	(2,288)
Exchange differences	(355)	(74)
<b>At the end of the year</b>	<b>24,284</b>	<b>1,134</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

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

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

During the year and the year ended December 31, 2021, there was no material transfer between the stages of expected credit losses.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 26. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

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

	As at December 31,	
	2021	2020
<b>Non-current</b>		
Analyzed by collateral type:		
Stocks <sup>(i)</sup>	665,863	1,364,550
Analyzed by market:		
Stock exchanges	665,863	1,364,550
Less: Expected credit losses	—	(2,518)
	<b>665,863</b>	<b>1,362,032</b>
<b>Current</b>		
Analyzed by collateral type:		
Stocks <sup>(i)</sup>	13,774,595	18,773,258
Bonds	25,498,711	32,585,578
<b>Sub-total</b>	<b>39,273,306</b>	<b>51,358,836</b>
Analyzed by market:		
Stock exchanges	18,422,481	35,905,586
Interbank bond market	20,850,825	15,453,250
<b>Sub-total</b>	<b>39,273,306</b>	<b>51,358,836</b>
Less: Expected credit losses	(740,577)	(460,543)
	<b>38,532,729</b>	<b>50,898,293</b>

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

As at December 31, 2021, the Group received collateral amounted to RMB78,449 million (December 31, 2020: RMB105,872 million) in connection with its reverse resale agreements and securities back-lending.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

	As at December 31,	
	2021	2020
At the beginning of the year	463,061	332,339
Expected credit losses recognized	277,516	130,722
<b>At the end of the year</b>	<b>740,577</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 follows:

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

(3) The following tables show reconciliation of loss allowances that has been recognized for financial assets held under resale agreements.

	Stage 1 12 months ECL	Stage 2 Lifetime ECL (not credit- impaired)	Stage 3 Lifetime ECL (credit- impaired)	Total
At January 1, 2021	13,980	601	448,480	463,061
Changes in the expected credit losses:				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	—	—	—	—
— Transfer to Stage 3	(4,269)	—	4,269	—
— Charged to profit or loss	7,737	(601)	270,380	277,516
<b>At December 31, 2021</b>	<b>17,448</b>	<b>—</b>	<b>723,129</b>	<b>740,577</b>

	Stage 1 12 months ECL	Stage 2 Lifetime ECL (not credit- impaired)	Stage 3 Lifetime ECL (credit- impaired)	Total
At January 1, 2020	5,298	—	327,041	332,339
Changes in the expected credit losses:				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	—	—	—	—
— Transfer to Stage 3	—	—	—	—
— Charged to profit or loss	8,682	601	121,439	130,722
<b>At December 31, 2020</b>	<b>13,980</b>	<b>601</b>	<b>448,480</b>	<b>463,061</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

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### 27. DEFERRED TAX ASSETS (LIABILITIES)

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

	As at December 31,	
	2021	2020
Deferred tax assets	1,561,415	1,818,424
Deferred tax liabilities	(491,857)	(790,161)

The followings are the major deferred tax assets (liabilities) recognized and movements thereon during the year:

	Financial instruments at fair value through profit and loss/ derivatives	Accrued staff costs	Deferred income	Impairment allowances	Financial instruments at fair value through other comprehensive income	Property and equipment	Others	Total
At January 1, 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
Charge 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
At January 1, 2021	(596,943)	1,461,359	29,835	147,914	(94,889)	—	80,987	1,028,263
(Charge) credit to profit or loss	(148,994)	92,032	(799)	63,005	—	(2,815)	2,736	5,165
Credit to other comprehensive income	—	—	—	—	35,300	—	—	35,300
Exchange differences	—	—	—	1,331	(513)	—	12	830
At December 31, 2021	(745,937)	1,553,391	29,036	212,250	(60,102)	(2,815)	83,735	1,069,558

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

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### 28. OTHER NON-CURRENT ASSETS

#### (1) Analyzed by nature

	As at December 31,	
	2021	2020
Leasehold improvements and deferred expenses	455,226	348,166
Prepayment for investment	291,815	784,153
	<b>747,041</b>	<b>1,132,319</b>

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

	As at December 31,	
	2021	2020
At the beginning of the year	348,166	281,341
Additions	182,547	88,987
Transfer from construction in progress (note 19)	47,368	88,203
Amortization	(122,855)	(110,365)
At the end of the year	<b>455,226</b>	<b>348,166</b>

### 29. ADVANCES TO CUSTOMERS

#### (1) Analyzed by nature

	As at December 31,	
	2021	2020
Advances to customers	98,832,293	81,861,589
Less: Expected credit losses	(145,787)	(107,239)
	<b>98,686,506</b>	<b>81,754,350</b>

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

The majority of the advances to customers which are secured by underlying pledged securities and cash collateral as disclosed in note 41 are interest bearing. The Group maintains a list of approved stocks for margin lending with respective loan-to-collateral ratios. Any excess in the ratio will trigger a margin call upon which the customers have to make good the difference.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 29. ADVANCES TO CUSTOMERS (Continued)

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

	As at December 31,	
	2021	2020
Collateral measured at fair value:		
Cash	9,019,690	8,750,495
Bonds	1,929,661	1,662,489
Equity securities	272,671,945	225,956,368
Funds	2,207,212	7,125,528
	<b>285,828,508</b>	<b>243,494,880</b>

#### (3) The movements of allowance of impairment losses are as follows

	As at December 31,	
	2021	2020
At the beginning of the year	107,239	93,418
Expected credit losses recognized	43,055	15,117
Write-off of expected credit losses	(3,996)	—
Exchange differences	(511)	(1,296)
<b>At the end of the year</b>	<b>145,787</b>	<b>107,239</b>

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

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

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

The concentration of credit risk is limited due to the size and customers are correlated.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

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### 29. ADVANCES TO CUSTOMERS (Continued)

(4) The following tables show reconciliation of expected credit losses that has been recognized for advances to customers.

	Stage 1 12m ECL	Stage 2 Lifetime ECL (not credit- impaired)	Stage 3 Lifetime ECL (credit- impaired)	Total ECL
As at January 1, 2021	52,186	66	54,987	107,239
Changes in the expected credit losses:				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	(73)	73	—	—
— Transfer to Stage 3	(2,337)	(11)	2,348	—
— Write-off of expected credit losses	—	—	(3,996)	(3,996)
— Charged (credit) to profit or loss	5,443	(15)	37,116	42,544
<b>As at December 31, 2021</b>	<b>55,219</b>	<b>113</b>	<b>90,455</b>	<b>145,787</b>

	Stage 1 12m ECL	Stage 2 Lifetime ECL (not credit- impaired)	Stage 3 Lifetime ECL (credit- impaired)	Total ECL
As at January 1, 2020	33,655	—	59,763	93,418
Changes in the expected credit losses:				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	(12)	12	—	—
— Transfer to Stage 3	—	59	(59)	—
— (Credit) charged to profit or loss	18,543	(5)	(4,717)	13,821
<b>As at December 31, 2020</b>	<b>52,186</b>	<b>66</b>	<b>54,987</b>	<b>107,239</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

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### 30. ACCOUNTS AND OTHER RECEIVABLES

#### (1) Analyzed by nature

	As at December 31,	
	2021	2020
<b>Accounts and other receivables from/related to:</b>		
Clearing houses, brokers and dealers	2,184,661	2,548,885
Fee and commission income	1,040,738	851,361
Other receivables	110,449	105,295
Deposits of OTC derivative business <sup>(i)</sup>	1,627,462	2,274,104
Dividends receivable	456	213,354
Prepayments	215,733	148,034
Others	318,529	303,506
<b>Sub-total</b>	<b>5,498,028</b>	<b>6,444,539</b>
Less: Expected credit losses of accounts and other receivables	(40,243)	(15,017)
	<b>5,457,785</b>	<b>6,429,522</b>

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

#### (2) Analyzed by ageing

As at the end of the year, the ageing analysis of accounts and other receivables, which is primarily comprised of fees and commission receivable and receivables related funds redemption, is as follows:

	As at December 31, 2021		As at December 31, 2020	
	Amount	Expected credit losses	Amount	Expected credit losses
Within 1 year	5,307,059	(671)	6,280,770	(910)
Between 1 and 2 years	55,699	(2,236)	67,980	(2,798)
Between 2 and 3 years	53,325	(18,549)	33,496	(4,296)
Over 3 years	81,945	(18,787)	62,293	(7,013)
	<b>5,498,028</b>	<b>(40,243)</b>	<b>6,444,539</b>	<b>(15,017)</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

#### (1) Analyzed by type

	As at December 31,	
	2021	2020
<b>Current</b>		
Government bonds	22,599,689	13,899,354
Bonds issued by policy banks	4,254,253	10,959,451
Bonds issued by commercial banks and other financial institutions	—	70,403
Others	13,728,381	19,685,392
	<b>40,582,323</b>	<b>44,614,600</b>

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

	As at December 31,	
	2021	2020
At the beginning of the year	18,575	9,523
Expected credit losses recognized	3,697	9,512
Exchange differences	(432)	(460)
<b>At the end of the year</b>	<b>21,840</b>	<b>18,575</b>

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

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

During the year and the year ended December 31, 2021, there was no material transfer between the stages of expected credit losses.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at December 31	
	2021	2020
<b>Current</b>		
Debt securities	155,037,861	114,923,320
Funds	23,603,284	15,558,117
Equity investments <sup>(i)</sup>	17,758,074	15,991,020
Others <sup>(ii)</sup>	58,367,571	19,557,575
	<b>254,766,790</b>	<b>166,030,032</b>
<b>Non-current</b>		
Funds	153,177	—
Equity investments <sup>(i)</sup>	4,536,836	4,497,943
Others <sup>(ii)</sup>	5,887,475	3,067,089
	<b>10,577,488</b>	<b>7,565,032</b>

(i) Equity investments comprise of unlisted equity investments.

(ii) Others mainly represent investments in collective asset management schemes, wealth management products, trusts and investments in limited partnerships.

Fair value of the Group's financial assets at fair value through profit or loss are determined as described in note 63.

As at December 31, 2021, debt securities of 1,708,716 thousand (December 31, 2020: 532,705 thousand) and RMB15,466,674 thousand (December 31, 2020: 9,690,902 thousand) classified as FVTPL were pledged as collateral for certain derivative transactions and securities borrowing, respectively. Moreover, it also entered into certain repurchase and securities leading arrangements and the details are disclosed in Note 56.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 33. DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31,2021			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
Interest derivative instrument						
Interest rate swaps <sup>(i)</sup>	242,069,097	685,971	704,685	198,894,341	567,793	562,867
Bond futures <sup>(i)</sup>	36,239,998	—	—	18,901,393	—	—
Equity derivative instrument						
Equity return swaps	59,611,174	1,626,204	2,308,822	7,423,537	284,354	144,448
Stock index futures <sup>(i)</sup>	7,696,569	31,495	3,179	6,474,865	629	1,519
Options <sup>(ii)</sup>	68,210,866	718,654	1,395,596	73,830,936	852,590	2,141,499
Currency derivatives						
Foreign exchange contracts <sup>(i)</sup>	39,815,437	2,001	48,427	41,649,414	295	166,592
Currency futures	730,523	1,523	532	—	—	—
Credit derivatives						
Credit default swaps	860,000	9,861	345	733,498	3,885	4,735
Other derivative instrument						
Commodity futures <sup>(i)</sup>	32,952,140	52,408	137,945	14,194,605	200	15,541
Commodity swaps	3,788,703	71,834	17,461	731,767	7,976	2,847
Commodity forward contracts	591,854	3,849	—	1,465,705	8,617	12,005
Bond forward contracts <sup>(i)</sup>	780,000	841	—	900,000	—	19,749
	493,346,361	3,204,641	4,616,992	365,200,061	1,726,339	3,071,802

- (i) Under a daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in the PRC futures contracts, interest rate swap contracts and bond forward contracts traded in the National Interbank Funding Center and foreign exchange contracts traded in the China Foreign Exchange Trade System are settled daily and the corresponding receipts and payments are included in "clearing settlement funds". Accordingly, these contracts are presented after netting of their settlements at the end of the reporting period.
- (ii) Options: Included in options are over-the-counter options, exchanged-traded options and embedded derivatives of income certificates.

