

CMS 招商证券

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



INTERIM REPORT
2023

Important Notice

- I. The Board, the Supervisory Committee, Director(s), Supervisor(s) and senior management of the Company undertake that the information in this interim report is true, accurate and complete and contains no false record, misleading statement or material omission, and assume joint and several liabilities to the information in this report.**
- II. All Directors of the Company attended the Board meeting.**
- III. The 2023 interim financial report of the Company prepared in accordance with the International Financial Reporting Standards has not been audited, but has been reviewed by Deloitte Touche Tohmatsu.**
- IV. HUO Da, officer in charge of the Company, LIU Jie, officer in charge of accounting matters of the Company, and WANG Jianping, officer in charge of the accounting office of the Company (head of accounting department), hereby warrant that the financial statements contained in this interim report are true, accurate and complete.**
- V. Proposal on profit distribution or capitalization of common reserve for the Reporting Period considered and approved by the Board**
Nil.
- VI. Risks statement relating to forward-looking statements**
Forward-looking statements, such as future plans and development strategies, contained in this report do not constitute any substantive commitments of the Company to investors. Investors should be aware of the investment risks.
- VII. There is no appropriation of the Company's funds by the controlling shareholder and other related parties for non-operating purposes.**
- VIII. There is no provision of guarantee by the Company in favor of any third party in violation of the prescribed decision-making procedures.**
- IX. There are no circumstances where more than half of the Directors cannot undertake that the information in this interim report is true, accurate and complete.**

Important Notice

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

XI. Warning on material risks

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

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

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

CONTENTS

Chapter 1	Definitions	4
Chapter 2	Corporate Profile and Key Financial Indicators	7
Chapter 3	Management's Discussion and Analysis	21
Chapter 4	Corporate Governance	65
Chapter 5	Environment and Social Responsibility	76
Chapter 6	Major Events	81
Chapter 7	Changes in Shares and Shareholders	86
Chapter 8	Relevant Information of Bonds	93
Chapter 9	Financial Report	107
Chapter 10	Information Disclosure of a Securities Company	208



Chapter 1: Definitions

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

Common terms and expressions	
"APP"	application
"Articles of Association"	the Articles of Association of China Merchants Securities Co., Ltd.
"Bosera Funds"	Bosera Asset Management Co., Limited (博時基金管理有限公司)
"BSE"	the Beijing Stock Exchange (北京證券交易所)
"China Merchants Bank"	China Merchants Bank Co., Ltd. (招商銀行股份有限公司)
"China Merchants Fund"	China Merchants Fund Management Co., Ltd. (招商基金管理有限公司)
"China Merchants Futures"	China Merchants Futures Co., Limited (招商期貨有限公司)
"China Merchants Group"	China Merchants Group Limited (招商局集團有限公司)
"China Ocean Shipping"	China Ocean Shipping Co., Ltd. (中國遠洋運輸有限公司)
"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會), currently known as the State Administration of Financial Supervision and Administration (國家金融監督管理總局)
"CITIC Securities"	CITIC Securities Company Limited (中信證券股份有限公司)
"CM Finance Investment"	China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司), currently known as China Merchants Financial Holdings Co., Ltd. (招商局金融控股有限公司)
"CM Financial Holdings"	China Merchants Financial Holdings Co., Ltd. (招商局金融控股有限公司), formerly known as China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司)
"CMS Asset Management"	China Merchants Securities Asset Management Co., Ltd. (招商證券資產管理有限公司)
"CMS International"	China Merchants Securities International Company Limited (招商證券國際有限公司)
"CMS Investment"	China Merchants Securities Investment Co., Ltd. (招商證券投資有限公司)
"CMS Zhiyuan Capital"	China Merchants Zhiyuan Capital Investment Co., Ltd. (招商致遠資本投資有限公司)
"Company", "China Merchants Securities", "us"	China Merchants Securities Co., Ltd., a joint stock company incorporated in August 1993 as a corporate legal person under PRC laws with limited liability, the H shares and A shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 06099) and on the SSE (stock code: 600999), respectively
"Company Law"	the Company Law of the PRC (《中華人民共和國公司法》)
"Company's website"	https://www.cmschina.com , the website of China Merchants Securities Co., Ltd.

Common terms and expressions	
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"CSRC Shenzhen Office"	the Shenzhen office of the China Securities Regulatory Commission
"Everbright Securities"	Everbright Securities Company Limited (光大證券股份有限公司)
"Galaxy Securities"	China Galaxy Securities Co., Ltd. (中國銀河證券股份有限公司)
"GF Securities"	GF Securities Co., Ltd. (廣發證券股份有限公司)
"Group"	China Merchants Securities Co., Ltd. (招商證券股份有限公司) and its controlled subsidiaries
"Guotai Junan"	Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司)
"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)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange website"	http://www.hkexnews.hk , the website of The Stock Exchange of Hong Kong Limited (HKExnews)
"IPO"	initial public offering
"Jisheng Investment"	Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司)
"Latest Practicable Date"	August 29, 2023
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"NEEQ"	the National Equities Exchange and Quotations
"Ping An Securities"	Ping An Securities Company Limited (平安證券股份有限公司)
"Previous Period"	from January 1, 2022 to June 30, 2022
"Reporting Period" and "Current Period"	from January 1, 2023 to June 30, 2023
"RMB", "RMB10,000", and "RMB100 million"	Renminbi 1 Yuan, Renminbi 10,000 Yuan and Renminbi 100 million Yuan
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

Chapter 1: Definitions

Common terms and expressions	
"SSE"	the Shanghai Stock Exchange (上海證券交易所)
"SSE website"	http://www.sse.com.cn , the website of the Shanghai Stock Exchange
"STAR Market"	the Science and Technology Innovation Board of the SSE
"SZSE"	the Shenzhen Stock Exchange (深圳證券交易所)
"VaR"	value at risk
"%"	per cent.

Chapter 2: Corporate Profile and Key Financial Indicators

I. Corporate Information

Chinese name of the Company	招商證券股份有限公司
Abbreviation	招商證券
English name of the Company	CHINA MERCHANTS SECURITIES CO., LTD.
Abbreviation	CMS
Legal representative of the Company	HUO Da
General manager of the Company	WU Zongmin
Authorized representatives of the Company	WU Zongmin, LIU Jie, KWONG Yin Ping Yvonne (as the alternate authorized representative to WU Zongmin and LIU Jie)

Registered capital and net capital

Unit: Yuan Currency: RMB

	As at the end of the Reporting Period	As at the end of last year
Registered capital	8,696,526,806.00	8,696,526,806.00
Net capital	75,473,432,495.36	70,444,812,948.68

Chapter 2: Corporate Profile and Key Financial Indicators

Qualifications of each of the business lines of the Company

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

No.	Qualification	Approval authority	Date of approval
1	Qualification of listed securities market making trading	The Securities and Fund Institution Supervision Department of the CSRC	October 2022
2	Qualification of issuing credit-protected warrants for providing pledge repo to protected bonds	China Securities Depository and Clearing Corporation Limited	June 2021
3	Pilot optimization for account management function	Securities Association of China	June 2021
4	Fund investment advisory business	The Securities and Fund Institution Supervision Department of the CSRC	June 2021
5	Issuer of credit protection warrants launched in SZSE	SZSE	November 2020
6	Standard forward contract on bond of Agricultural Development Bank of China	Shanghai Clearing House	October 2020
7	Interest option business	China Foreign Exchange Trading Center	March 2020
8	Market maker of stock index options	The Securities and Fund Institution Supervision Department of the CSRC	December 2019
9	Lead market maker of the CSI 300 ETF options	SZSE	December 2019
10	Trading authority for access to stock options business	SZSE	December 2019
11	Sale and settlement of foreign exchange business	State Administration of Foreign Exchange	August 2019
12	Participation in margin securities loan business of the STAR Market	China Securities Finance Co., Ltd.	July 2019
13	Market maker of treasury bond futures	The Securities and Fund Institution Supervision Department of the CSRC	May 2019
14	Credit protection contract business	SSE	February 2019
15	Lead market maker of listed funds business	SSE	February 2019
16	Credit derivatives business	The Securities and Fund Institution Supervision Department of the CSRC	December 2018

Chapter 2: Corporate Profile and Key Financial Indicators

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

Chapter 2: Corporate Profile and Key Financial Indicators

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

Chapter 2: Corporate Profile and Key Financial Indicators

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

Chapter 2: Corporate Profile and Key Financial Indicators

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

Chapter 2: Corporate Profile and Key Financial Indicators

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

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

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

No.	Qualification	Approval authority	Date of approval
1	Member of Guangzhou Futures Exchange	Guangzhou Futures Exchange	June 2022
2	Market making business	China Futures Association	March 2018
3	Member of Shanghai International Energy Exchange	Shanghai International Energy Exchange	May 2017
4	Licence for basis trading	China Futures Association	April 2017
5	Licence for OTC derivatives business	China Futures Association	April 2017
6	Licence for warehouse receipt services	China Futures Association	December 2016
7	Filing for entry of the interbank bond market	The People's Bank of China	July 2016
8	Licence for commodities futures brokerage, financial futures brokerage and futures investment consulting	CSRC	August 2014 (latest certificate obtained in September 2021)
9	Licence for asset management	CSRC	March 2013
10	Licence for futures investment consulting	CSRC	August 2011

Chapter 2: Corporate Profile and Key Financial Indicators

No.	Qualification	Approval authority	Date of approval
11	Member of Zhengzhou Commodity Exchange	Zhengzhou Commodity Exchange	March 2009
12	Member of Dalian Commodity Exchange	Dalian Commodity Exchange	December 2008
13	Member of Shanghai Futures Exchange	Shanghai Futures Exchange	October 2008
14	Clearing and settlement member of China Financial Futures Exchange	China Financial Futures Exchange Co., Ltd.	December 2007
15	Licence for financial futures trading settlement	CSRC	November 2007

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

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

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

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

Chapter 2: Corporate Profile and Key Financial Indicators

II. Contact Persons and Contact Methods

	Secretary to the Board	Representative of Securities Affairs
Name	LIU Jie (Note)	LUO Li
Correspondence address	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen
Telephone	0755-82940432	0755-82960432
Fax	0755-82944669	0755-82944669
E-mail address	IR@cmschina.com.cn	luoli@cmschina.com.cn

Note: From the beginning of the Reporting Period to the Latest Practicable Date, the secretary to the Board was: WU Huifeng (resigned on April 21, 2023), LIU Jie (acting from April 21, 2023 to July 20, 2023), HUO Da (acting from July 21, 2023 to August 29, 2023), LIU Jie (since August 29, 2023).