## Notes to the Consolidated Financial Statements (Continued)

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

	As at December 31,	
	2021	2020
<b>Deposits with stock exchanges and clearing houses:</b>		
China Securities Depository and Clearing Corporation Limited	1,115,266	1,550,408
Shanghai Clearing House	576,337	335,254
Hong Kong Securities Clearing Company Limited	134,668	145,480
The SEHK Options Clearing House Limited	12,804	8,195
China Beijing Equity Exchange	2,878	1,434
Hong Kong Stock Exchange	552	568
<b>Deposits with futures and commodity exchanges and financial institutions:</b>		
China Financial Futures Exchange	6,784,949	3,914,321
Dalian Commodity Exchange	1,548,864	690,921
Shanghai Futures Exchange	1,189,585	808,364
Jianxin Futures Co., Ltd.	502,564	172,290
Zhengzhou Commodity Exchange	459,432	282,366
Huatai Futures Co., Ltd.	149,556	185,803
Shanghai International Energy Exchange	109,126	36,394
Hong Kong Futures Exchange	93,645	15,369
Yongan Futures Co., Ltd	89,930	123,581
Nanhua Futures Co., Ltd.	60,486	158,406
Haitong Futures Co., Ltd.	59,139	—
COFCO Futures Co.,Ltd.	43,438	—
China International Futures Co.,Ltd.	40,292	—
Shanghai Gold Exchange	6,626	113,704
Pingan Futures Co., Ltd.	—	384,182
Chicago Mercantile Exchange	—	3,262
CITIC Futures Co., Ltd.	—	123,774
London Metal Exchange	—	13,050
Others	161,654	107
	<b>13,141,791</b>	<b>9,067,233</b>



## Notes to the Consolidated Financial Statements (Continued)

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### 35. CLEARING SETTLEMENT FUNDS

	As at December 31,	
	2021	2020
Clearing settlement funds held with clearing houses for:		
House accounts	6,893,468	8,550,783
Clients	18,979,905	13,978,557
	<b>25,873,373</b>	<b>22,529,340</b>

These clearing settlement funds are held by the clearing houses for the Group and these balances carry interest at prevailing market interest rates.

### 36. CASH AND BANK BALANCES

	As at December 31,	
	2021	2020
Bank balances - house accounts	9,777,458	12,567,767
House accounts	7,703,770	10,893,205
Pledged and restricted bank deposits		
— Restricted bank deposit for purchase of bond, stock and as risk reserve and credit (note 37)	2,073,688	1,674,562
Cash held on behalf of customers	78,160,803	70,270,826
	<b>87,938,261</b>	<b>82,838,593</b>

### 37. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	As at December 31,	
	2021	2020
Bank balances - house accounts (note 36)	9,777,458	12,567,767
Clearing settlement funds - house accounts (note 35)	6,893,468	8,550,783
Less: Pledged and restricted bank deposits (note 36)	(2,073,688)	(1,674,562)
	<b>14,597,238</b>	<b>19,443,988</b>

## Notes to the Consolidated Financial Statements (Continued)

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### 38. SHORT-TERM BORROWINGS

	As at December 31,	
	2021	2020
<b>Current</b>		
Unsecured bank borrowings <sup>(i)</sup>	5,246,025	3,289,462
Interests accrued	1,981	833
	<b>5,248,006</b>	<b>3,290,295</b>

- (i) As at December 31, 2021, the floating interest rates of Group's short-term unsecured bank borrowings ranged from 0.96%-1.44% (December 31, 2020: 1.10%-1.50%) per annum while the fixed interest rate of these borrowings was 4.00% (December 31 2020: the Group had no unsecured bank borrowings bear fixed interest rates) per annum.

### 39. SHORT-TERM DEBT INSTRUMENTS

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

	Coupon rate	As at January 1, 2020	Issuance/ Other Transfer	Redemption	As at December 31, 2020
Short-term bond payables	2.85%	—	2,100,000	—	2,100,000
Short-term financing bills payables		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 Consolidated Financial Statements (Continued)

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

	As at December 31,	
	2021	2020
Placement from banks <sup>(i)</sup>	2,230,000	10,000,000
Placement from other financial institutions <sup>(ii)</sup>	4,500,000	1,000,000
Interest accrued	13,717	2,762
	<b>6,743,717</b>	<b>11,002,762</b>

- (i) As at December 31, 2021, the effective interest rates on amount due to banks ranged from 2.23%-3.10% (December 31, 2020: 2.20%-3.35%) per annum. The amounts are repayable within seven days from the end of the reporting period.
- (ii) As at December 31, 2021, the effective interest rate on amount due to other financial institutions was 2.80% (December 31, 2020: 2.80%) per annum. The amounts are repayable within six months from the end of the reporting period.

### 41. ACCOUNTS PAYABLES TO BROKERAGE CLIENTS

	As at December 31,	
	2021	2020
Clients' deposits for margin financing and securities lending	9,019,690	8,750,495
Clients' deposits for other brokerage business	90,585,652	76,690,748
	<b>99,605,342</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 at clearing houses by the Group. Accounts payable to brokerage clients are interest bearing at the prevailing interest rate.

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

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

## Notes to the Consolidated Financial Statements (Continued)

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### 42. ACCRUED STAFF COSTS

	As at December 31,	
	2021	2020
<b>Non-current</b>		
Salaries, bonus and allowances	223,661	395,360
<b>Current</b>		
Salaries, bonus and allowances	7,927,716	6,631,362
Short-term social welfare	52,054	52,054
Defined contribution plans <sup>(i)</sup>	1,218	1,132
Others	78,313	75,289
	<b>8,059,301</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 these funds set up by the governments on a monthly basis. Besides, the Group sets up annuity schemes and MPF schemes for qualified employees in the PRC and Hong Kong and contributes to these schemes, which are managed by third parties, on an annual basis or on a monthly basis.

The total expense recognized in profit or loss of RMB505,550 thousand (2020: RMB314,248 thousand) represents contributions payables to these plans by the Group at rates specified in the rules of the plans. As at December 31, 2021, contributions of RMB1,218 thousand due in respect of the year ended December 31, 2021 had not been paid to these plans (December 31, 2020: RMB1,132 thousand). The amounts were paid subsequent to the end of reporting period.

## Notes to the Consolidated Financial Statements (Continued)

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### 43. OTHER PAYABLES AND ACCRUED CHARGES

	As at December 31,	
	2021	2020
Settlement payables to brokers and clearing houses	5,106,756	7,241,096
Dividends payables to holders of other equity instruments	592,196	592,196
Deposits of equity return swaps <sup>(i)</sup>	23,617,908	7,255,884
Other tax payables	556,606	907,744
Commission and handling fee payables	134,191	120,918
Futures risk reserve	116,382	93,682
Notes payables	1,772,900	1,658,700
Others <sup>(ii)</sup>	793,944	581,635
	<b>32,690,883</b>	<b>18,451,855</b>

- (i) As at December 31, 2021 and 2020, the balance mainly represents deposits received from investors on equity return swaps which is refundable according to the contract terms upon the expiry date. The deposit will be mature within one year from the end of the reporting period. These instruments contain non-closely related embedded derivatives as their returns are linked to the fluctuation of certain stock indexes or specific stock prices. For those embedded derivatives with significant fair values, they are accounted for in these consolidated financial statements under note 33 after having been bifurcated from their respective host contracts.
- (ii) Others mainly represent payables of annual membership fees, investor protection fund, and other payables arising from normal course of business.

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

	As at December 31,	
	2021	2020
<b>Non-current</b>		
<b>Financial liabilities designated at fair value through profit or loss</b>		
— Structured entities <sup>(i)</sup>	1,867,596	2,692,207
<b>Current</b>		
<b>Financial liabilities held for trading</b>		
— Equity securities	383,159	345,689
— Debt securities	18,621,982	9,581,296
— Gold	—	312,000
— Structured notes	1,753,125	315,956
— Others	434,603	660,223
	<b>21,192,869</b>	<b>11,215,164</b>
<b>Financial liabilities designated at fair value through profit or loss</b>		
— Structured entities <sup>(i)</sup>	127,473	34,680
	<b>21,320,342</b>	<b>11,249,844</b>

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

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### 45. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at December 31,	
	2021	2020
<b>Current</b>		
Analyzed by collateral type:		
Bonds	106,741,683	101,396,458
Gold	20,676,047	17,861,737
	<b>127,417,730</b>	<b>119,258,195</b>
Analyzed by market:		
Stock exchanges	45,340,025	55,797,441
Interbank bond market	79,482,490	60,308,055
Over-the-counter	2,595,215	3,152,699
	<b>127,417,730</b>	<b>119,258,195</b>

Sales and repurchase agreements are transactions in which the Group sells a security as well as rights and interests in margin loans and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed dates and prices. These securities are not derecognized from the financial statements but regarded as “collateral” for the liabilities because the Group retains substantially all the risk and rewards of these securities and margin loans.

As at December 31, 2021, the Group’s pledged collateral in connection with its repurchase financing business amounted to RMB147,234 million (December 31, 2020: RMB110,364 million).

### 46. LEASE LIABILITIES

	As at December 31,	
	2021	2020
Within 1 year	321,889	294,159
Within a period of more than 1 year but not more than 2 years	260,417	237,189
Within a period of more than 2 years but not more than 5 years	451,283	415,381
Within a period of more than 5 years	283,876	313,670
<b>Sub-total</b>	<b>1,317,465</b>	<b>1,260,399</b>
Less: Amount due for settlement within 12 months shown under current liabilities	(321,889)	(294,159)
Amount due for settlement after 12 months shown under non-current liabilities	995,576	966,240



## Notes to the Consolidated Financial Statements (Continued)

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### 47. SHARE CAPITAL

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

	As at December 31,	
	2021	2020
Registered, issued and fully paid ordinary shares of RMB1 each:		
At the beginning of the year		
— 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>
Effect of rights issue		
— Domestic shares	—	1,702,997
— Foreign invested shares	—	294,120
	<b>—</b>	<b>1,997,117</b>
At the end of the year		
— Domestic shares	7,422,006	7,422,006
— Foreign invested shares	1,274,520	1,274,520
	<b>8,696,526</b>	<b>8,696,526</b>

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)), new A Share rights share were allotted to all A Share holders on the basis of three A Share rights shares for every ten existing A Shares ("A Share Rights Issue"). On July 20, 2020, the Company completed the A Share Rights Issue, and 1,702,997,123 new A Share rights shares were allotted and issued at a price of RMB7.46 per share to raise funds of RMB12.704 billion. The new A Shares were listed on the Shanghai Stock Exchange on July 31, 2020.

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

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### 47. SHARE CAPITAL (Continued)

During the year ended December 31, 2020, the Company settled its treasury stocks and the number of shares and the considerations 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 an Employee Stock Ownership Scheme according to relevant regulations. On December 26, 2019, the Company issued an announcement of Implementation Results and Share Changes of China Merchants Securities Co., Ltd. At the 28th meeting of the sixth session of the Board held on December 26, 2019, the Company approved the Proposal on Early Completion of Repurchase A Shares of the Company. The aggregate number of A Shares repurchased by the Company through the centralized bidding was 40,020,780, accounting for 0.5974% of the Company's total existing share capital, and the aggregate amount paid by the Company was RMB663,895,568.36 (excluding transaction fees).

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

### 48. OTHER EQUITY INSTRUMENTS

	As at December 31,	
	2021	2020
Perpetual subordinated bonds	15,000,000	15,000,000

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

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 48. OTHER EQUITY INSTRUMENTS (Continued)

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

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

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

	As at December 31,	
	2021	2020
At the beginning of the year	288,626	542,629
Debt instruments at FVTOCI		
Net changes in fair value for the year	74,805	(160,799)
Reclassification to profit or loss	5,827	(316,546)
Income tax impact	(26,047)	120,732
Expected credit losses of debt instruments at FVTOCI		
Net changes in profit or loss for ECL Reclassification adjustment	3,697	9,511
Income tax impact	513	242
Equity instruments at FVTOCI		
Net changes in fair value for the year	(220,830)	163,467
Transfer to retained profits	(22,508)	—
Income tax impact	60,834	(40,867)
Share of other comprehensive income of associates		
Transfer to retained profits	22,095	—
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	9,153	(7,648)
<b>At the end of the year</b>	<b>196,165</b>	<b>288,626</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50. GENERAL RESERVES

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

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

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

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

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

The movements of the general reserve are as follows:

#### As at December 31, 2021

	At the beginning of the year	Addition	At the end of the year
Statutory reserve <sup>(i)</sup>	5,236,148	—	5,236,148
General risk reserve	6,914,897	1,160,708	8,075,605
Transaction risk reserve	6,363,594	1,068,711	7,432,305
	<b>18,514,639</b>	<b>2,229,419</b>	<b>20,744,058</b>

#### As at December 31, 2020

	At the beginning of the year	Addition	At the end of the year
Statutory reserve	5,236,148	—	5,236,148
General risk reserve	5,738,813	1,176,084	6,914,897
Transaction risk reserve	5,426,465	937,129	6,363,594
	<b>16,401,426</b>	<b>2,113,213</b>	<b>18,514,639</b>

- (i) The statutory reserve has reached 50% of the share capital of the Company at December 31, 2021 and 2020. Therefore, no net profit of the Company was transferred to the statutory surplus during the year.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at December 31,	
	2021	2020
Unsecured bank borrowings	—	252,375
Interest accrued	642	629
	<b>642</b>	<b>253,004</b>

As at December 31, 2021, the Group had no unsecured long-term bank borrowings due within one year (December 31, 2020: the interest rates ranged from 1.426%-1.467% per annum).

### 52. LONG-TERM BORROWINGS

	As at December 31,	
	2021	2020
Unsecured bank borrowings	979,540	418,353

As at December 31, 2021, the Group's unsecured long-term bank borrowings bore floating interest rate of 1.259%-1.711% (December 31, 2020: 1.713%) per annum.

### 53. BONDS PAYABLES DUE WITHIN ONE YEAR

	As at December 31,	
	2021	2020
Non-convertible bonds <sup>(1)</sup>	29,996,864	35,238,855
Income certificates	338,298	—
Interest accrued	2,585,580	1,700,906
	<b>32,920,742</b>	<b>36,939,761</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

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### 53. BONDS PAYABLES DUE WITHIN ONE YEAR (Continued)

(1) The following table presents an analysis of non-convertible bonds

Name	Currency	Issue amount	Value date	Maturity date	Coupon rate
19CMG1	CNY	1,500,000	2019/03/08	2022/03/08	3.59%
19CMF4	CNY	3,600,000	2019/04/10	2022/04/10	4.00%
19CMF6	CNY	4,000,000	2019/04/25	2022/04/25	4.28%
GF Assets Management — China Merchants Securities Capital Lending Phase III Asset-backed Special Plan	CNY	2,000,000	2019/04/25	2022/04/25	4.20%
19CM01BC	CNY	5,000,000	2019/10/11	2022/10/11	3.45%
19CMF4	CNY	1,500,000	2020/03/25	2022/03/25	2.85%
19CMF7	CNY	4,000,000	2020/06/11	2022/06/11	3.15%
20CMG4	CNY	2,900,000	2020/09/21	2022/09/21	3.55%
20CMG6	CNY	3,000,000	2020/10/26	2022/10/26	3.43%
21CMF1	CNY	2,500,000	2021/02/26	2022/08/26	3.55%

### 54. BONDS PAYABLES

	As at December 31,	
	2021	2020
Non-convertible bonds <sup>(1)</sup>	60,117,993	50,308,981
Subordinated bonds <sup>(2)</sup>	34,955,405	5,489,886
Income certificates	18,125,187	242,000
Interest accrued	194,630	—
	<b>113,393,215</b>	<b>56,040,867</b>

## Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

### 54. BONDS PAYABLES (Continued)

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

Name	Currency	Issue amount	Value date	Maturity date	Coupon rate
12CM03	CNY	5,500,000	2013/03/05	2023/03/05	5.15%
14CM bond	CNY	5,500,000	2015/05/26	2025/05/26	5.08%
CMSEC N2301	USD	300,000	2020/01/21	2023/01/21	2.625%
20CMG1	CNY	3,000,000	2020/07/22	2023/07/22	3.55%
20CMG3	CNY	3,000,000	2020/08/13	2023/08/13	3.50%
20CMG5	CNY	2,900,000	2020/09/21	2023/09/21	3.78%
20CMG7	CNY	1,000,000	2020/10/26	2023/10/26	3.63%
21CMG1	CNY	1,500,000	2021/01/18	2023/01/18	3.24%
21CMG2	CNY	4,500,000	2021/01/18	2024/01/18	3.53%
21CMG3	CNY	1,400,000	2021/01/28	2024/01/28	3.58%
21CMF2	CNY	7,500,000	2021/02/26	2023/08/26	3.85%
21CMG4	CNY	2,000,000	2021/07/12	2023/07/12	3.00%
21CMG5	CNY	4,000,000	2021/07/12	2024/07/12	3.22%
21CMG6	CNY	2,000,000	2021/07/29	2023/10/12	2.95%
21CMG7	CNY	4,300,000	2021/07/29	2024/06/13	3.12%
21CMG9	CNY	5,000,000	2021/08/12	2024/08/12	3.08%
21CM10	CNY	2,000,000	2021/08/12	2026/08/12	3.41%
CMSI GEM N2409	USD	500,000	2021/09/16	2024/09/16	1.295%



## Notes to the Consolidated Financial Statements (Continued)

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### 54. BONDS PAYABLES (Continued)

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

Name	Currency	Issue amount	Value date	Maturity date	Coupon rate
20CMC1	CNY	4,430,000	2020/12/03	2023/06/03	4.38%
20CMC2	CNY	1,070,000	2020/12/03	2023/12/03	4.43%
21CMC1	CNY	4,800,000	2021/01/27	2024/01/27	3.95%
21CMC2	CNY	6,000,000	2021/03/09	2024/03/09	3.95%
21CMC3	CNY	6,000,000	2021/04/15	2024/04/15	3.80%
21CMC4	CNY	3,000,000	2021/05/18	2023/11/18	3.55%
21CMC5	CNY	2,700,000	2021/06/24	2023/06/24	3.48%
21CMC6	CNY	2,000,000	2021/06/24	2023/12/23	3.60%
21CMC7	CNY	4,000,000	2021/11/11	2024/11/11	3.40%
21CMC8	CNY	1,000,000	2021/11/11	2026/11/11	3.70%

### 55. DIVIDENDS

	As at December 31,	
	2021	2020
Dividends recognized as distribution	3,800,382	2,913,336
Distribution to holders of other equity instruments	802,090	802,090

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

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### 56. TRANSFERS OF FINANCIAL ASSETS

#### (1) Repurchase agreements

The Group entered into repurchase agreements with certain counterparties to sell the Group's securities and interests in margin loans and the proceeds are presented as financial assets sold under repurchase agreements. Under these agreements, the Group is unable to dispose of these securities until they are repurchased.

The following tables provide a summary of carrying amounts and fair values in respect of these financial assets transferred but are continued to be recognized and their associated liabilities:

#### As at December 31, 2021

	Financial assets at fair value through profit or loss	Debt instruments at amortized cost	Debt instruments at fair value through other comprehensive income	Securities/ gold lending arrangements	Total
Fair value of transferred assets	95,022,450	426,020	21,377,720	25,551,430	142,377,620
Carrying amount of associated liabilities	85,038,260	381,260	19,131,520	22,866,690	127,417,730
Net position	9,984,190	44,760	2,246,200	2,684,740	14,959,890

#### As at December 31, 2020

	Financial assets at fair value through profit or loss	Debt instruments at amortized cost	Debt instruments at fair value through other comprehensive income	Securities/ gold lending arrangements	Total
Fair value of transferred assets	76,612,853	802,735	27,467,723	22,926,836	127,810,147
Carrying amount of associated liabilities	71,486,581	749,023	25,629,820	21,392,771	119,258,195
Net position	5,126,272	53,712	1,837,903	1,534,065	8,551,952

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

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### 56. TRANSFERS OF FINANCIAL ASSETS (Continued)

#### (2) Securities lending arrangements

As of December 31, 2021, the Group entered into securities lending agreements with its clients to lend its financial assets classified as financial assets at fair value through profit or loss of RMB496,181 thousand (December 31, 2020: RMB1,666,659 thousand) and equity instruments at fair value through other comprehensive income of RMB1,003,092 thousand (December 31, 2020: RMB199,950 thousand). These lending agreements are secured by client's securities and deposits held as collateral. Legal ownership of these securities is transferred to the clients and the clients are allowed to sell these securities under these lending arrangements, but they have obligations to return these securities to the Group at specified future dates. The Group is of the opinion that it retains substantially all the risks and rewards of these securities and therefore are not derecognized these securities in the consolidated financial statements.

### 57. CAPITAL COMMITMENTS AND CONTINGENCIES

As of December 31, 2021 and 2020, the Group does not have any significant capital commitments or any significant contingencies.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

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### 58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of directors and supervisors of the Company paid and/or payables by the Group for the years ended December 31, 2021 and 2020 are as follows:

#### Year ended December 31, 2021

Name	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Bonuses	Total emoluments
<b>Executive directors:</b>					
HUO Da	—	2,033	285	1,565	3,883
XIONG Jiantao <sup>(1)</sup>	—	1,537	217	—	1,754
	—	3,570	502	1,565	5,637
<b>Non-executive directors:</b>					
LIU Weiwu <sup>(2)</sup>	—	—	—	—	—
SU Jian <sup>(3)</sup>	—	—	—	—	—
XIONG Xianliang	—	—	—	—	—
SU Min	—	—	—	—	—
PENG Lei	—	—	—	—	—
GAO Hong	—	—	—	—	—
HUANG Jian	—	—	—	—	—
WANG Daxiong	—	—	—	—	—
WANG Wen	—	—	—	—	—
	—	—	—	—	—
<b>Independent non-executive directors:</b>					
XIANG Hua	200	—	—	—	200
XIAO Houfa	200	—	—	—	200
XIONG Wei	200	—	—	—	200
HU Honggao	200	—	—	—	200
WANG Di	200	—	—	—	200
	1,000	—	—	—	1,000

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Year ended December 31, 2021 (Continued)

Name	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Bonuses	Total emoluments
<b>Supervisors:</b>					
ZHOU Linda Lei	—	1,648	259	1,252	3,159
LI Xiaofei	—	—	—	—	—
WANG Zhangwei	—	—	—	—	—
MA Yunchun	—	—	—	—	—
ZHANG Zhen	—	—	—	—	—
ZOU Qun	—	—	—	—	—
YIN Hongyan	—	1,042	187	180	1,409
HE Min	—	736	177	20	933
SHEN Weihua	—	832	160	160	1,152
	—	4,258	783	1,612	6,653
	1,000	7,828	1,285	3,177	13,290

## Notes to the Consolidated Financial Statements (Continued)

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### 58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Year ended December 31, 2020