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

III. Basic Information and Changes

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

Chapter 2: Corporate Profile and Key Financial Indicators

IV. Update on Information Disclosure and Place for Document Inspection

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

V. Information on the Company's Shares

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

Chapter 2: Corporate Profile and Key Financial Indicators

VI. Other Relevant Information

Domestic accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Office address	30/F, Bund Center, 222 Yan An Road East, Huangpu District, Shanghai
International accounting firm appointed by the Company	Name	Deloitte Touche Tohmatsu
	Office address	35th Floor, One Pacific Place, 88 Queensway, Hong Kong
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
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 of the Company	Name	Shanghai Branch of China Securities Depository and Clearing Corporation Limited
	Office address	188 Yanggao South Road, China (Shanghai) Pilot Free Trade Zone
H share registrar of the Company	Name	Computershare Hong Kong Investor Services Limited
	Office address	17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Chapter 2: Corporate Profile and Key Financial Indicators

VII. Key Accounting Data and Financial Indicators of the Company

(I) Key accounting data

Unit: 1,000 Yuan Currency: RMB

Key accounting data	January – June 2023	January – June 2022 (after adjustment)	January – June 2022 (before adjustment)	Change of the Current Period against the Previous Period (%)
Total revenue, other income and gains	15,653,551	15,876,906	15,876,906	-1.41
Profit for the period attributable to shareholders of the Company	4,726,975	4,291,728	4,288,120	10.14
Profit for the period attributable to shareholders of the Company after deduction of non-recurring profit or loss	4,701,273	4,242,743	4,239,136	10.81
Net cash from operating activities	11,690,949	44,896,835	44,896,835	-73.96
Other comprehensive income for the period (net of tax)	415,201	83,743	83,743	395.81

Unit: 1,000 Yuan Currency: RMB

	As at the end of June 2023	As at the end of 2022 (after adjustment)	As at the end of 2022 (before adjustment)	Change of the end of the Current Period against the end of last year (%)
Total assets	627,554,072	611,677,015	611,661,882	2.60
Total liabilities	509,313,193	496,419,932	496,420,316	2.60
Equity attributable to shareholders of the Company	118,155,774	115,174,595	115,159,078	2.59
Total equity	118,240,879	115,257,083	115,241,566	2.59

Chapter 2: Corporate Profile and Key Financial Indicators

Note: Pursuant to the Interpretation No. 16 of Accounting Standards for Business Enterprises (Cai Kuai [2022] No. 31) (《企業會計準則解釋第16號》(財會[2022] 31號)) issued by the Ministry of Finance, the “accounting treatment that the exemption of initial recognition shall not apply to the deferred income tax relating to assets and liabilities arising from a single transaction” shall apply to the Group from January 1, 2023. According to the new and old transitional requirements, enterprises shall make adjustments in accordance with the provisions of this Interpretation for the single transactions applicable to this Interpretation that occurred from the beginning of the earliest period presented in the financial statements for which this Interpretation is first implemented to the effective date of this Interpretation. For the lease liabilities and right-of-use assets recognized due to the single transactions applicable to this Interpretation at the beginning of the earliest period presented in the financial statements for which this Interpretation is first implemented, and the estimated liabilities related to the recognition of disposal obligations and the corresponding related assets, where there are taxable temporary differences and deductible temporary differences, enterprises shall, in accordance with this Interpretation and the Accounting Standards for Business Enterprises No. 18 – Income Tax (《企業會計準則第18號—所得稅》), adjust the cumulative effect to the retained earnings and other related financial statement items at the beginning of the earliest period presented in the financial statements.

Accordingly, the Company adjusted the data on the relevant items of the condensed consolidated statement of financial position as at December 31, 2022 and the data on the condensed consolidated statement of profit or loss for the corresponding period of last year. For the adjusted data, please refer to “Chapter 9: Financial Report” of this report.

(II) Key financial indicators

Unit: Yuan Currency: RMB

Key financial indicators	The Reporting Period (January – June 2023)	The Previous Period (January – June 2022)		Change of the Reporting Period against the Previous Period (%)
		After adjustment	Before adjustment	
Basic earnings per share (RMB per share)	0.51	0.46	0.46	10.87
Diluted earnings per share (RMB per share)	0.51	0.46	0.46	10.87
Basic earnings per share after deduction of non-recurring profit or loss (RMB per share)	0.51	0.45	0.45	13.33
Weighted average return on net assets (%)	4.33	3.99	3.98	Increased by 0.34 percentage point
Weighted average return on net assets after deduction of non-recurring profit or loss (%)	4.31	3.94	3.93	Increased by 0.37 percentage point

Chapter 2: Corporate Profile and Key Financial Indicators

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

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

Unit: Yuan Currency: RMB

Items	As at the end of the Reporting Period	As at the end of last year
Net capital	75,473,432,495.36	70,444,812,948.68
Net assets	106,296,797,232.40	104,640,292,341.91
Sum of risk capital provisions	28,572,626,686.65	26,588,380,475.21
Total assets on- and off-balance sheet	383,196,404,033.06	365,790,047,258.90
Risk coverage ratio (%)	264.15	264.95
Capital leverage ratio (%)	13.26	13.39
Liquidity coverage ratio (%)	155.46	210.95
Net stable funding ratio (%)	135.13	151.72
Net capital/net assets (%)	71.00	67.32
Net capital/liabilities (%)	20.25	19.55
Net assets/liabilities (%)	28.53	29.05
Value of proprietary equity securities and security derivatives/net capital (%)	23.82	28.11
Value of proprietary non-equity securities and its derivatives/net capital (%)	361.02	361.22

Note: The Company has applied the "accounting treatment that the exemption of initial recognition shall not apply to the deferred income tax relating to assets and liabilities arising from a single transaction" under the Interpretation No. 16 of Accounting Standards for Business Enterprises (《企業會計準則解釋第16號》) on January 1, 2023, and adjusted the data on the relevant items of the condensed consolidated statement of financial position as at December 31, 2022 accordingly. The net capital and risk control indicators of the parent company as at the end of last year are calculated based on the adjusted data.

Chapter 3: Management's Discussion and Analysis

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

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

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

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

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

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

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

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

In the first half of 2023, the SSE Composite Index and SZSE Component Index rose by 3.65% and 0.10%, respectively; the CSI 300 Index, ChiNext Index and Hang Seng Index fell by 0.75%, 5.61% and 4.37%, respectively; and the ChinaBond Composite Total Return Index rose by 2.64%. The trading volume of stocks and funds in the SSE and SZSE increased by 0.11% year-on-year, while the trading volume of stocks in the Hong Kong market decreased by 19.14% year-on-year. According to the statistics from Wind, the equity financing in the A share market amounted to RMB535.646 billion (excluding share issuance for asset acquisition), representing a year-on-year decrease of 16.96%; and the total credit bonds (excluding treasury bonds, local government bonds, central bank bills, inter-bank deposit certificates and policy bank bonds) issued amounted to RMB9.29 trillion, representing a year-on-year increase of 3.45%. According to the statistics from Bloomberg, the total proceeds raised from IPOs in the Hong Kong market amounted to US\$2.243 billion, representing a year-on-year decrease of 16.87%; and Chinese US dollar bonds (excluding RMB bonds) financing amounted to US\$20.604 billion, representing a year-on-year decrease of 62.51%.

Chapter 3: Management's Discussion and Analysis

During the Reporting Period, the reform, development and stabilization of the capital market were steadily advanced, and the functions of the capital market were continuously and effectively played. First, the full implementation of the registration-based IPO system has officially commenced, which opened up a new phase for the reform and development of the capital market. The full implementation of the registration-based IPO system will further improve the efficiency of direct financing, improve the financing structure of the domestic financial market, and consolidate and strengthen the capability of the capital market in supporting the implementation of the national technological innovation strategy and serving the real economy. Second, the CSRC promulgated the Administrative Regulations on the Supervision of Securities Companies (Draft to Comment) (《證券公司監督管理條例(修訂草案徵求意見稿)》), which will further enhance the underlying regulatory system for securities companies, and guide securities companies to strengthen their corporate governance and internal management, go back to their fundamental purpose, improve their professional capabilities, make up for their functional shortcomings and achieve high-quality development through standardization, specialization, intensification and differentiation. Third, in July, the State Council promulgated the Administrative Regulations on the Supervision of Private Investment Funds (《私募投資基金監督管理條例》), with an aim to incorporate private investment fund businesses into a legal and standardized framework for supervision, and promote the standardized and robust development of the private investment fund industry. Fourth, along with the deepening of internationalization of the capital market, the Hong Kong Stock Exchange launched the “HKD-RMB Dual Counter Model” to further optimize the RMB product ecosystem in the Hong Kong market, improve the liquidity of stocks in the Hong Kong market and accelerate RMB internationalization. Fifth, the CSRC promulgated the Administrative Regulations on the Investment Advisory Business of Publicly Offered Securities Investment Funds (Draft for Comment) (《公開募集證券投資基金投資顧問業務管理規定(徵求意見稿)》) to promote the normalization of pilot fund investment advisory business, with an aim to facilitate the development of professional investment advisory business, optimize investor services and returns as well as capital market structure, and promote the high-quality development of the fund industry.