Name	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Bonuses	Total emoluments
<b>Executive directors:</b>					
HUO Da	—	2,068	243	6,547	8,858
XIONG Jiantao <sup>(1)</sup>	—	2,068	243	6,547	8,858
	—	4,136	486	13,094	17,716
<b>Non-executive directors:</b>					
SU Jian <sup>(3)</sup>	—	—	—	—	—
XIONG Xianliang	—	—	—	—	—
SU Min	—	—	—	—	—
PENG Lei	—	—	—	—	—
GAO Hong	—	—	—	—	—
HUANG Jian	—	—	—	—	—
WANG Daxiong	—	—	—	—	—
WANG Wen	—	—	—	—	—
	—	—	—	—	—
<b>Independent non-executive directors:</b>					
XIANG Hua	200	—	—	—	200
XIAO Houfa	200	—	—	—	200
XIONG Wei	200	—	—	—	200
HU Honggao	200	—	—	—	200
WANG Di	200	—	—	—	200
	1,000	—	—	—	1,000

## Notes to the Consolidated Financial Statements (Continued)

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### 58. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

#### Year ended December 31, 2020 (Continued)

Name	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Bonuses	Total emoluments
<b>Supervisors:</b>					
ZHOU Linda Lei	—	1,640	217	5,266	7,123
LI Xiaofei	—	—	—	—	—
WANG Zhangwei	—	—	—	—	—
MA Yunchun	—	—	—	—	—
ZHANG Zhen	—	—	—	—	—
ZOU Qun	—	—	—	—	—
YIN Hongyan	—	953	156	2,659	3,768
HE Min	—	676	138	1,894	2,708
SHEN Weihua	—	126	6	210	342
XIONG Zhigang <sup>(4)</sup>	—	655	189	2,204	3,048
	—	4,050	706	12,233	16,989
	1,000	8,186	1,192	25,327	35,705

(1) XIONG Jiantao resigned in October 2021.

(2) LIU Weiwu was appointed as non-executive director in June 2021.

(3) SU Jian resigned in April 2021.

(4) XIONG Zhigang resigned in June 2020.

The emoluments of executive directors and supervisors shown above were paid for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were paid for their services as directors of the Company and the subsidiaries, if applicable.

As of the date of the issuance of these consolidated financial statements, the above compensation packages including performance-based bonus for executive directors, non-executive directors and supervisors for the year ended December 31, 2021 have not been finalized. Management of the Group believes that the difference between the final emoluments and that disclosed above will not have significant impact on the consolidated financial statements of the Group.

Except for non-executive directors who were not remunerated by the Company, no directors of the Company waived or agreed to waive any emolument paid by the Group during the year. No emoluments were paid by the Group to the directors of the Company as an incentive payment for joining the Group or as compensation for resignation during the year.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

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### 59. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Two (2020: three) of the five individuals with the highest emoluments were directors or supervisors of the Company. The emoluments of the remaining three individuals (2020: two) with the highest emoluments are as below:

	As at December 31,	
	2021	2020
Basic salaries and allowances	3,723	2,786
Bonuses	4,964	10,204
Contributions to retirement benefit scheme	722	443
	<b>9,409</b>	<b>13,433</b>

Bonuses disclosed above were determined with reference to the results of the Group and performance of these individuals. No emoluments were paid by the Group to these individuals as an incentive payment for joining the Group or as compensation for resignation during the year.

The emoluments of the individuals (non-director) with the highest emoluments are within the following bands:

	As at December 31,	
	2021	2020
Emolument bands		
HKD3,000,001 to HKD3,500,000	2	—
HKD3,500,001 to HKD4,000,000	—	—
HKD4,000,001 to HKD4,500,000	—	—
HKD4,500,001 to HKD5,000,000	1	—
HKD5,000,001 to HKD5,500,000	—	—
HKD5,500,001 to HKD6,000,000	—	—
HKD6,000,001 to HKD6,500,000	—	—
HKD6,500,001 to HKD7,000,000	—	—
HKD7,000,001 to HKD7,500,000	—	—
HKD7,500,001 to HKD8,000,000	—	2

During the year of 2021, the emoluments paid by the Group to these non-director individuals were paid for the services provided to the Group by these individuals.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 60. SIGNIFICANT RELATED PARTY TRANSACTIONS

#### (1) Relationship of related parties

##### a. Major shareholders

Major shareholders include shareholders of the Company with 5% or above direct ownership. Share percentage in the Company:

	As at December 31,	
	2021	2020
China Merchants Finance Investment Holdings Co., Ltd.	23.55%	23.55%
Shenzhen Jisheng Investment Development Co., Ltd.	19.59%	19.59%
China Ocean Transportation Co., Ltd.	6.26%	6.26%

##### b. Associates of the Group

The details of the Group's associates is set out in note 22.

##### c. Other related parties

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

##### c. Other related parties (Continued)

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

Significant related legal entities	The relationship with the Group
China Merchants Bank Co., Ltd.	Significant influence by the ultimate controlling company
China Merchants (Shanghai) Investment Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
Shenzhen Merchants Daojiahui Technology Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
Shenzhen Merchants Property Management Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
Liaoning Port Co., Ltd.	Fellow subsidiary of the ultimate controlling company
China Merchants Shekou Industrial Zone Holdings Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
Zhuhai Yiyun Real Estate Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
Beijing Zhaoyi Enterprise Management Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
Sinotrans (New Zealand) Co., Ltd.	Fellow subsidiary of the ultimate controlling company
Shenzhen Ruizhi Yuancheng Technology Co., Ltd.*	Significant influence by the ultimate controlling company
Shenzhen Expway Co., Ltd.	Significant influence by the ultimate controlling company
Hainan Bosera Innovation Management Co., Ltd.*	Significant influence by the ultimate controlling company
China Merchants Capital Management (Beijing) Co., Ltd.*	Fellow subsidiary of the ultimate controlling company
Jingzhou Merchants Huide Capital Management Co., Ltd.*	Fellow subsidiary of the ultimate joint controlling company
Shenzhen Merchants Guoxie No. 2 Equity Investment Fund Management Co. Ltd.*	Fellow subsidiary of the ultimate joint 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
Zhangjiagang Zhaogang Equity Investment Partnership (Limited Partnership)*	Fellow subsidiary of the ultimate joint controlling company
China Merchants Innovation Investment Fund (Limited Partnership)*	Fellow subsidiary of the ultimate controlling company
Sinotrans Logistics Co., Ltd.	Fellow subsidiary of the ultimate controlling company
China Merchants Union (BVI) Limited	Significant influence by the ultimate controlling company

\* English name translated is for identification purpose only.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

- a. *During the years ended December 31, 2021 and 2020, the Group's major transactions and balances with its associate are as follows*

Transactions between the Group and an associate:

	As at December 31,	
	2021	2020
Fee and commission income		
— Funds managed by Bosera Asset Management Co., Ltd. and China Merchants Fund Management Limited	284,188	223,696

Balances between the Group and an associate:

	As at December 31,	
	2021	2020
Accounts and other receivables		
— Funds managed by Bosera Asset Management Co., Ltd. and China Merchants Fund Management Limited	66,908	57,519

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

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

Transactions between the Group and other related parties:

	Yearended December 31,	
	2021	2020
Fee and commission income		
— China Merchants Bank Co., Ltd.	60,201	97,035
— Liaoning Port Co., Ltd.	5,660	—
— Sinotrans (New Zealand) Co., Ltd.	5,807	—
Interest income		
— China Merchants Bank Co., Ltd.	429,546	498,659
Investment gains		
— China Merchants Shekou Industrial Zone Holdings Co., Ltd.*	31,939	43,747
— China Merchants Bank Co., Ltd.	20,643	24,871
Other income		
— Shenzhen Expway Co., Ltd.	10,804	10,804
Fee and commission expenses		
— China Merchants Bank Co., Ltd.	206,446	204,567
Interest expenses of placement and borrowings from banks		
— China Merchants Bank Co., Ltd.	10,300	15,103
Other operating expenses		
— Shenzhen Merchants Property Management Co., Ltd.*	40,100	12,355
Purchase of software and office supplies		
— Shenzhen Ruizhi Yuancheng Technology Co., Ltd.	5,208	—
— Shenzhen Merchants Daojiahui Technology Co., Ltd.*	24,767	24,356
Interest expenses of lease liabilities		
— China Merchants Bank Co., Ltd.	18,107	19,302
Interest expenses of repurchase agreements business		
— China Merchants Bank Co., Ltd.	71,032	8,772

\* English name translated is for identification purpose only.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

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

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

	As at December 31,	
	2021	2020
Accounts and other receivables		
— Zhuhai Yiyun Real Estate Co., Ltd.*	291,815	284,512
Bank balances		
— China Merchants Bank Co., Ltd.	25,643,886	25,374,694
Borrowings		
— China Merchants Bank Co., Ltd.	408,954	421,124
Placements from banks		
— China Merchants Bank Co., Ltd.	—	3,000,408
Other payables		
— Beijing Zhaoyi Enterprise Management Co., Ltd. *	341,506	95,526
Lease liabilities		
— China Merchants Bank Co., Ltd.	545,400	591,553
— China Merchants (Shanghai) Investment Co., Ltd.*	44,083	3,404

\* English name translated is for identification purpose only.

#### (3) Key management personnel

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

	As at December 31,	
	2021	2020
<b>Short-term benefits</b>		
— Salaries, bonus and allowances	24,405	68,306
Post-employment benefits		
— Contribution to retirement schemes	2,424	2,203
	<b>26,829</b>	<b>70,508</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

#### (4) Other related parties transaction

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

Investors of the Group	Other related parties	Invested enterprises or projects	Joint investments
China Merchants Securities Investment Co., Ltd.	Zhuhai Yiyun Real Estate Co., Ltd.*	Changsha Yuelu Liangxiang real estate project	Planned joint investment
China Merchants Securities Investment Co., Ltd.	China Merchants Capital Management (Beijing) Co., Ltd.*	Service Trade Innovation and Development Guide Fund (Limited Partnership)*	Joint investment
China Merchants Securities Investment Co., Ltd.	Hainan Bosera Innovation Management Co., Ltd.*	Guangdong Bozi Tongze No.1 Equity Investment Partnership (Limited Partnership)*	Joint investment
China Merchants Securities Investment Co., Ltd.	Hainan Bosera Innovation Management Co., Ltd.*	Guangdong Bozi No.4 Equity Investment Partnership (Limited Partnership)*	Joint investment
China Merchants Securities Investment Co., Ltd.	Hainan Bosera Innovation Management Co., Ltd.*	Guangdong Bosera No. 3 Equity Investment Partnership (Limited Partnership)*	Joint investment
China Merchants Securities Investment Co., Ltd.	China Merchants Capital Management (Beijing) Co., Ltd.*	Wuxi Tongfu Digital Model Investment Management Partnership (Limited Partnership)*	Joint investment
China Merchants Securities Investment Co., Ltd.	Jingzhou Merchants Huide Capital Management Co., Ltd.*	Jingzhou Huikang Equity Investment Fund (Limited Partnership)*	Joint investment
China Merchants Securities Investment Co., Ltd.	Shenzhen Merchants Guoxie No. 2 Equity Investment Fund Management Co. Ltd.*	Nantong Zhaohua No.1 Emerging Industry Investment Fund (Limited Partnership)*	Joint investment

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

#### (4) Other related parties transaction (Continued)

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

Investors of the Group	Other related parties	Invested enterprises or projects	Joint investments
China Merchants Securities Investment Co., Ltd.	China Merchants Real Estate (Beijing) Co. Ltd.*	Beijing Zhaoyi Enterprise Management Co., Ltd.*	Joint investment
China Merchants Securities Investment Co., Ltd.	China Merchants Shekou Industrial Zone Holdings Co., Ltd.*	Hengxi (Jiaxing) Equity Investment Partnership (Limited Partnership)*	Joint investment
China Merchants Securities Investment Co., Ltd.	China Merchants Real Estate (Suzhou) Co. Ltd.*	Wuxi Ruishang Real Estate Co. Ltd.*	Joint investment
China Merchants Securities Investment Co., Ltd.	Zhangjiagang Zhaogang Equity Investment Partnership (Limited Partnership)*	Anhui Estone Materials Technology Co., Ltd.	Joint investment
China Merchants Securities Investment Management (HK) Co., Limited	China Merchants Innovation Investment Fund (Limited Partnership)*	China Merchants Logistics Synergy Limited Partnership	Joint investment
China Merchants Securities Investment Management (HK) Co., Limited	Sinotrans Logistics Co., Ltd.	China Merchants Logistics Synergy Limited Partnership	Joint investment
China Merchants Securities Investment Management (HK) Co., Limited	China Merchants Union (BVI) Limited	China Merchants Logistics Synergy Limited Partnership	Joint investment

\* English name translated is for identification purpose only.



## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 61. FINANCIAL INSTRUMENTS

#### Categories of financial instruments

	As at December 31,	
	2021	2020
<b>Financial assets</b>		
Equity instruments at fair value through other comprehensive income	1,409,254	7,420,580
Debt instruments at fair value through other comprehensive income	40,582,323	44,614,600
Financial assets measured at amortized cost	271,508,210	257,339,077
Derivative financial assets	3,204,641	1,726,339
Financial assets at fair value through profit or loss	265,344,278	173,595,064
	<b>582,048,706</b>	<b>484,695,660</b>
<b>Financial liabilities</b>		
Derivative financial liabilities	4,616,992	3,071,802
Financial liabilities at fair value through profit or loss	23,187,938	13,942,051
Financial liabilities at amortized cost	446,534,980	367,520,527
	<b>474,339,910</b>	<b>384,534,380</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT

#### (1) Risk management structure

Since its establishment, the Group has been developing an all-around, innovative and forward-looking risk management system, which can be aligned with its operational strategy and focuses on its frontier departments at business unit level. The structure of the risk management of the Group consists of five levels including the strategical arrangement by the Board of Directors, supervision and scrutiny by the Supervisory Committee, or decision-making by the senior management and the Risk Management Committee, check-and-balance and internal controls maintained by relevant risk management departments and direct management of other departments, branches and its wholly-owned subsidiaries.

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

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

- (i) the Board of Directors and the 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 subsidiaries into an overall risk management system and carries out vertical management. The person in charge of the risk management of the subsidiary shall be nominated, appointed, removed and assessed by the chief risk officer of the Group.

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

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

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

## Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

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

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

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

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

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

- If the credit risk of the financial instrument has not increased significantly since its initial recognition, it is classified as "Stage 1" and its impairment loss allowance is measured at an amount equivalent to the expected credit loss of the financial instrument in the next 12 months. The increase in or reversal of the impairment loss allowance is included in the profit and loss as impairment losses under expected credit loss model, net of reversal.
- If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to "Stage 2" and its impairment loss allowance is measured at an amount equivalent to the expected credit loss of the financial instrument over its lifetime. The increase in or reversal of the impairment loss allowance is included in the profit and loss as impairment losses under expected credit loss model, net of reversal.
- If the financial instrument is credit-impaired at the first, the financial instrument is moved to "Stage 3" and its impairment loss allowance is measured at an amount equivalent to the expected credit loss of the financial instrument over its lifetime. The increase in or reversal of the impairment loss allowance thus formed is included in the profit and loss as impairment losses under expected credit loss model, net of reversal.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

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

The criteria for the three-stage classification of ECL of the principal financial assets are as follows:

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

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

On the basis of credit rating of counterparties, credit assessment on borrowers and the quantitative management of collaterals, the Group fully considers the customer portfolio of each credit related transaction, the amount of a single debt, the term of borrowing, the margin maintenance ratio and the degree of collateral concentration, etc., and ensure the above factors are reflected in parameters such as the probability of default ("PD"), loss given default ("LGD") and maturity of borrowers. Then stress tests and sensitivity analyses are performed as supplementary measurement on monitoring credit risks.

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

For credit business, based on the borrowers' credit quality, contract maturity date, the information of related collateral securities, which including the sectors, liquidity discount factor, restrictions, concentration, volatility, prices, operations of issuers etc., the Group considers margin maintenance ratios to individually assess the loss ratios in order to measure the impairment loss allowance of high risk credit business.

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

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

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

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

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

## **62. FINANCIAL RISK MANAGEMENT (Continued)**

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

#### **SICR**

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

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

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

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

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

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

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



## Notes to the Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

##### *Forward-looking information*

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

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

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

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

#### a. *Maximum credit risk exposure*

	As at December 31,	
	2021	2020
Financial assets at FVTPL <sup>(i)</sup>	159,073,122	119,046,252
Derivative financial assets	3,204,641	1,726,339
Advances to customers	98,686,506	81,754,350
Financial assets held under resale agreements	39,198,592	52,260,325
Accounts and other receivables	5,552,061	7,149,847
Deposits with exchanges and non-bank financial institutions	13,141,791	9,067,233
Clearing settlement funds	25,873,373	22,529,340
Cash and bank balances	87,938,261	82,838,593
Debt instruments at amortized cost	1,117,626	1,739,390
Debt instruments at FVTOCI	40,582,323	44,614,600
Equity instruments at FVTOCI <sup>(ii)</sup>	1,003,092	199,950
	<b>475,371,388</b>	<b>422,926,219</b>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

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

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

##### b. Risk concentration

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

##### As at December 31, 2021

	Mainland China	Outside Mainland China	Total
Financial assets at FVTPL	158,412,559	660,563	159,073,122
Derivative financial assets	1,620,023	1,584,618	3,204,641
Advances to customers	94,637,589	4,048,917	98,686,506
Financial assets held under resale agreements	39,198,592	—	39,198,592
Accounts and other receivables	2,683,530	2,868,531	5,552,061
Deposits with exchanges and non-bank financial institutions	12,736,867	404,924	13,141,791
Clearing settlement funds	25,636,147	237,226	25,873,373
Cash and bank balances	77,492,268	10,445,993	87,938,261
Debt instruments investment at amortized cost	912,335	205,291	1,117,626
Debt instruments at FVTOCI	39,900,470	681,853	40,582,323
Equity instruments at FVTOCI	1,003,092	—	1,003,092
<b>Maximum credit risk exposure</b>	<b>454,233,472</b>	<b>21,137,916</b>	<b>475,371,388</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

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

As at December 31, 2020

	Mainland China	Outside Mainland China	Total
Financial assets at FVTPL	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 FVTOCI	42,544,385	2,070,215	44,614,600
Equity instruments at FVTOCI	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 Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

##### c. Credit rating analysis of financial assets

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

	As at December 31,	
	2021	2020
Rating		
Issuers in Mainland China		
PRC sovereign bonds <sup>(i)</sup>	115,533,692	87,734,530
AAA	68,044,591	57,010,971
AA+	7,518,267	7,206,493
AA	1,921,413	1,833,533
AA-	—	7,467
AA- below	41,022	40,857
A-1	798,041	941,299
Non-rated	1,344,281	2,907,371
Sub-total	195,201,307	157,682,521
Issuers in Hong Kong and other regions <sup>(ii)</sup>		
PRC sovereign bonds <sup>(i)</sup>	—	3,398
A	241,803	166,916
B	1,196,239	3,389,269
Non-rated	98,462	35,207
Sub-total	1,536,504	3,594,790
	<b>196,737,811</b>	<b>161,277,311</b>

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

#### (3) Liquidity risk

##### a. *Origin and management of liquidity risk*

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

In order to prevent liquidity risk, the Group has established high-quality current asset reserve and minimum excess reserve quota system. The Group has formulated liquidity emergency management plans to retain minimum excess reserve in the funding plan. The Group has reserved treasury bonds, PBOC bills and other highly liquid assets which can be liquidated at any time under extreme circumstances for unexpected expenses. In addition, the Group has actively developed management for funding gaps. By using management tools of cash flow gap, sensitivity analysis and stress testing, the Group can identify potential risks as early as possible to arrange financing and adjust the pace of fund utilization for business purposes in advance to effectively manage the payment risk. The Group has also continuously expanded their financing channels and has a balanced distribution of debt maturities, so as to avoid the payment risk caused by single financing channel or servicing debts when due. Besides, the Group has established internal risk reporting system to promptly monitor the liquidity risk in the operation of each business and at each branch. Moreover, the Group takes measures to promote the safe, sound and sustainable operations of each business and each branch.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

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

	As at December 31, 2021							
	Carrying amount	On demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
<b>Non-derivative financial liabilities</b>								
Borrowings	6,228,188	—	3,998,541	248,744	1,021,818	997,732	—	6,266,835
Short-term debt instruments	26,935,839	—	4,330,890	4,652,119	18,228,883	—	—	27,211,892
Placements from banks and other financial institutions	6,743,717	—	3,741,618	3,021,233	—	—	—	6,762,851
Bonds payables	146,313,957	—	567,413	4,014,991	30,348,605	120,191,211	—	155,122,220
Financial assets sold under repurchase agreements	127,417,730	—	106,595,960	12,069,232	9,334,784	—	—	127,999,976
Financial liabilities at fair value through profit or loss	23,187,938	2,585,954	18,696,919	37,469	—	1,867,596	—	23,187,938
Accounts payables to brokerage clients	99,605,342	99,605,342	—	—	—	—	—	99,605,342
Other payables and accrued charges	31,972,742	30,141,695	58,147	—	1,772,900	—	—	31,972,742
Lease liabilities	1,317,465	—	28,415	51,921	247,617	771,901	358,803	1,458,657
Sub-total	469,722,918	132,332,991	138,017,903	24,095,709	60,954,607	123,828,440	358,803	479,588,453
Derivative financial liabilities — net settlement	4,616,992	870,941	265,254	479,632	1,154,125	1,845,068	1,972	4,616,992
<b>Total</b>	<b>474,339,910</b>	<b>133,203,932</b>	<b>138,283,157</b>	<b>24,575,341</b>	<b>62,108,732</b>	<b>125,673,508</b>	<b>360,775</b>	<b>484,205,445</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

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

	As at December 31, 2020							Total
	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	
<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 payables	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 payables to brokerage clients	85,441,243	85,441,243	—	—	—	—	—	85,441,243
Other payables and accrued charges	17,398,890	15,691,089	49,101	499,500	1,159,200	—	—	17,398,890
Lease liabilities	1,260,399	—	24,341	52,534	222,301	707,882	404,212	1,411,270
Sub-total	381,462,578	102,132,530	136,064,557	31,426,903	54,102,186	63,755,973	404,212	387,886,361
Derivative financial liabilities — net settlement	3,071,802	595,208	343,340	1,414,875	684,056	34,323	—	3,071,802
<b>Total</b>	<b>384,534,380</b>	<b>102,727,738</b>	<b>136,407,897</b>	<b>32,841,778</b>	<b>54,786,242</b>	<b>63,790,296</b>	<b>404,212</b>	<b>390,958,163</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

#### (4) Market risk

##### a. *Origin and management of market risk*

Market risks of the Group refer to the risks of loss resulting from adverse changes in the market. Securities portfolio held by the Group are derived from the proprietary investments, market-making business and other investment activities. Movements in securities holding primarily arise from the relevant strategies of proprietary investments and needs of market-making. The securities of the Group are measured at fair values which fluctuates daily according to the market factors and change in the portfolios of the securities. Market risks of the Group primarily include: (i) equity price risk, which represents the exposures arise from fluctuation in the spot price, future price and volatility of indices such as stocks, equity portfolio, commodities and stock index futures; (ii) interest rate risk, which primarily represents the exposures arise from movements in the yield curve of fixed income investment, fluctuation in interest rates and credit spreads; and (iii) commodity risk, which represents exposures arise from changes in the spot price, future price and the relevant volatility; and (iv) exchange rate risk, which represents the exposures arise from changes in the spot rate, future rate and volatility of foreign currency exchange rates.