II. Analysis on Core Competitiveness during the Reporting Period

The Company, under the control of China Merchants Group, is the largest securities firm of the SASAC. Over years of development, the Company has built up significant competitive advantages. First, the Company has adopted the concept of stable operations and has a sound risk management system, which represents a strong pillar for the Company to rely on when seeking policy support, seizing significant opportunities for new pilot projects, making responses to the volatile capital market and facing intense peer competition in the future. Second, the service capability with a full-service platform that covers a whole industrial chain, a balanced business structure and a solid development foundation have paved a sound foundation for the Company to develop the business with its own features, differentiate its edges and facilitate the provision of one-stop services to clients. Third, the wealth management business has a solid foundation with increasingly strengthened competitiveness. It has outstanding capability in providing comprehensive services to institutional clients. Fourth, the Company enjoys the strong brand name of “China Merchants” and its shareholders background as well as good reputation in the market.

III. Discussion and Analysis of Operations

(I) General operations

In the first half of 2023, the national economy continued to recover, with a positive trend of recovery in general. Industries achieved solid advancement of high-quality development, and were well-prepared for industrial upgrade. Food and energy security were effectively guaranteed, and the general social situation remained stable, with a 5.5% year-on-year increase in GDP. These have laid a sound foundation for achieving the annual economic and social development targets. Economic recovery is a fluctuating and tortuous process, and economic operation is facing new challenges, primarily attributable to the insufficient domestic demand, operating difficulties of some enterprises, various hidden risks in key areas and complex and severe external environment. However, China's economy has great development resilience and potential, and its long-term positive fundamentals remain unchanged.

2023 is the final year of the Company's five-year reform strategy. The Company has actively responded to new changes in the external business environment, seized the opportunities arising from market recovery, maintained its strategic focus, paid close attention to strategy implementation, strived to build a strong modern investment bank, continuously improved the performance appraisal and incentive mechanism, strengthened the precise control of risk management, and continuously enhanced synergy. In the first half of 2023, the Company's total revenue, other income and gains amounted to RMB15.654 billion, representing a year-on-year decrease of 1.41%; and net profit attributable to shareholders of the Company amounted to RMB4.727 billion, representing a year-on-year increase of 10.14%. The Company solidly promoted transformation and reform, and made significant progress in key reform issues such as modern investment bank construction, wealth management transformation and institutional development, digital transformation and the mechanism establishment of "staff can get in and out; cadre can go up and down; salary can be high and low" (六能). The Company was named as a "benchmarking" (標桿) enterprise in the "Double-hundred Enterprises" (雙百企業) special assessment of the SASAC in 2022. The Company continued to maintain stable operations, with no major risk compliance incidents occurred during the Reporting Period. In the complex market environment, various risk losses were kept at a low level; risks were controllable, measurable and tolerable in general; and asset quality remained excellent. The Company strengthened safe production, and all businesses operated normally and stably.

(II) Analysis of principal businesses

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

Chapter 3: Management's Discussion and Analysis

1. *Wealth management and institutional business*

(1) **Brokerage and wealth management**

In the first half of 2023, the one-way trading volume of stocks and funds in the SSE and SZSE amounted to RMB124.70 trillion, representing a year-on-year increase of 0.11%. The one-way trading volume of stocks in the BSE amounted to RMB132.473 billion, representing a year-on-year increase of 22.39%. According to the statistics from the Asset Management Association of China, in the second quarter of 2023, the amount of non-monetary funds held by the clients of the top 100 mutual fund sales institutions in the market increased by 6.12% as compared to the fourth quarter of 2022, of which the amount of equity plus hybrid mutual funds held by securities companies accounted for 23.57%, up by 1.27 percentage points as compared to the fourth quarter of 2022. The securities industry has continued to advance in terms of wealth management transformation, but has not been able to completely emerge from the situation of “depending on the general economic climate” (看天吃飯), and is greatly affected by the prosperity of the capital market. As such, the transformation of the wealth management business is facing challenges.

During the Reporting Period, the Company effectively facilitated the coordinated digital development of online and offline channels, thereby achieving the efficient integration of resources and promoting digital operation in the entire customer life cycle from customer acquisition, activation, retention, revenue and referral. As of the end of June 2023, the Company had over 17 million clients, representing a year-on-year increase of 9.97%; and clients' assets under custody amounted to RMB3.80 trillion, representing an increase of 3.83% as compared to the end of 2022. The market share in terms of trading volume of stocks and funds increased to 5.24%, hitting a record high. The Company accelerated the digitalization of wealth management by optimizing the experience of key business scenarios in the APP, building a private domain flow business model based on the “CMS wealth management +” (招商證券財富+) WeChat Mini Program and the corporate WeChat account, and upgrading the wealth advisory service platform, so as to improve client management capabilities and facilitate business development. In the first half of 2023, the CMS APP had a 3.89% year-on-year increase in average monthly active users (MAU), ranking top five among large-scale securities companies in terms of average MAU.

Chapter 3: Management's Discussion and Analysis

During the Reporting Period, the Company continued to build the brand influence of "Private Fund 50" (私募50) and "Selected Mutual Fund" (公募優選). Leveraging its strengths in the research of financial products, the Company optimized the product selection mechanism, and identified high-quality managers with excellent investment research capabilities and ample income sources. Through performance tracking, attribution analysis, iterative optimization and allocation recommendations, the Company strived to maintain its industry leading position in terms of product selection capabilities. In the second quarter of 2023, the non-monetary mutual funds and equity plus hybrid mutual funds held by the clients of the Company amounted to RMB80.0 billion and RMB72.6 billion, ranking 5th and 4th in the securities industry, respectively. The Company further advanced the development of the investment advisory business. "CMS Fund Investment Adviser" (e招投) continued to expand the investment scenarios, improved the product portfolio and introduced a number of new managed portfolio strategies. It also launched the non-managed fund investment advisory business, covering investment strategies with various styles and features such as bonds, fixed-income +, enhanced index and specific themes, so as to meet the diversified allocation needs of different clients. As of the end of June 2023, "CMS Fund Investment Adviser" (e招投) had a total of approximately 50 thousand contracted clients, and the cumulative contract value reached RMB16.165 billion, representing an increase of 67.17% as compared to the end of 2022. The AUM under "CMS Fund Investment Adviser" (e招投) amounted to RMB4.008 billion, representing an increase of 51.53% as compared to the end of 2022. By comprehensively promoting the "CMS Private Banking" (智遠私行) 2.0 service model, the Company has actively acquired high-net-worth clients and is committed to creating a service system that covers the entire ecosystem and runs through the entire chain of asset allocation, equity services, derivative investment, research and consultancy.

Operating indicators	First half of 2023	First half of 2022	Year-on-year change
Trading volume of stocks and funds in the SSE and SZSE (RMB trillion) (Note 1)	13.06	12.80	2.03%
Market share of trading volume of stocks and funds in the SSE and SZSE	5.24%	5.14%	Increased by 0.10 percentage point
Net income from agency sale of financial products (RMB100 million)	3.45	3.69	-6.50%
Number of wealth management advisors	1,343	1,236	8.66%

Source: SSE, SZSE, internal statistics of the Company

- Notes: 1. Trading volume of stocks and funds represents two-way trading volume;
2. The above data are data of the parent company.

Chapter 3: Management's Discussion and Analysis

For futures brokerage business, in the first half of 2023, commodity prices fluctuated. The cumulative trading volume and turnover of China's futures market amounted to 3.951 billion lots and RMB262.13 trillion, representing a year-on-year increase of 29.71% and 1.80%, respectively. As of the end of June 2023, clients' equity in the market amounted to RMB1.53 trillion, representing an increase of 3.57% as compared to the end of 2022. During the Reporting Period, China Merchants Futures vigorously advanced the brand building of "CM Commodity Research" (招商大宗商品研究), facilitated business development, and continued to build the brands of "CM Risk Manager" (招商風險管家) and CTA+ futures asset management, in order to continuously improve its capabilities in serving the real economy and wealth management. As of the end of the Reporting Period, China Merchants Futures' clients' equity amounted to RMB41.559 billion, representing an increase of 24.51% as compared to the end of 2022.

For the overseas market, CMS International accelerated the upgrade of marketing services and proactively developed institutional clients for quantitative and passive investment. Its market share in terms of trading volume of stocks in the Hong Kong market increased by 0.07 percentage point year-on-year, the ranking of which hit a record high. As of the end of June 2023, CMS International's clients' assets under custody amounted to HK\$180.032 billion, and during the Reporting Period, its trading volume of stocks in the Hong Kong market amounted to HK\$93.085 billion.