The Group collectively allocates economic capital in accordance with the risk preference and risk tolerance indicators set by the directors of the Group. By considering the risks associated with each type of investments and their interrelationship, the Group allocates the overall risk limits to different business departments/business lines. The front-office business departments are responsible for market risk management at the frontiers. The person in charge and investment manager shall utilize their extensive experience and in-depth knowledge of the markets and products to conduct risk management in trading transactions within their authorities and dynamically manages risk exposures to the securities held in open position by taking initiative measures to mitigate or hedging these risks. Risk Management Department is independent from other business departments and reports to Chief Risk Officer. By applying professional risk management tools and methods, Risk Management Department aims to independently monitor, measure and manage market risk at different levels, including investment strategies, business units/lines and the entire Group. Reports of evaluation and risk analysis are generated and delivered to the responsible officers of the business departments/business lines and management of the Group on a daily, monthly or quarterly basis to facilitate decision making. When risk level is approaching or exceeds the threshold values, Risk Management Department will warn against relevant management officers promptly, and the respective business departments/business lines will implement measures according to the resolutions of the relevant committees.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

##### b. Price risk

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

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

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

	At December 31, 2021			
	Final	Highest	Lowest	Average
Market risk of equity price	158,679	395,272	158,679	244,690
Market risk of interest rate	37,035	61,867	36,804	47,192
Market risk of commodity price	11,931	24,648	8,504	15,742
Market risk of foreign exchange	435	906	42	430
Diversification effect	(34,788)	(62,709)	(30,737)	(47,641)
	<b>173,292</b>	<b>419,984</b>	<b>173,292</b>	<b>260,413</b>

	At December 31, 2020			
	Final	Highest	Lowest	Average
Market risk of equity price	289,250	305,811	181,939	252,006
Market risk of interest rate	54,910	78,818	36,111	57,812
Market risk of commodity price	11,385	27,221	3,916	14,153
Market risk of foreign exchange	480	1,154	2	340
Diversification effect	(39,556)	(67,751)	(30,104)	(45,911)
	<b>316,469</b>	<b>345,253</b>	<b>191,864</b>	<b>278,400</b>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

##### c. Interest rate risk

The tables below summarize the Group's interest-bearing financial assets and liabilities as at year and by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

	At December 31, 2021						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 month but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
<b>Financial assets</b>							
Equity instruments at fair value through other comprehensive income	—	—	—	—	—	1,409,254	1,409,254
Debt instruments at fair value through other comprehensive income	621,711	2,505,289	7,412,054	27,925,722	2,117,547	—	40,582,323
Financial assets at fair value through profit or loss	2,117,918	3,774,394	42,201,049	73,439,008	32,146,857	111,665,052	265,344,278
Derivative financial assets	2,912	7,580	2,224	—	—	3,191,925	3,204,641
Advances to customers	10,608,283	20,992,084	67,086,139	—	—	—	98,686,506
Financial assets held under resale agreements	25,617,085	3,314,576	9,601,068	665,863	—	—	39,198,592
Debt instruments at amortized cost	63,134	42,985	852,006	159,501	—	—	1,117,626
Accounts and other receivables	—	—	—	—	—	5,260,246	5,260,246
Other non-current assets	—	—	—	—	—	291,815	291,815
Deposits with exchanges and non-bank financial institutions	3,140,787	—	—	—	—	10,001,004	13,141,791
Clearing settlement funds	25,873,373	—	—	—	—	—	25,873,373
Cash and bank balances	70,679,103	—	12,059,150	5,200,000	—	8	87,938,261
Sub-total	138,724,306	30,636,908	139,213,690	107,390,094	34,264,404	131,819,304	582,048,706
<b>Financial liabilities</b>							
Borrowings	5,573,967	654,221	—	—	—	—	6,228,188
Short-term debt instruments	4,324,160	4,608,064	16,599,414	—	—	1,404,201	26,935,839
Placements from banks and other financial institutions	3,737,728	3,005,989	—	—	—	—	6,743,717
Bonds payables	442,609	3,836,403	28,303,378	110,867,337	—	2,864,230	146,313,957
Financial assets sold under repurchase agreements	106,312,180	11,972,507	9,133,043	—	—	—	127,417,730
Derivative financial liabilities	—	13,763	18,018	499	—	4,584,712	4,616,992
Financial liabilities at fair value through profit or loss	18,621,982	—	—	—	—	4,565,956	23,187,938
Accounts payables to brokerage clients	87,081,216	—	—	—	—	12,524,126	99,605,342
Other payables and accrued charges	—	—	1,772,900	—	—	30,199,842	31,972,742
<b>Lease liabilities</b>	28,269	51,452	242,168	711,700	283,876	—	1,317,465
Sub-total	226,122,111	24,142,399	56,068,921	111,579,536	283,876	56,143,067	474,339,910
<b>Net position</b>	<b>(87,397,805)</b>	<b>6,494,509</b>	<b>83,144,769</b>	<b>(4,189,442)</b>	<b>33,980,528</b>	<b>75,676,237</b>	<b>107,708,796</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

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

	At December 31, 2020						
	Less than 1 month	More than 1 month but less than 3 months	More than 3 month but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non- interest bearing	Total
<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	—	—	—	—	—	6,365,693	6,365,693
Other non-current assets	—	—	—	—	—	784,153	784,153
Deposits with exchanges and non-bank financial institutions	9,067,233	—	—	—	—	—	9,067,233
Clearing settlement funds	22,529,340	—	—	—	—	—	22,529,340
Cash and bank balances	81,205,893	474,500	1,132,720	25,456	—	24	82,838,593
Sub-total	158,040,071	23,523,661	124,695,283	83,345,604	20,128,632	74,962,409	484,695,660
<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 payables	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 payables to brokerage clients	85,441,243	—	—	—	—	—	85,441,243
Other payables and accrued charges	—	499,500	1,159,200	—	—	15,740,190	17,398,890
<b>Lease liabilities</b>	24,261	52,152	217,746	652,570	313,670	—	1,260,399
Sub-total	221,212,577	30,988,672	52,066,804	57,111,790	313,670	22,840,867	384,534,380
<b>Net position</b>	<b>(63,172,506)</b>	<b>(7,465,011)</b>	<b>72,628,479</b>	<b>26,233,814</b>	<b>19,814,962</b>	<b>52,121,542</b>	<b>100,161,280</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

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

#### Sensitivity analysis

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

#### Sensitivity to profit

	As at December 31,	
	2021	2020
<b>Change in basis points</b>		
Increase by 100bps	(2,954,670)	(2,321,190)
Decrease by 100bps	3,034,860	2,413,421

#### Sensitivity to equity

	As at December 31,	
	2021	2020
<b>Change in basis points</b>		
Increase by 100bps	(3,773,844)	(3,031,301)
Decrease by 100bps	3,884,582	3,145,397

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 62. FINANCIAL RISK MANAGEMENT (Continued)

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

##### d. Foreign currency rate risk

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

#### Sensitivity analysis of exchange rate

	As at December 31,	
	2021	2020
<b>Change in exchange rate</b>		
Depreciation of USD by 3%	2,376	(21,037)
Depreciation of HKD by 3%	(59,319)	(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 imperfect or problematic internal processes, people and systems or external events. The operational risk factors of the Group are summarized into seven categories, including: internal fraud, external fraud, employee policies and workplace safety, clients, products and business activities, physical property damage, business interruption and IT system failures, execution, settlement and process management.

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

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 63. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

Financial assets/financial liabilities	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	2021	2020				
<b>1) Financial assets at fair value through profit or loss</b>						
<b>Debt securities</b>						
— Traded on stock exchanges	1,963,237	2,793,599	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Traded on stock exchange or interbank market	151,697,356	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	1,377,268	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 that reflect the risks of counterparties.	The higher the estimated future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.
<b>Equity investments</b>						
— Traded on stock exchanges	14,989,525	14,749,016	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Traded on stock exchanges (inactive)	5,821	366	Level 2	Quoted closing prices for stocks suspended for trading adjusted by fair value changes of similar securities.	N/A	N/A
— Traded on stock exchanges (restricted)	3,079,842	1,577,412	Level 3	Market prices adjusted by option pricing model for liquidity.	Liquidity discount.	The higher the discount, the lower the fair value.
— Traded National Securities Exchange and Quotation System	177,593	243,674	Level 2	Bid prices made by market dealers.	N/A	N/A
— Traded National Securities Exchange and Quotation System	12,011	26,181	Level 2	Bid prices or negotiated prices.	N/A	N/A
— Unlisted Equity	2,498,030	1,935,423	Level 2	Latest observable transaction prices.	N/A	N/A
— Unlisted Equity	156,348	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	347,854	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	870,004	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 that reflect the risks of counterparties.	The higher the estimated future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

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

Financial assets/financial liabilities	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	2021	2020				
<b>1) Financial assets at fair value through profit or loss (Continued)</b>						
<b>Equity investments (Continued)</b>						
— Unlisted Equity	157,882	94,545	Level 3	Latest transaction price adjusted by option pricing model for liquidity.	Latest transactions prices adjusted by differences in rights of equity interest holders using derivatives models. Historical volatilities.	The high the historical volatilities, the higher the fair value
<b>Funds</b>						
— Traded on stock exchanges	6,067,197	2,522,865	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Traded on over-the-counter market	17,689,264	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
<b>Other investments</b>						
— Wealth management and trust products and others	103,972	398,172	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Wealth management and trust products and others	56,256,982	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	—	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	1,709,570	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 that reflect the risks of counterparties.	The higher the estimated future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value.
— Partnership enterprise	6,184,522	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 Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

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

Financial assets/financial liabilities	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	2021	2020				
<b>2) Debt instruments at fair value through other comprehensive income</b>						
<b>Bonds</b>						
— Traded on stock exchanges	681,853	2,008,899	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Traded on stock exchange or interbank market	39,900,470	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	1,405,908	201,739	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Traded on stock exchanges (inactive)	3,346	255	Level 2	Quoted closing prices for stocks suspended for trading adjusted 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
<b>4) Derivative financial instruments</b>						
— Interest rate swap — assets	685,971	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	704,685	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	1,626,204	284,354	Level 2	Calculated based on the difference between the equity return of underlying securities and the fixed income agreed in the swap agreements.	N/A	N/A
— Equity return swap — liabilities	2,308,822	144,448	Level 2	Calculated based on the difference between the equity return of underlying securities and the fixed income agreed in the swap agreements.	N/A	N/A
— Stock index futures — assets	31,495	629	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Stock index futures — liabilities	3,179	1,519	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Commodity swap — assets	71,834	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
— Commodity swap — liabilities	17,461	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



## Notes to the Consolidated Financial Statements (Continued)

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

Financial assets/financial liabilities	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	2021	2020				
<b>4) Derivative financial instruments (Continued)</b>						
— Commodity futures — assets	52,408	200	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Commodity futures — liabilities	137,945	15,541	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Option — assets	234,403	414,352	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Option — liabilities	655,621	887,033	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Over-the-counter option — assets	484,251	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	739,975	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	48,427	166,540	Level 2	Broker quoted price.	N/A	N/A
— Foreign exchange contracts — assets	2,001	295	Level 2	Discounted cash flows. Future cash flows are estimated based on forward and contractual interest rates, discounted at rates that reflects the credit risk.	N/A	N/A
— Foreign exchange contracts — liabilities	—	52	Level 2	Discounted cash flows. Future cash flows are estimated based on forward and contractual interest rates, discounted at rates that reflects the credit risk.	N/A	N/A
— Currency futures — assets	1,523	—	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Currency futures — liabilities	532	—	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Commodity forward contracts — assets	3,849	8,617	Level 2	Calculated based on the difference between the underlying commodity market price and the reference price agreed by counterparties.	N/A	N/A
— Commodity forward contracts — liabilities	—	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	9,861	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	345	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 — assets	841	—	Level 3	Discounted cash flows with future cash flows that are calculated based on the difference between quoted closing price and the reference price agreed by counterparties.	The settlement price agreed in the agreements.	The higher the settlement price, the higher the fair value.
— Bond forward contracts — liabilities	—	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 Consolidated Financial Statements (Continued)