(2) Capital-based intermediary business

In the first half of 2023, China Securities Finance Co., Ltd. lowered the fee rate of margin financing loan, and the trading mechanism for margin securities loan on the main board was optimized, which further improved the efficiency and reduced the cost of margin securities loan for securities companies, thereby promoting the growth of margin securities loan in the SSE and SZSE. As of the end of June 2023, margin securities loan in the SSE and SZSE amounted to RMB136.157 billion, representing an increase of 8.32% as compared to the end of 2022. The balance of margin financing and securities lending in the SSE, SZSE and BSE amounted to RMB1.59 trillion, representing an increase of 3.12% as compared to the end of 2022. Of which, the balance of margin financing amounted to RMB1.50 trillion, representing an increase of 3.53% as compared to the end of 2022; the balance of securities lending amounted to RMB92.997 billion, representing a decrease of 3.01% as compared to the end of 2022; and the balance of stock pledge repo business amounted to RMB203.536 billion, representing a decrease of 4.18% as compared to the end of 2022.

During the Reporting Period, the Company closely followed the demand of the market and clients, actively carried out product and service innovation, and continued to optimize its client structure and business model. The amount of margin financing and securities lending increased by 3.63% as compared to the end of 2022. The Company strengthened in-depth cooperation with mutual funds, and actively expanded the channels and types of securities sources. The amount of securities lending was RMB4.633 billion, representing an increase of 54.04% as compared to the end of 2022. The Company prudently carried out stock pledge business, strengthened access and risk management, and continued to optimize asset quality. As of the end of June 2023, the balance of the Company's margin financing and securities lending amounted to RMB82.937 billion, and the maintenance coverage ratio was 298.95%. The balance of stock pledge repo to be repurchased (including contribution from asset management plans) amounted to RMB21.474 billion, and the overall collateral coverage ratio was 238.10%. Of which, the balance of contribution from self-owned capital amounted to RMB16.667 billion, and the overall collateral coverage ratio was 274.07%.

Chapter 3: Management's Discussion and Analysis

For the overseas market, in response to changes in the external environment such as stock market falls, CMS International actively managed risks by reducing potential risks and improving asset quality. As of the end of the Reporting Period, the balance of margin financing amounted to HK\$2.828 billion, representing a decrease of 13.59% as compared to the end of 2022.

Operating indicators	As of the end of June 2023	As of the end of 2022	Change
Balance of margin financing and securities lending (RMB100 million)	829.37	800.34	3.63%
Market share of margin financing and securities lending	5.22%	5.20%	Increased by 0.02 percentage point
Of which: Balance of securities lending (RMB100 million)	46.33	30.07	54.04%
Market share of balance of securities lending	4.98%	3.14%	Increased by 1.84 percentage points
Balance of stock pledge repo (including contribution from asset management plans) (RMB100 million)	214.74	200.95	6.86%
Balance of stock pledge repo by self-owned capital (RMB100 million)	166.67	140.76	18.41%
Balance of overseas margin financing (HK\$100 million)	28.28	32.72	-13.59%

Source: Internal statistics of the Company

Chapter 3: Management's Discussion and Analysis

(3) Institutional client integrated services

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

① Institutional integrated services

In the first half of 2023, the Company strengthened the construction of the service system for institutional business, and accelerated the promotion of innovative business models in response to the demand of various institutional clients such as mutual funds, insurance companies and private funds, so as to enhance client stickiness. The Company accelerated the implementation of the institutional client manager system, and advanced the building of a collaborative marketing service system between the Company's headquarters and brokerage branches. The Company fully integrated its institutional business resources and optimized business processes to enhance synergy, and promoted technological enablement and built the institutional professional service platform to consolidate its comprehensive institutional business service capabilities.

In the first half of 2023, the Company's income from leasing of trading seats amounted to RMB465 million, representing a year-on-year increase of 2.88%. As of the end of June 2023, the amount of assets of private securities trading increased by 11.71% as compared to the end of 2022, and the trading service coverage ratio of key private fund clients with asset size over RMB5 billion reached 78.61%.

② Research

As of the end of June 2023, CMS offers research coverage of 2,157 listed companies in China and overseas. The Company takes industry-leading positions in research across various sectors, including quantitative trading and fund evaluation, fixed-income, electronics, media, light industry and textiles, real estate, strategy, electric devices and new energy, food and beverage, macro-economy, finance, communications, computers, automobiles, transportation, non-ferrous metals, home appliances and military industries.

During the Reporting Period, CMS maintained a focus on both internal and external value creation. The Company continued to push forward the transformation and reform of its research business and constantly improved its services to key clients such as mutual funds, insurance and private funds. This helped to expand its first-growth-curve income. The Company also actively explored the "research +" business to facilitate the deep integration of research and business, and made every effort to increase the second-growth-curve income through internal value creation. The Company also strengthened its research capabilities on new economy and new industries, and carried out characteristic research on industrial chains, re-rating of Chinese state-owned enterprises, commodities, etc. During the Reporting Period, CMS published a total of 3,677 research reports (including 702 in-depth reports), organized 17,641 research roadshows, conducted 844 joint field researches, and held 1,239 online meetings.

③ Custody and fund administrative services

In the first half of 2023, the Asset Management Association of China promulgated self-discipline measures for private fund managers and products such as the Measures for Registration and Filing of Private Investment Funds (《私募投資基金登記備案辦法》) to further optimize the development environment for private funds. In July, the State Council promulgated the Administrative Regulations on the Supervision of Private Investment Funds (《私募投資基金監督管理條例》), with an aim to incorporate private investment fund businesses into a legal and standardized framework for supervision. The private fund industry has entered a new stage of high-quality development. The concentration of custody and fund administrative services in the securities industry further decreased. As of the end of June 2023, the market share of the CR3 of custody and fund administrative services in the securities industry was 51.81%, representing a decrease of 0.07 percentage point as compared to the end of 2022.

During the Reporting Period, the Company upheld the four business strategies of providing excellent services, prioritizing professional quality, adhering to innovation-driven development and promoting technological enablement, so as to build the core competitiveness of the custody and fund administrative service business. Leveraging its abundant platform resources, the Company built a three-dimensional collaborative marketing system to reinforce the industry leading position of the custody and fund administrative service business. By virtue of its asset custody and fund administrative services, the Company is the only securities firm in the industry that has obtained the ISAE3402 international certification for nine consecutive years, and the first securities firm in the industry to obtain the SOC2 (System and Organization Controls) Type I report, thereby meeting clients' needs for data security and information security certification. The Company has adhered to the innovation-driven development model. During the Reporting Period, the Company was the first securities firm to implement the fund administrative service model with multiple mutual fund managers. In the first half of 2023, the Company won the Custody Innovation Award (託管創新獎) in the 2nd Innovation Yinghua Award (創新英華獎) of China Fund News.

As of the end of June 2023, the number of products under custody and fund administrative services of the Company amounted to 46.4 thousand, representing an increase of 12.55% as compared to the end of 2022, and the size of which amounted to RMB3.56 trillion, representing an increase of 2.77% as compared to the end of 2022. According to the statistics from the Asset Management Association of China and Wind, the Company's market share in terms of the number of private fund products under custody reached 22.04%, continuing to rank 1st in the industry since the commencement of business in 2013. In the first half of 2023, the Company ranked 1st in the securities industry in terms of the total amount of WFOE products under custody and number of new WFOE products, and ranked 2nd in the securities industry in terms of the amount of mutual fund products under custody.

Chapter 3: Management's Discussion and Analysis

2. *Investment banking business*

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

In the first half of 2023, the Company accelerated the building of a modern investment bank and vigorously promoted the implementation of the investment banking business strategy. The Company continued to build its professional and regional core competitiveness, orderly facilitated key tasks such as the "Gazelle Incubator Project" (羚躍計劃), the coordination mechanism of "investment, research and investment banking" (三投), the corporate client manager system and digital transformation, comprehensively strengthened risk control, and continuously improved the practice quality of investment banking, so as to fully promote the high-quality development of the investment banking business.

(1) **Equity underwriting**

In the first half of 2023, the full implementation of the registration-based IPO system has officially commenced, and the pace of issuance in the A share market remained stable. According to the statistics from Wind, the total amount of equity financing in the A share market was RMB535.646 billion (excluding share issuance for asset acquisition), representing a year-on-year decrease of 16.96%. A total of 184 IPOs were completed in the A share market with raised proceeds of RMB218.720 billion, representing a year-on-year increase of 4.55% and a year-on-year decrease of 15.90%, respectively. The proceeds raised from refinancing amounted to RMB316.926 billion, representing a year-on-year decrease of 17.68%. Of which, the proceeds raised from additional issuance amounted to RMB230.751 billion, representing a year-on-year increase of 4.49%, while the proceeds raised from convertible bonds and rights issue amounted to RMB71.041 billion and RMB10.134 billion, representing a year-on-year decrease of 39.56% and 78.27%, respectively.

Affected by the Federal Reserve's interest rate hikes, geopolitical conflicts and other factors, the total amount of proceeds raised in the Hong Kong IPO market decreased year-on-year. According to the statistics from Bloomberg, in the first half of 2023, 28 IPOs were completed in the Hong Kong market with raised proceeds of US\$2.243 billion, representing a year-on-year decrease of 16.87%. The Hong Kong Stock Exchange's mechanism for listing of specialist technology companies has officially commenced, thereby increasing the attractiveness for high-growth specialist technology companies to list in Hong Kong.

Chapter 3: Management's Discussion and Analysis

During the Reporting Period, affected by the fact that the review of main board projects has officially shifted to the exchanges under the full implementation of the registration-based IPO system, the fluctuations of issuers' financial performance and other factors, there was a year-on-year decrease in the number of IPOs underwritten by the Company. According to the statistics from Wind, the Company ranked 14th in the industry in terms of the number and value of A share projects underwritten as a leading underwriter. The Company continued to vigorously develop the refinancing business, and ranked 8th in the industry in terms of the number of refinancing projects underwritten. According to the statistics from Bloomberg, in the overseas market, the Company completed one IPO project, with an underwritten amount of US\$5.79 million. The Company continued to vigorously develop technological finance and green finance projects, and completed the A share IPO listing of two companies and the equity refinancing of four companies in relevant industries, with an underwritten amount of RMB4.187 billion.

In the first half of 2023, the Company completed a number of market influential projects, including but not limited to the A share IPO projects of Leo-King Environmental Group (朗坤環境) (a leading enterprise in the field of organic solid waste treatment and circular economy) and Shijihengtong (世紀恒通) (a leading enterprise in the field of information technology services), the Hong Kong IPO project of YH Entertainment Group (樂華娛樂) (the first artist management company listed in the Hong Kong market), and the non-public issuance of A shares of Qianhe Condiment and Food (千禾味業) (a leading mid-to-high-end soy sauce enterprise).

During the Reporting Period, the Company seized the opportunities arising from the full implementation of the registration-based IPO system, secured more high-quality potential IPO projects and submitted application for more high-quality IPO projects. According to the statistics from Wind and the Exchanges, as of the end of June 2023, 10 A share IPO projects underwritten by the Company were approved, ranking 3rd in the industry; 29 A share IPO projects underwritten by the Company were pending approval (including projects to be offered or to be registered with the CSRC), ranking 10th in the industry; 8 refinancing projects underwritten by the Company were pending approval, ranking 11th in the industry. The Company continued to serve technological innovation enterprises in the growth stage, and actively promoted the business opportunity conversion of companies in the "Gazelle Incubator Project" (羚躍計劃) company database. As of the end of the Reporting Period, a total of 394 companies have been selected into the "Gazelle Incubator Project" company database.

In the first half of 2023, the Company was named as the "Best Investment Bank in China" (本土最佳投行) and "Best Practice ESG Investment Bank" (最佳踐行ESG投行) in the 16th New Fortune Awards.

A share projects	First half of 2023		First half of 2022		Year-on-year change in amount (%)
	Lead underwriting amount (RMB100 million)	Number of projects	Lead underwriting amount (RMB100 million)	Number of projects	
IPOs	21.88	2	68.43	4	-68.03%
Refinancing	47.40	7	159.01	7	-70.19%
Total	69.28	9	227.44	11	-69.54%

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

Note: Refinancing excludes share issuance for asset acquisition.

Chapter 3: Management's Discussion and Analysis

(2) Bond underwriting

Affected by high market expectation for economic recovery at the beginning of the year, the yield of the bond market rose significantly. Later, as the momentum for economic recovery weakened, the long-term yield of the domestic bond market showed a fluctuating downward trend, and financing in the bond market increased steadily. According to the statistics from Wind, the total domestic bonds (excluding central bank bills and inter-bank deposit certificates) issued amounted to RMB21.72 trillion, representing a year-on-year increase of 5.79%. Of which, the total credit bonds (excluding treasury bonds, local government bonds, central bank bills, inter-bank deposit certificates and policy bank bonds) issued amounted to RMB9.29 trillion, representing a year-on-year increase of 3.45%. The total corporate bonds issued amounted to RMB1.91 trillion, representing a year-on-year increase of 25.91%. The total ABS issued amounted to RMB861.656 billion, representing a year-on-year decrease of 10.01%. According to the statistics from Bloomberg, the Chinese offshore bonds (excluding RMB bonds) issued amounted to US\$20.604 billion, representing a year-on-year decrease of 62.51%.

During the Reporting Period, the Company continued to focus on developing credit bond business in key regions, actively developed innovative businesses such as infrastructure REITs, and increased the underwriting for green bonds and technological innovation bonds. According to the statistics from Wind, in the first half of 2023, the domestic bonds lead underwritten by the Company amounted to RMB144.787 billion, representing a year-on-year increase of 5.42% and ranking 13th in the industry. Of which, the credit bonds underwritten amounted to RMB143.347 billion, ranking 8th in the industry. The Company continuously optimized the product structure of its ABS business, shifting from focusing on credit ABS to dual development of credit ABS and corporate ABS. Of which, the credit ABS underwritten amounted to RMB9.778 billion, ranking 5th in the industry; and the corporate ABS underwritten amounted to RMB22.121 billion, representing a year-on-year increase of 15.41% and ranking 8th in the industry. Since 2021, the Company ranked 2nd in the industry in terms of the aggregate initial offering amount of infrastructure REITs for which the Company acted as a financial advisor.

In the first half of 2023, the Company completed a number of market influential projects, including the listing of AVIC Jingneng Photovoltaic REIT (中航京能光伏REIT) (one of the first batch of new energy REITs and the first photovoltaic public offering REIT in China), and the fund raising expansion of the listing of Shekou Industrial Zone REIT (蛇口產園REIT) (one of the first infrastructure public offering REITs in the market). The Company also assisted in the issuance of multiple green bonds and technological innovation corporate bonds, with an underwritten amount of approximately RMB7.523 billion and RMB3.585 billion, respectively, including the Beijing Energy International's Phase-I ABS (Carbon-Neutrality) (京能國際1期資產支持專項計劃(碳中和)) (the first carbon-neutral green renewable ABS backed by the receivables of state subsidy in the market), the 2023 Phase-I Green Financial Bonds of Chery HuiYin Motor Finance Service (奇瑞徽銀汽車金融2023年第一期綠色金融債券) (the first green financial bonds issued by an automobile finance company in China), and the 2023 Phase-I Carbon-Neutral Green Corporate Bonds publicly issued by China Overseas Hongyang Real Estate Group to professional investors (中海宏洋地產集團2023年面向專業投資者公開發行碳中和綠色公司債券(第一期)) (the first carbon-neutral green corporate bonds in the real estate industry). During the Reporting Period, the Company was named as the "Best Debt Underwriting Investment Bank" (最佳債權承銷投行) in the 16th New Fortune Awards.

Chapter 3: Management's Discussion and Analysis

Domestic bonds	First half of 2023		First half of 2022		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	2.00	1	5.00	1	-60.00%
Corporate bonds	377.68	101	286.88	86	31.65%
Financial bonds	548.87	54	393.88	38	39.35%
Short-term financing bonds	28.48	8	58.19	15	-51.05%
Medium-term notes	100.67	25	68.05	15	47.94%
Private placement notes	42.53	11	50.55	19	-15.87%
Asset-backed securities	347.64	252	510.83	231	-31.95%
Total	1,447.87	452	1,373.38	405	5.42%

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

Note: Bond underwriting includes bonds issued as a principal.

(3) Financial advisory

In the first half of 2023, global M&A transactions slowed down significantly. According to the statistics from Bloomberg, there were a total of 25.6 thousand transactions in the global M&A market, and the total transaction value amounted to US\$1.6 trillion, representing a year-on-year decrease of 33.00%. According to the statistics from Wind, 3,837 transactions were announced in China's M&A market (excluding overseas M&A), and the transaction value amounted to RMB788.172 billion, representing a year-on-year decrease of 30.13%. 2,030 transactions were completed, and the transaction value amounted to RMB593.827 billion, representing a year-on-year increase of 13.45%.

During the Reporting Period, the Company seized the opportunities arising from state-owned enterprise reform, actively facilitated economic structural transformation and industrial upgrade, and continued to deepen close cooperation with strategic clients such as large-scale central enterprises and state-owned enterprises. According to the statistics from Wind, in the first half of 2023, the Company completed one M&A and restructuring project in the A share market with a transaction value of RMB2.208 billion, and assisted New Wellful (新五豐) (a state-owned regional leading enterprise in the pig industry) in acquiring the equity interests of Tianxin Breeding (天心種業) and other companies to strengthen its layout of the entire pig industry chain in the industry down cycle. According to the statistics from Wind and the Exchanges, as of the end of June 2023, two M&A and restructuring projects of the Company were pending approval, ranking 3rd in the industry.

Chapter 3: Management's Discussion and Analysis

3. Investment management

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

(1) Securities asset management

In the first half of 2023, the AUM of securities companies declined. According to the statistics from the Securities Association of China, as of the end of June, the AUM of securities companies amounted to RMB9.16 trillion, representing a decrease of 6.14% as compared to the end of 2022. Securities companies have speeded up the establishment of asset management subsidiaries and actively developed mutual fund management businesses, so as to continuously provide investors with abundant product choices through specialized investment capabilities and differentiated features.

During the Reporting Period, CMS Asset Management increased marketing collaboration with the parent company, promoted strategy and business model innovation, enriched the active management product lines, focused on the needs of institutional clients such as banks and listed companies, and strived to improve service standards. The Company's business qualification for mutual fund management has been approved by the CSRC in July, and it became the first securities company engaging in asset management business to obtain such qualification upon the promulgation of the Administrative Measures for the Supervision of Publicly Offered Securities Investment Fund Managers (《公開募集證券投資基金管理人監督管理辦法》). As of the end of June 2023, the AUM of CMS Asset Management amounted to RMB272.012 billion, representing a decrease of 14.23% as compared to the end of 2022, primarily attributable to the 27.07% decrease in the AUM of collective asset management products as compared to the end of 2022. The massive collective asset management products that completed the transformation to mutual funds amounted to RMB38.739 billion, representing an increase of 4.53% as compared to the end of 2022.