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(Expressed in thousands of Renminbi, unless otherwise stated)

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

Financial assets/financial liabilities	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	2021	2020				
<b>5) Financial liabilities at fair value through profit or loss</b>						
— Structured entities	1,949,008	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
— Income right	—	15,870	Level 2	Calculated based on the difference between the equity return of underlying securities and the fixed income agreed in the swap agreements.	N/A	N/A
— Income right	46,061	—	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.
— Equity securities	383,159	345,689	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Gold	—	312,000	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Others	112,406	356,349	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Debt securities	18,621,982	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
— Others	322,197	303,874	Level 2	Calculated based on the difference between the equity return of underlying securities and the fixed income agreed in the swap agreements.	N/A	N/A
— Structured notes	1,753,125	315,956	Level 2	Based on the net asset values of the investment, determined with reference to observable (quoted) prices of underlying investment portfolio.	N/A	N/A

## Notes to the Consolidated Financial Statements (Continued)

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

Analysis of financial instruments, measured at fair value at the end of the year, by level in the fair value hierarchy into which the fair value measurement is categorized as follows:

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

## Notes to the Consolidated Financial Statements (Continued)

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

	As at December 31, 2020			
	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>

## Notes to the Consolidated Financial Statements (Continued)

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

Reconciliation of Level 3 fair value measurements

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

	Financial assets	Financial liabilities
As at January 1, 2020	3,678,679	447,518
Gain or losses for the year	931,438	63,635
Additions	7,596,055	999,332
Sales and settlements	(518,729)	(231,535)
Transfers into Level 3	524,430	—
As at December 31, 2020	12,211,873	1,278,950
<b>Total gains or losses for the year included in profit or loss for assets/liabilities held at the end of the reporting period</b>	<b>912,140</b>	<b>142,759</b>

During the year ended December 31, 2021, the Group transferred certain equity investments from Level 3 to Level 1 primarily as these investments were no longer restricted in sales and their fair values were measured by using quoted prices in active market without adjustments for liquidity discounts. Moreover, certain equity investments were transferred from Level 2 to Level 3 due to changes in the valuation method from using recent market transaction prices to other valuation techniques with significant unobservable inputs. Apart from these transfers, for the years ended December 31, 2021 and 2020, there was no other material transfers among Level 1, Level 2 and Level 3 for the Group's assets and liabilities measured at fair values.

## Notes to the Consolidated Financial Statements (Continued)

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### 64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group offsets the following financial assets and financial liabilities since the Group currently has a legally enforceable right to set off the balances, and intends either to settle on a net basis, or to realize the balances simultaneously.

Type of financial assets	As at December 31, 2021					
	Gross amounts of recognize financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Accounts and other receivables	863,487	(575,097)	288,390	(132,995)	1,232	156,627

Type of financial liabilities	As at December 31, 2021					
	Gross amounts of recognize financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Accounts payable to brokerage clients	(9,526,255)	490,707	(9,035,548)	758,365	—	(8,277,183)
Other payables and accrued charges	(973,530)	557,558	(415,972)	132,995	(18,771)	(301,748)
	(10,499,785)	1,048,265	(9,451,520)	891,360	(18,771)	(8,578,931)

## Notes to the Consolidated Financial Statements (Continued)

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### 64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

Type of financial assets	As at December 31, 2020					Net amount
	Gross amounts of recognize financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments	Cash collateral	
Accounts and other receivables	1,567,266	(1,050,429)	516,837	(44,106)	(29,356)	443,375

Type of financial liabilities	As at December 31, 2020					
	Gross amounts of recognize financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral	
Accounts payable to brokerage clients	(9,494,807)	1,390,068	(8,104,739)	532,387	—	(7,572,352)
Other payables and accrued charges	(1,860,632)	1,050,429	(810,202)	44,106	46,426	(719,670)
	(11,355,439)	2,440,497	(8,914,941)	576,493	46,426	(8,292,022)

## Notes to the Consolidated Financial Statements (Continued)

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### 64. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

The Group has entered into master netting arrangements with counterparties for the derivative instruments, accounts and other receivables, accounts payable to brokerage clients and other payables and accrued changes for netting trades.

The Group has entered into master netting arrangements with Hong Kong Securities Clearing Company Limited for netting trades, net receivables and payables are settled on the same settlement date as the company.

Except for the enforceable master netting arrangements and the offsetting rights of the financial assets under the similar agreements as disclosed above, the collateral financial assets held under resale agreement, financial assets sold under repurchase agreement, secured loan receivables and margin accounts receivable are disclosed in the corresponding notes and are generally not presented on a net basis in financial position. However, assuming the fair value of the collateral is presented on net basis, the risk exposure of the corresponding accounts will be reduced accordingly. As at December 31, 2021 and 2020, due to the fair value of the collateral is higher than the book value of the financial instruments, collateral net exposure after offsetting and net amount is considered not significant.

### 65. OTHER SIGNIFICANT EVENTS

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. As at December 31, 2021, the Company has received lawsuit materials and relevant notices initiated by 3,818 investors (as at December 31, 2020: 199 investors) from Shanghai Financial Court. According to the loss appraisal opinion from Shanghai Financial Court, the aggregate loss of these investments for parallel cases involved above was RMB525 million (as at December 31, 2020: 171 million). The impact of the above civil litigations has been considered in the consolidated financial statements.

As at December 31, 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.

### 66. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The following table only contains details of subsidiaries that have significant influence on the Group's performance, assets or liabilities. Unless otherwise stated, the type of shares held is ordinary share.

	As at December 31	
	2021	2020
Unlisted investments, at cost	18,869,797	16,930,647



## Notes to the Consolidated Financial Statements (Continued)

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### 66. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Type of legal entity registered	Place of incorporation/ establishment/ date of establishment	Proportion ownership interest held by the Company (As at December 31,)		Issued and fully paid share capital	Principal activities
			2021	2020		
China Merchants Securities International Company Limited <sup>(i)</sup>	Limited liability company	PRC/July 14, 1999	100.00%	100.00%	HK\$4,103,627,390	Investment holding
China Merchants Securities (HK) Co., Limited	Limited liability company	PRC/October 4, 1986	100.00%	100.00%	HK\$5,500,000,000	Securities brokerage
China Merchants Futures (HK) Co., Limited	Limited liability company	PRC/January 19, 2001	100.00%	100.00%	HK\$200,000,000	Futures brokerage
China Merchants Securities Investment Management (HK) Co., Limited	Limited liability company	PRC/September 18, 2006	100.00%	100.00%	HK\$400,000,000	Investment holding
CMS Capital (HK) Co., Limited	Limited liability company	PRC/August 1, 2003	100.00%	100.00%	HK\$5,000,000	Assets management
CMS Asset Management (HK) Co., Limited	Limited liability company	PRC/August 13, 2008	100.00%	100.00%	HK\$10,000,000	Assets management
China Merchants Futures Co., Ltd. <sup>(i)</sup>	Limited liability company	PRC/April 4, 1993	100.00%	100.00%	RMB3,598,000,000	Futures brokerage
China Merchants Zhiyuan Capital Investment Co., Ltd. <sup>(i)</sup>	Limited liability company	PRC/August 28, 2009	100.00%	100.00%	RMB1,800,000,000	Investment holding
Shenzhen China Merchants Zhiyuan Consultancy Services Co., Ltd.	Limited liability company	PRC/July 25, 2011	100.00%	100.00%	RMB3,000,000	Consulting services
Beijing Zhiyuan Lixin Investment Management Co., Ltd. *	Limited liability company	PRC/April 23, 2013	100.00%	100.00%	RMB10,000,000	Investment management
Shenzhen China Merchants Zhiyuan Equity Investment and Funds Management Co., Ltd.	Limited liability company	PRC/May 29, 2013	70.00%	70.00%	RMB15,000,000	Investment management
Ganzhou China Merchants Zhiyuan No. 1 Fund Management Co., Ltd. *	Limited liability company	PRC/June 7, 2013	100.00%	100.00%	RMB10,000,000	Investment management
Ganzhou Zhaoyuan Investment Management Co., Ltd. *	Limited liability company	PRC/October 14, 2013	100.00%	100.00%	RMB10,000,000	Investment management
Anhui Traffic Control Merchants Private Equity Fund Management Co., Ltd. *	Limited liability company	PRC/March 4, 2015	100.00%	100.00%	RMB25,000,000	Investment management

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 66. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Type of legal entity registered	Place of incorporation/ establishment/ date of establishment	Proportion ownership interest held by the Company (As at December 31,)		Issued and fully paid share capital	Principal activities
			2021	2020		
Qingdao Guoxin Merchants Private Equity Fund Management Co., Ltd.*	Limited liability company	PRC/February 6, 2015	65.00%	65.00%	RMB10,000,000	Investment management
Shenyang China Merchants Business and Development Investment Management Co., Ltd.*	Limited liability company	PRC/July 10, 2015	70.00%	70.00%	RMB4,000,000	Investment management
China Merchants Securities Investment Co., Ltd. <sup>(b)</sup>	Limited liability company	PRC/December 2, 2013	100.00%	100.00%	RMB7,100,000,000	Investment holding
China Merchants Securities Asset Management Co., Ltd. <sup>(b)</sup>	Limited liability company	PRC/April 3, 2015	100.00%	100.00%	RMB1,000,000,000	Assets management
China Merchants Securities (UK) Limited	Limited liability company	UK/October 25, 2013	100.00%	100.00%	US\$22,000,000	Futures brokerage
Qingdao China Merchants Zhiyuan Investment Management Co., Ltd.*	Limited liability company	PRC/January 12, 2016	100.00%	100.00%	RMB10,000,000	Investment management
Anhui Zhiyuan Smart City Fund Management Co., Ltd.*	Limited liability company	PRC/March 15, 2016	100.00%	100.00%	RMB4,500,000	Equity fund management, investment advisory service, investment management, financial consultancy service
China Merchants Securities (HK) Finance Co., Limited	Limited liability company	PRC/May 14, 2016	100.00%	100.00%	HK\$500,000	Investment and financing Management
China Merchants Securities Capital Investment Co., Ltd.*	Limited liability company	PRC/August 8, 2016	100.00%	100.00%	RMB200,000,000	Financial services
Anhui Traffic Control China Merchants Fund Management Co., Ltd.*	Limited liability company	PRC/April 6, 2017	70.00%	70.00%	RMB15,000,000	Investment management
China Merchants Securities (Korea) Co., Ltd.	Limited liability company	Korea/January 9, 2017	100.00%	100.00%	KRW8,523,900,000	Securities brokerage, futures brokerage
Chizhou Zhongan China Merchants Equity Investment Management Co., Ltd.*	Limited liability company	PRC/November 4, 2015	72.00%	72.00%	RMB10,000,000	Investment management

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 66. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Type of legal entity registered	Place of incorporation/ establishment/ date of establishment	Proportion ownership interest held by the Company (As at December 31,)		Issued and fully paid share capital	Principal activities
			2021	2020		
Humble Easy Limited	Limited liability company	UK/January 8, 2016	98.40%	98.40%	US\$5,000,000	Investment management
Bliss Moment Limited	Limited liability company	UK/January 8, 2016	100.00%	100.00%	US\$10,000,000	Investment management
CMS International Gemstone Limited	Limited liability company	UK/August 18, 2021	100.00%	N/A	US\$1	Investment management
Sweet Blaze Holding Limited	Limited liability company	UK/February 25, 2021	100.00%	N/A	US\$1	Investment management
True Summit International Limited	Limited liability company	UK/March 24, 2021	100.00%	N/A	US\$1	Investment management
Mega Vantage Development Limited	Limited liability company	UK/March 24, 2021	100.00%	N/A	US\$1	Investment management
China Opportunities Limited	Limited liability company	UK/December 24, 2020	100.00%	100.00%	US\$12,749,889	Assets management

\* English name translated is for identification purpose only.