Category	AUM (RMB100 million)		Net income from asset management business (RMB100 million)	
	As at the end of June 2023	As at the end of 2022	First half of 2023	First half of 2022
	Collective asset management	1,006.46	1,380.08	2.63
Separately managed account	1,053.17	1,153.57	1.18	1.46
Specialized asset management	660.49	637.69	0.19	0.13
Total	2,720.12	3,171.34	4.00	4.85

Source: Internal statistics of the Company

(2) Private equity fund management

In the first half of 2023, a series of administrative measures and operational regulations for the private equity asset management industry were promulgated, with an aim to further facilitate private equity asset management businesses to give full play to their role in serving the real economy and boosting high-quality economic development. During the Reporting Period, China's equity investment market faced immense challenges, and continued the downward trend in general. According to the statistics from Zero2IPO Research, in the first half of 2023, the proceeds raised in China's equity investment market amounted to RMB734.145 billion, representing a year-on-year decrease of 23.5%. The investment market saw a slump, in which total investment amounted to RMB292.965 billion, representing a year-on-year decrease of 42.0%. Technological innovation remained a hot topic of investment, and the new materials and new energy sectors attracted high market attention. There were 1,326 exit cases, representing a year-on-year decrease of 32.6%, and IPOs were the major exit channel.

During the Reporting Period, leveraging the financial service system of China Merchants Securities that covers the entire industrial chain and the rich industrial resources of China Merchants Group, CMS Zhiyuan Capital intensively developed key areas, actively cooperated with local governments, state-owned enterprises, national funds, etc., and established four new funds in a total amount of RMB3.795 billion, thereby serving the transformation and upgrade of regional economic structure. In terms of investment, it focused on industries such as advanced manufacturing, new energy, new materials and high-end equipment, mainly invested in leaders or companies with leading potentials in industry segments, and actively looked for non-listed high-quality projects in the growth, expansion and mature stages, with an aim to developing the enterprises and facilitating the conversion of technological achievements. In the first half of 2023, CMS Zhiyuan Capital invested in five companies, with a total investment amount of RMB555 million and exiting proceeds of RMB422 million. In terms of post-investment management, it continuously optimized the internal operation process and management system, and improved fund operation and post-investment management capabilities. According to the statistics from the Asset Management Association of China, in the second quarter of 2023, the average monthly private AUM of CMS Zhiyuan Capital amounted to RMB19.186 billion, ranking 9th in the securities industry.

(3) Fund management

In the first half of 2023, despite the fact that the concept stocks of "digital economy" and "valuation system with Chinese characteristics" remained strong, there were significant fluctuations in the equity market with rapid industry rotation. Meanwhile, the market of new fund offerings remained stagnant, and the amount of new product offerings further declined year-on-year. In the first half of 2023, there were 609 new mutual funds and 528.6 billion new fund units issued in the market, representing a year-on-year decrease of 14.23% and 22.82%, respectively. In the same period, the financial regulatory system has been further optimized, and the full implementation of the registration-based IPO system has officially commenced. Substantial steps have been taken in terms of the reform of management fee rate of mutual funds, bringing new opportunities and challenges to the mutual fund industry.

Chapter 3: Management's Discussion and Analysis

① Bosera Funds

The Company holds 49% of the equity of Bosera Funds. During the Reporting Period, focusing on building the three capabilities of "wealth management, financial technology and risk management", Bosera Funds adhered to reform and innovation, maintained its strategic focus, comprehensively enhanced its core competitiveness, and maintained a stable management scale in general. Aiming at building equity investment capabilities and comprehensively improving wealth management capabilities, it continuously optimized the product structure, accomplished remarkable results in technological enablement, and continuously consolidated risk compliance management, thereby achieving high-quality and steady development amid the turbulent capital market conditions.

As of the end of the Reporting Period, the AUM of Bosera Funds amounted to RMB1,584.1 billion (including the assets managed by subsidiaries), representing a decrease of 3.71% as compared to the end of 2022. Of which, AUM of mutual funds (excluding feeder funds) amounted to RMB949.5 billion, and AUM of non-monetary mutual funds amounted to RMB508.8 billion, representing a decrease of 0.44% and 0.16%, respectively, as compared to the end of 2022. According to the statistics from Wind, as of the end of June 2023, 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. During the Reporting Period, focusing on the high-quality development requirements of mutual funds and the Company's strategic priorities, China Merchants Fund stabilized its results, enhanced its capabilities and held its bottom line, thereby maintaining sound operations amid the challenge of sluggish fund-raising activities. In terms of the reform of investment research system, it optimized the setting of the industrial chain research group, facilitated the establishment of the digital investment research platform, and continuously improved investment research capabilities. In terms of client management, it actively facilitated the development of channels and acquisition of clients, achieved new breakthroughs in the social insurance business, and carried out client management and after-sales services with the concept of "extensive marketing, planning and synergy". In terms of product layout, it introduced one of the first mixed-valuation products in the industry, and one of the first concept products under the valuation system with Chinese characteristics and social responsibility funds. In terms of management, it reinforced the concept of being value-oriented, optimized human resources management, steadily promoted digital transformation, strengthened risk control compliance and operational security management, and enhanced the quality and efficiency of various businesses with the "refinement" approach. As a result, there were no major risk compliance incidents.

As of the end of the Reporting Period, the AUM of China Merchants Fund amounted to RMB1,554.0 billion (including the assets managed by subsidiaries), representing an increase of 5.09% as compared to the end of 2022. Of which, AUM of mutual funds (excluding feeder funds) amounted to RMB820.2 billion, representing an increase of 6.46% as compared to the end of 2022; and AUM of non-monetary mutual funds amounted to RMB558.2 billion, representing a decrease of 0.48% as compared to the end of 2022. According to the statistics from Wind, as of the end of June 2023, China Merchants Fund ranked 5th in the industry in terms of AUM of non-monetary mutual funds, and ranked 1st in terms of AUM of bond mutual funds.

4. Investment and trading

In the first half of 2023, China's monetary policy remained sound, with reasonable and sufficient liquidity. In the overseas market, affected by the Federal Reserve's interest rate hikes and high inflation, there was a retraction of demand. However, as inflation rate slowed down and the probability of the Federal Reserve's continuous interest rate hikes weakened, the impact on the financial market began to ease. The performance of the A share market improved year-on-year, as demonstrated by the 3.65% and 0.10% rise in the SSE Composite Index and SZSE Component Index, respectively. The bond market was stable, and the ChinaBond Composite Total Return Index rose by 5.32% on an annualized basis, which was higher than the average bond market growth in the past ten years. US bond interest rates rose amid fluctuations, and the Chinese US dollar bond market index rose by 3.24% on an annualized basis.

As of the end of June 2023, the Company's financial assets amounted to RMB333.425 billion, representing an increase of 8.07% as compared to the end of 2022. Focusing on the investment goal of "being large-scale while maintaining stability", the Company actively developed the client demand-driven business and market-neutral investment strategies, and continued to expand capital-based intermediary trading businesses such as listed derivatives market making, securities market making and OTC derivatives. For equity investment, the Company improved the risk control mechanism, paid close attention to the macro environment and national policies, upheld the long-term trend of industrial development and selected industry leaders, and continuously optimized the investment research team. As such, the investment performance outperformed the market. For listed derivatives market making, the Company continuously optimized market making strategies and systems, enhanced the competitiveness of price discovery and risk management of the market making business, and actively provided liquidity for the market. In the first half of 2023, the Company's qualifications for listed derivatives market making increased to 81, ranking 1st among securities companies. The Company won 20 market making awards such as the 2022 "Gold Award for Excellent Market Maker in Stock Index Options" (股指期權優秀做市商金獎) of China Financial Futures Exchange and the "Excellent Options Market Maker" (優秀期權做市商) of the SSE and SZSE, ranking 1st in the industry in terms of the number of market making awards received. For securities market making, the Company continued to expand market making projects and broaden business scale. As of the end of June 2023, the Company had 428 fund market making projects and 39 STAR Market stock market making projects, maintaining its market leading position in terms of market making competitiveness. The Company was granted the comprehensive AA rating by the SSE and SZSE in 2022, and was named as "Excellent Fund Market Maker" (優秀基金做市商) and "Best Stock ETF Market Maker" (最佳股票ETF做市商) by the SSE and "Excellent ETF Liquidity Service Provider" (優秀ETF流動性服務商) and "Excellent REITs Liquidity Service Provider" (優秀REITs流動性服務商) by the SZSE in 2022. For OTC derivatives, the Company continuously increased business targets and trading varieties, and gave full play to its core transaction capabilities and synergy strengths to assist institutional clients in improving global asset allocation and risk management capabilities, thereby maintaining sound business development. As of the end of June 2023, the nominal principal of OTC derivatives increased by 31.69% as compared to the end of 2022.

Chapter 3: Management's Discussion and Analysis

For fixed-income investment, the Company vigorously developed market-neutral strategies, continuously improved credit risk management capabilities, actively fostered the market making business, expanded global investment strategies, and enhanced digital enablement. During the Reporting Period, the Company's yield of domestic fixed-income investment significantly outperformed the market benchmark. In terms of market-neutral strategies, the Company continuously expanded investment products, enriched and optimized investment strategies. As such, the amount of market-neutral strategic investment is at a record high, and the trading volume of derivatives continued to grow. Of which, the trading volume of China government bond (CGB) futures and interest rate swaps increased by 115% and 300% year-on-year, respectively. In terms of credit risk management, the Company has a comprehensive and effective credit risk management system, and there were no credit risks during the Reporting Period. In terms of market making, the Company was one of the first companies to commence bond market making business in the SSE and SZSE. During the Reporting Period, the Company ranked 3rd in terms of credit bond market making in the SSE. The Company carried out market making for 30-year China government bond (CGB) futures (newly listed contracts), and market making trading volume of China government bond (CGB) futures increased by 143% year-on-year. For interbank market making, the Company maintained its traditional strengths, and was named as the "2022 Most Popular Credit Bond Market Maker" (2022年度最受市場歡迎的信用債做市商) by the National Interbank Funding Center and "2022 Excellent Market Maker" (2022年度優秀做市商) by the Export-Import Bank of China. The Company enhanced the digital enablement of its business. During the Reporting Period, it launched the fixed-income and quantitative investment research platform, improved quantitative investment capabilities, and continuously optimized the quantitative market making system, therefore to improve the efficiency of market making business.

For foreign exchange, in the first half of 2023, the Company achieved initial breakthroughs in foreign currency repurchase business, further diversified its business models and enriched its strategies, thereby steadily improving profitability. The Company's transactions cover major international currencies, and it is one of the first institutions to participate in the central counterparty clearing of foreign currency transactions in Shanghai Clearing House. The Company was named as "Top 10 in ESP Transactions in Renminbi Foreign Exchange Market" (人民幣外匯市場ESP交易10強) and "Top 100 in Renminbi Foreign Exchange Market" (人民幣外匯市場100強) by China Foreign Exchange Trading Center for three consecutive years from 2020 to 2022, and was awarded the title of "Excellent Renminbi Foreign Exchange Spot Member" (優秀人民幣外匯即期會員) for two consecutive years from 2021 to 2022, demonstrating its leading market influence among securities companies. During the Reporting Period, the Company successfully launched the foreign exchange agency system, and steadily advanced its client demand business.

For alternative investment, in the first half of 2023, CMS Investment optimized its investment strategy based on the Company's direct investment strategy, focused on project development and investment layout in key sectors, effectively seized market opportunities, and completed the exit of multiple equity projects. It strengthened the in-depth research of the industrial chain to continuously improve the building of professional investment capabilities; continuously enhanced the internal process mechanism to strengthen project quality control, risk monitoring and forecast management; and actively leveraged the advantages of shareholders' resources to expand the source of high-quality projects in various aspects and empower the investees. During the Reporting Period, CMS Investment invested approximately RMB300 million.

5. Outlook for the second half of 2023

In the second half of 2023, the central government will uphold the general principle of seeking progress while maintaining stability, uphold the new development concept in a complete, precise and comprehensive manner, speed up the construction of a new development landscape, fully deepen reform and opening-up, increase macro policy regulation, focus on expanding domestic demand, boosting confidence and preventing risks, and facilitate the continuous recovery of economic operation, continuous enhancement of endogenous momentum, continuous improvement of social expectations and continuous resolution of risks and hidden dangers, so as to boost the quality improvement and quantitative growth of the economy. The CSRC will focus on the construction of a modern capital market with Chinese characteristics, maintain the stable and positive development trend of the capital market, and facilitate the benign interaction between the capital market and the real economy. The Company will maintain its strategic focus, deepen transformation and reform, improve synergy, accelerate digital development, strengthen refined management and comprehensively enhance core competitiveness, with an aim to achieve excellent results in its five-year transformation strategy.

For the wealth management and institutional business segment: The Company will continuously enhance digitalization, intensify the transformation of wealth management, constantly enrich the comprehensive service scenarios of wealth management, accelerate the upgrade of client acquisition, client services, business operations, etc., and strive to increase clients' asset size. The Company will actively build the development strengths of the institutional business, deepen the implementation of the institutional client manager system, launch the professional institutional service platform as soon as possible, and create a unified institutional service brand. The Company will actively expand client demand-driven businesses such as margin financing and securities lending, stock pledge, etc., and, as long as risks can be controlled, closely observe the demand of the market and clients to facilitate product and service innovations, with an aim to maintaining a stable growth in the scale and income of capital-based intermediary business.

For the investment banking business segment: The Company will focus on the building of a modern investment bank. The Company will actively address the opportunities and challenges arising from the full implementation of the registration-based IPO system, firmly implement the strategic plan of the investment banking business, and bolster the development of refinancing, bonds, M&As and other businesses while solidly developing the IPO business. The Company will continue to expand its project pipeline and strengthen the strategic layout of the BSE business, in order to seize the blue ocean market of the BSE.

For the investment and trading segment: The Company will thoroughly implement the general strategic policy of "being large-scale while maintaining stability", improve asset allocation capabilities, coordinate resource allocation, investment decision-making and risk management from top to bottom, adjust and optimize the investment structure in a timely manner in line with changes in market situation, enhance its business strategies, and expand innovative businesses. For directional investment, the Company will further strengthen macro research and judgment, make forward-looking judgment, and strictly control risks while pursuing returns. The Company will continue to expand its client demand-driven business, and strive to increase the scale and income contribution of market-neutral strategies.

For the investment management segment: Harnessing the opportunity arising from the acquisition of mutual fund licence, CMS Asset Management will actively "expand its scale and boost its income" (增规模、提收入), focus on building investment research capabilities, and strengthen active management capabilities. It will make full use of the asset management resources of the securities company, and establish its own features and strengths in the mutual fund management business. Meanwhile, CMS Zhiyuan Capital will continue to focus on expanding its management scale and accelerate the establishment of key funds among its pipeline. It will focus on improving its capability of "investing in small businesses at the early stage" (投早投小), explore diversified investment strategies, and improve investment efficiency. It will strengthen post-investment management of investment projects, and strive to maximize return on investment.

Chapter 3: Management's Discussion and Analysis

(III) Financial analysis

1. Analysis of financial statements

1.1 Analysis of the profitability of the Company during the Reporting Period

In the first half of 2023, the Company's total revenue, other income and gains amounted to RMB15.654 billion, representing a year-on-year decrease of 1.41%; and profit for the period attributable to shareholders of the Company amounted to RMB4.727 billion, representing a year-on-year increase of 10.14%.

Unit: RMB'000

Item	Current period		Previous period		Change	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Fee and commission income	5,269,094	33.66%	6,239,856	39.30%	-970,762	-15.56%
Interest income	5,423,377	34.65%	5,205,174	32.78%	218,203	4.19%
Investment gains or losses, net	3,918,188	25.03%	3,059,849	19.27%	858,339	28.05%
Other income and gains, net	1,042,892	6.66%	1,372,027	8.64%	-329,135	-23.99%
Total revenue, other income and gains	15,653,551	100.00%	15,876,906	100.00%	-223,355	-1.41%

Fee and commission income amounted to RMB5.269 billion, representing a year-on-year decrease of 15.56%. Among which, the income from securities and futures brokerage business amounted to RMB4.013 billion, representing a year-on-year decrease of 11.31%, mainly attributable to the decrease in income from agency trading of securities as a result of the decrease in commission rate of the Company; the income from underwriting and sponsorship business amounted to RMB433 million, representing a year-on-year decrease of 43.46%, mainly attributable to the decrease in income from IPOs; and the income from asset management and fund management business amounted to RMB373 million, representing a year-on-year decrease of 13.30%, mainly attributable to the decrease in AUM.

Interest income amounted to RMB5.423 billion, representing a year-on-year increase of 4.19%, mainly attributable to the increase in interest income from balance, margin and clearing settlement funds of the Exchanges and financial institutions, partially offset by the decrease in interest income from margin financing and securities lending.

Investment gains or losses, net amounted to RMB3.918 billion, representing a year-on-year increase of 28.05%, mainly attributable to the year-on-year increase in gains from equity investment and follow-on investment in the STAR Market and ChiNext Board as a result of the year-on-year improvement in performance of the A share market.

Chapter 3: Management's Discussion and Analysis

Other income and gains, net amounted to RMB1.043 billion, representing a year-on-year decrease of 23.99%, mainly attributable to the decrease in income from commodity business.

Unit: RMB'000

Item	Current period		Previous period		Change	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Depreciation and amortization	376,281	3.36%	340,632	2.84%	35,649	10.47%
Staff costs	3,225,897	28.77%	3,025,459	25.26%	200,438	6.63%
Fee and commission expenses	1,137,763	10.15%	1,270,931	10.61%	-133,168	-10.48%
Interest expenses	4,489,749	40.04%	4,840,104	40.41%	-350,355	-7.24%
Tax and surcharges	53,318	0.48%	70,695	0.59%	-17,377	-24.58%
Other operating expenses	1,782,982	15.90%	2,218,022	18.52%	-435,040	-19.61%
Impairment losses under expected credit loss model, net of reversal	147,068	1.31%	205,525	1.72%	-58,457	-28.44%
Other impairment losses, net	—	0.00%	6,915	0.06%	-6,915	-100.00%
Total expenses	11,213,058	100.00%	11,978,283	100.00%	-765,225	-6.39%

In the first half of 2023, the Company's total expenses amounted to RMB11.213 billion, representing a year-on-year decrease of 6.39%, of which:

Fee and commission expenses amounted to RMB1.138 billion, representing a year-on-year decrease of 10.48%, mainly attributable to the year-on-year decrease of 12.87% in fee and commission expenses of the securities and futures brokerage business.

Interest expenses amounted to RMB4.490 billion, representing a year-on-year decrease of 7.24%, mainly attributable to the year-on-year decrease in interest expenses of bonds payable.

Staff costs amounted to RMB3.226 billion, representing a year-on-year increase of 6.63%, mainly attributable to the increase in human resources expenses.

Impairment losses under expected credit loss model, net of reversal amounted to RMB147 million, representing a year-on-year decrease of 28.44%, mainly attributable to the year-on-year decrease in impairment loss on debt instruments at amortized cost.

Other operating expenses amounted to RMB1.783 billion, representing a year-on-year decrease of 19.61%, mainly attributable to the decrease in expenses of commodity business.