(i) These subsidiaries are directly held by the Company.

The directors of the Company considered that none of these subsidiaries has non-controlling interests material to the group at the end of the year, and therefore there is no further information to be disclosed.

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 67. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	As at December 31,	
	2021	2020
<b>Non-current assets</b>		
Property and equipment	1,406,056	1,462,200
Right-of-use assets	1,486,022	1,468,867
Other intangible assets	3,000	3,000
Investments in subsidiaries	18,869,797	16,930,647
Interests in associates	9,638,430	8,473,701
Equity instruments at fair value through other comprehensive income	1,409,254	7,420,580
Debt instruments at amortized cost	72,229	674,988
Financial assets held under resale agreements	665,863	1,238,660
Financial assets at fair value through profit or loss	42	41,710
Deferred tax assets	1,376,609	1,645,801
Other non-current assets	430,657	335,777
<b>Total non-current assets</b>	<b>35,357,959</b>	<b>39,695,931</b>
<b>Current assets</b>		
Advances to customers	94,637,589	77,871,977
Accounts and other receivables	2,684,253	3,838,415
Amount due from a subsidiary	1,104,108	891,502
Debt instruments at fair value through other comprehensive income	39,378,364	41,926,443
Debt instruments at amortized cost	480,395	381,914
Financial assets held under resale agreements	37,971,484	50,898,293
Financial assets at fair value through profit or loss	232,250,838	148,916,745
Derivative financial assets	3,020,670	1,693,163
Deposits with exchanges and non-bank financial institutions	4,835,452	5,009,375
Clearing settlement funds	27,394,380	22,474,293
Cash and bank balances	63,563,514	63,511,323
<b>Total current assets</b>	<b>507,321,047</b>	<b>417,413,443</b>
<b>Total assets</b>	<b>542,679,006</b>	<b>457,109,374</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 67. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (Continued)

	As at December 31,	
	2021	2020
<b>Current liabilities</b>		
Short-term debt instruments	26,539,982	36,216,758
Placements from banks and other financial institutions	6,743,717	11,002,762
Accounts payables to brokerage clients	77,130,251	69,582,590
Accrued staff costs	7,617,696	6,424,257
Other payables and accrued charges	27,124,607	12,414,692
Current tax liabilities	415,290	110,049
Financial liabilities at fair value through profit or loss	18,621,982	9,893,296
Derivative financial liabilities	5,825,876	3,039,329
Financial assets sold under repurchase agreements	124,305,438	114,990,873
Lease liabilities	283,551	253,506
Provisions	128,144	377
Bonds payables due within one year	32,920,742	36,939,761
<b>Total current liabilities</b>	<b>327,657,276</b>	<b>300,868,250</b>
<b>Net current assets</b>	<b>179,663,771</b>	<b>116,545,193</b>
<b>Total assets less current liabilities</b>	<b>215,021,730</b>	<b>156,241,124</b>
<b>Equity</b>		
Share capital	8,696,526	8,696,526
Other equity instruments	15,000,000	15,000,000
Capital reserves	40,247,316	40,247,316
Investment revaluation reserve of financial assets at fair value through other comprehensive income	196,857	295,852
General reserves	19,301,518	17,301,678
Retained profits	20,165,464	16,746,068
<b>Total equity</b>	<b>103,607,681</b>	<b>98,287,440</b>
<b>Non-current liabilities</b>		
Accrued staff costs	223,661	395,360
Deferred tax liabilities	—	534,126
Deferred income	116,144	119,340
Lease liabilities	872,361	865,228
Bonds payables	110,201,883	56,039,630
<b>Total non-current liabilities</b>	<b>111,414,049</b>	<b>57,953,684</b>
<b>Total equity and non-current liabilities</b>	<b>215,021,730</b>	<b>156,241,124</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 67. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (Continued)

The movements in the Company's reserves are set out as follows

#### Capital reserves

##### For the year ended December 31, 2021

	At the beginning of the year	Addition	At the end of the year
Capital reserves	40,247,316	—	40,247,316

##### For the year ended December 31, 2020

	At the beginning of the year	Addition	At the end of the year
Capital reserves	27,460,042	12,787,274	40,247,316

The addition in share premium includes the share premium of A-share allotment of RMB10,980,402 thousand and the share premium of H-share allotment of RMB1,806,872 thousand during the year of 2020.

#### Investment revaluation reserve of financial assets at fair value through other comprehensive income

	As at December 31,	
	2021	2020
At the beginning of the year	295,852	541,686
Debt instruments at FVTOCI		
Net changes in fair value for the year	154,890	(165,914)
Reclassification to profit or loss	(53,688)	(314,168)
Income tax impact	(25,300)	120,020
Expected credit losses of debt instruments at FVTOCI		
Net changes in profit or loss for ECL Reclassification adjustment	(2,054)	(966)
Income tax impact	513	242
Equity instruments at FVTOCI		
Net changes in fair value for the year	(220,830)	163,467
Transfer to retained profits	(22,508)	—
Income tax impact	60,834	(40,867)
Share of other comprehensive income of associates	9,148	(7,648)
<b>At the end of the year</b>	<b>196,857</b>	<b>295,852</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 67. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (Continued)

The movements in the Company's reserves are set out as follows (Continued)

#### General reserves

##### For the year ended December 31, 2021

	At the beginning of the year	Addition	At the end of the year
Statutory reserve	5,236,148	—	5,236,148
General risk reserve	6,097,171	999,920	7,097,091
Transaction risk reserve	5,968,359	999,920	6,968,279
	<b>17,301,678</b>	<b>1,999,840</b>	<b>19,301,518</b>

##### For the year ended December 31, 2020

	At the beginning of the year	Addition	At the end of the year
Statutory reserve	5,236,148	—	5,236,148
General risk reserve	5,236,148	861,023	6,097,171
Transaction risk reserve	5,107,336	861,023	5,968,359
	<b>15,579,632</b>	<b>1,722,046</b>	<b>17,301,678</b>

#### Retained profits

The movements of retained profits of the Company are as follows:

	As at December 31,	
	2021	2020
At the beginning of the year	16,746,068	13,573,310
Profit for the year	9,999,200	8,610,230
Transfer from other comprehensive income	22,508	—
Appropriation to general reserve	(1,999,840)	(1,722,046)
Distribution to holders of other equity instruments	(802,090)	(802,090)
Dividends recognized as distribution	(3,800,382)	(2,913,336)
<b>At the end of the year</b>	<b>20,165,464</b>	<b>16,746,068</b>

## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 68. LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Short-term debt instruments	Bonds payables	Lease liabilities	Dividend payables	Total
At January 1, 2021	3,961,652	36,216,758	92,980,628	1,260,399	592,196	135,011,633
Cash changes						
— Cash flow from financing activities <sup>(i)</sup>	2,282,192	(10,299,487)	48,692,885	(341,573)	(4,615,702)	35,718,315
— Cash flow from operating activities	—	—	—	—	—	—
Non-cash changes						
— Financing cost incurred	132,002	1,024,378	4,728,369	38,360	4,615,702	10,538,811
— Additions of leases				503,662		503,662
— Disposal of leases				(140,344)		(140,344)
— Exchange differences	(147,658)	(5,810)	(87,925)	(3,039)	—	(244,432)
<b>At December 31, 2021</b>	<b>6,228,188</b>	<b>26,935,839</b>	<b>146,313,957</b>	<b>1,317,465</b>	<b>592,196</b>	<b>181,387,645</b>



## Notes to the Consolidated Financial Statements (Continued)

For the year ended December 31, 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

### 68. LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

	Borrowings	Short-term debt instruments	Bonds payables	Lease liabilities	Dividend payables	Total
At January 1, 2020	4,517,288	33,098,616	65,991,502	1,252,147	592,196	105,451,749
Cash changes						
— Cash flow from financing activities <sup>(i)</sup>	(367,070)	2,125,829	24,120,787	(328,454)	(3,719,276)	21,831,816
— Cash flow from operating activities	(66,197)	—	—	—	—	(66,197)
Non-cash changes						
— Financing cost incurred	144,584	992,313	2,996,912	40,413	3,719,276	7,893,498
— Additions of leases				303,962		303,962
— Disposal of leases				(941)		(941)
— Exchange differences	(266,953)	—	(128,573)	(6,728)	—	(402,254)
At December 31, 2020	3,961,652	36,216,758	92,980,628	1,260,399	592,196	135,011,633

- (i) The cash flows represent the proceeds from and repayment of borrowings, short-term debt instruments, bonds payables and interests paid in the consolidated statement of cash flows.

### 69. EVENTS AFTER THE REPORTING PERIOD

#### (1) Bond issue

On January 17, 2022, the Company issued the first tranche of public corporate bonds named as “22CMG1”. The aggregate principal amount of 22CMG1 is RMB5.0 billion, its duration is 3 years and the interest rate is 2.89% per annum.

On March 24, 2022, the Company issued the first tranche of public perpetual subordinated bonds named as “22 CMY1”, The aggregate principal amount of 22 CMY1 is RMB4.3 billion, its interest rate is 3.95% per annum, respectively. The interest rates for this perpetual subordinated bonds is fixed in the first five years and repriced every five years from the 6th year onwards.

#### (2) Profit distribution

In accordance with the 2021 profit distribution plan approved in the fifteenth meeting by the seven session of the board of directors on March 27, 2022, the Company proposed cash dividends of RMB5.40 per 10 shares (inclusive of tax) to shareholders based on 8,696,526,806 shares of total capital. The proposed profit distribution plan is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

## Chapter 10: Information Disclosure of a Securities Company

### I. Relevant Information on the Major Administrative Approvals of the Company

No.	Issuing authority	Title	Document No.	Date of announcement
1	The Securities and Fund Institution Supervision Department of the CSRC	Reply on Matters Related to Pilot Fund Investment Consultancy Business of China Merchants Securities Co., Ltd. (關於招商證券股份有限公司試點開展基金投資顧問業務有關事項的覆函)	Ji Gou Bu Han [2021] No. 1684 (機構部函[2021]1684號)	June 2, 2021
2	The Securities and Fund Institution Supervision Department of the CSRC	Letter of Opinions on the Rectification Plan of Shareholding Structure of Overseas Subsidiaries of China Merchants Securities Co., Ltd. (關於招商證券股份有限公司境外子公司股權架構整改方案有關意見的函)	Ji Gou Bu Han [2021] No. 2473 (機構部函[2021]2473號)	August 5, 2021
3	The Securities and Fund Institution Supervision Department of the CSRC	Letter on Proposed Capital Increase in Hong Kong Subsidiary by China Merchants Securities Co., Ltd. (關於招商證券股份有限公司擬向香港子公司增資有關事項的函)	Ji Gou Bu Han [2021] No. 2489 (機構部函[2021]2489號)	August 10, 2021
4	The Securities and Fund Institution Supervision Department of the CSRC	Regulatory Opinion on Application for Pilot Business of Optimizing Account Management Functions by China Merchants Securities Co., Ltd. (關於招商證券股份有限公司申請開展賬戶管理功能優化試點業務的監管意見書)	Ji Gou Bu Han [2021] No. 3749 (機構部函[2021]3749號)	November 30, 2021

### II. Classification of the Company by the Regulatory Department

2021	AA (Class A)
2020	AA (Class A)
2019	AA (Class A)