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

Chapter 3: Management's Discussion and Analysis

1.2 Analysis of total segment revenues, other incomes and gains

Unit: RMB'000

Business segment	Current period		Previous period		Change
	Amount	Percentage	Amount	Percentage	
Wealth management and institutional business	8,524,753	54.46%	9,109,985	57.38%	Decreased by 2.92 percentage points
Investment banking	492,187	3.14%	827,567	5.21%	Decreased by 2.07 percentage points
Investment management	586,064	3.74%	680,018	4.28%	Decreased by 0.54 percentage point
Investment and trading	4,700,654	30.03%	3,804,505	23.96%	Increased by 6.07 percentage points
Others	1,383,819	8.84%	1,482,935	9.34%	Decreased by 0.50 percentage point

In terms of business segment, total revenue, other income and gains from the wealth management and institutional business amounted to RMB8.525 billion, representing a year-on-year decrease of 6.42%; revenue, other income and gains from the investment banking business amounted to RMB492 million, representing a year-on-year decrease of 40.53%; revenue, other income and gains from the investment management business amounted to RMB586 million, representing a year-on-year decrease of 13.82%; revenue, other income and gains from the investment and trading business amounted to RMB4.701 billion, representing a year-on-year increase of 23.55%; and revenue, other income and gains from other businesses amounted to RMB1.384 billion, representing a year-on-year decrease of 6.68%.

In terms of revenue composition, the proportion of the wealth management and institutional business, the investment banking business, the investment management business and other businesses decreased by 2.92 percentage points, 2.07 percentage points, 0.54 percentage point and 0.50 percentage point, respectively, and the proportion of the investment and trading business increased by 6.07 percentage points.

1.3 Analysis of assets and liabilities

As at the end of June 2023, the Company's total assets amounted to RMB627.554 billion, representing an increase of RMB15.877 billion, or 2.60%, as compared to the end of 2022. Excluding accounts payable to brokerage clients and amount of agency underwriting of securities, total assets amounted to RMB513.668 billion, representing an increase of RMB8.368 billion, or 1.66%, as compared to the end of 2022, mainly attributable to the increase of RMB24.908 billion in financial assets*, partially offset by the decrease of RMB12.271 billion in financial assets held under resale agreements.

The Company's asset quality and liquidity remained sound, and its net current assets amounted to RMB161.621 billion. 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 21.90%, 53.13%, 19.11% and 1.75% of total assets, respectively. As compared to the end of last year, the proportion of the Company's cash and bank balances and clearing settlement funds, financial assets, advances to customers and financial assets held under resale agreements, and investment in associates decreased by 0.52 percentage point, increased by 2.69 percentage points, decreased by 2.33 percentage points and decreased by 0.01 percentage point, respectively.

As at the end of June 2023, the Company's total liabilities amounted to RMB509.313 billion, representing an increase of RMB12.893 billion, or 2.60%, as compared to the end of 2022. Excluding accounts payable to brokerage clients and amount of agency underwriting of securities, total liabilities amounted to RMB395.427 billion, representing an increase of RMB5.385 billion, or 1.38%, as compared to the end of 2022. Among which, financial assets sold under repurchase agreements increased by RMB14.774 billion, partially offset by the decrease of RMB9.279 billion in bonds payable. The Company's liabilities are mainly denominated in RMB, HKD and USD. For details of the Company's borrowing rates, please refer to Note 32 "Short-term borrowings", Note 33 "Short-term debt instruments", Note 34 "Placements from banks and other financial institutions", Note 41 "Long-term borrowings due within one year", Note 42 "Long-term borrowings", Note 47 "Bonds payables due within one year" and Note 48 "Bonds payables" to the consolidated financial statements of this report.

Among total liabilities, the Company's financial assets sold under repurchase agreements, short-term borrowings and placements from banks and other financial institutions accounted for 30.30%; accounts payable to brokerage clients and amount of agency underwriting of securities accounted for 22.36%; bonds payable accounted for 24.61%; short-term debt instruments accounted for 4.40%; and financial liabilities at fair value through profit or loss and derivative financial liabilities accounted for 8.54%. As compared to the end of last year, the proportion of financial assets sold under repurchase agreements, short-term borrowings and placements from banks and other financial institutions increased by 1.65 percentage points; the proportion of accounts payable to brokerage clients and amount of agency underwriting of securities increased by 0.93 percentage point; the proportion of bonds payable decreased by 2.51 percentage points; the proportion of short-term debt instruments decreased by 0.66 percentage point; and the proportion of financial liabilities at fair value through profit or loss and derivative financial liabilities decreased by 1.66 percentage points.

As at the end of June 2023, excluding accounts payable to brokerage clients and amount of agency underwriting of securities, the gearing ratio of the Company was 76.98%, representing a decrease of 0.21 percentage point as compared to the end of 2022.

As at the end of June 2023, equity attributable to shareholders of the Company amounted to RMB118.156 billion, representing an increase of RMB2.981 billion as compared to the end of 2022. Among which, profit for the period attributable to shareholders of the Company amounted to RMB4.727 billion; dividends recognized as distribution amounted to RMB1.609 billion; and interest payable for perpetual subordinated bonds amounted to RMB572 million.

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

Chapter 3: Management's Discussion and Analysis

1.4 Cash flows

Unit: RMB'000

Item	Current period	Previous period	Change	Percentage change
Net cash generated from operating activities	11,690,949	44,896,835	-33,205,886	-73.96%
Net cash generated from/(used in) investing activities	1,324,784	-14,291,661	15,616,445	-
Net cash used in financing activities	-19,838,819	-22,252,648	2,413,829	-
Net (decrease) increase in cash and cash equivalents	-6,823,086	8,352,526	-15,175,612	-181.69%

In the first half of 2023, excluding the impact of changes in cash held on behalf of customers, the Company's cash and cash equivalents amounted to RMB23.757 billion, of which cash and cash equivalents denominated in RMB accounted for 82.27%. The Company's cash and cash equivalents are mainly denominated in RMB, HKD and USD.

In the first half of 2023, the Company's net decrease in cash and cash equivalents amounted to RMB6.823 billion. Among which, net cash from operating activities amounted to RMB11.691 billion; net cash from investing activities amounted to RMB1.325 billion; and net cash used in financing activities amounted to negative RMB19.839 billion.

Net cash from operating activities amounted to RMB11.691 billion, representing a year-on-year decrease of RMB33.206 billion, mainly attributable to the decrease of RMB52.655 billion in net cash from the increase in financial assets/liabilities at fair value through profit or loss, partially offset by the increase of RMB10.899 billion in net cash from financial assets sold under repurchase agreements and the increase of RMB8.977 billion in cash held on behalf of customers.

Net cash from investing activities amounted to RMB1.325 billion, representing a year-on-year increase of RMB15.616 billion, mainly attributable to the increase of RMB16.212 billion in net proceeds from disposal of financial assets at fair value through other comprehensive income.

Net cash from financing activities amounted to negative RMB19.839 billion, representing a year-on-year increase of RMB2.414 billion, mainly attributable to the increase of RMB16.912 billion in proceeds from bonds and short-term debt instruments, partially offset by the increase of RMB11.128 billion in repayment of bonds and short-term debt instruments.

2. Overseas assets

Overseas assets amounted to RMB36.584 billion, accounting for 5.83% of total assets.

(IV) Analysis of investment**1. General analysis of external equity investments**

During the Reporting Period, the Company did not have any new external equity investment. During the year, the Company recovered its investment in Hunan Linhou Enterprise Management Consulting Service Co., Ltd. (湖南霖厚企業管理諮詢服務有限公司) (formerly known as Hunan China Merchants Xiangjiang Industry Management Co., Ltd. (湖南招商湘江產業管理有限公司)), an associated company, in an amount of RMB2.40 million.

(1) Financial assets measured at fair value

Unit: 10,000 Yuan Currency: RMB

Asset class	Opening amount	Profit or loss from changes in fair value for the Current Period	Cumulative changes in fair value included in equity	Impairment provision for the Current Period	Purchase amount for the Current Period	Disposal/redemption amount for the Current Period	Other changes	Closing amount
Bonds	20,928,856.73	67,908.38	24,202.49	-47.46	117,028,046.30	114,450,017.49	43,375.19	23,642,371.60
Funds	5,007,913.59	12,199.61	—	—	38,632,646.62	40,078,254.15	234.91	3,574,740.58
Stocks	2,514,213.88	82,848.37	6,368.74	—	28,900,964.84	27,893,309.45	28,592.13	3,639,678.51
Derivatives	78,964.63	-21,146.10	—	—	—	—	33,981.91	91,800.44
Others	1,978,301.14	20,302.58	—	—	2,104,484.98	2,191,767.81	36,683.04	1,948,003.93
Total	30,508,249.97	162,112.84	30,571.23	-47.46	186,666,142.74	184,613,348.90	142,867.18	32,896,595.06

Securities investment

As the Company is a securities company principally engaging in proprietary securities business with frequent and wide varieties of transactions, and has disclosed the investment categories, fair value changes, investment gains and other details in "Chapter 9: Financial Report", the Company will not disclose the relevant details of securities herein.

Chapter 3: Management's Discussion and Analysis

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

1. Analysis of subsidiaries

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

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

As of the end of June 2023, the total assets of CMS Asset Management amounted to RMB5.626 billion and the net assets amounted to RMB5.206 billion. In the first half of 2023, it recorded total revenue, other income and gains of RMB476 million and net profit of RMB173 million.

(2) China Merchants Securities International Company Limited

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

As of the end of June 2023, the total assets of CMS International amounted to HK\$39.729 billion and the net assets amounted to HK\$9.287 billion. In the first half of 2023, it recorded total revenue, other income and gains of HK\$953 million and net profit of HK\$116 million.

(3) China Merchants Futures Co., Limited

China Merchants Futures is a wholly-owned subsidiary of China Merchants Securities with a registered capital of RMB3.598 billion. Its principal businesses include commodity futures brokerage, financial futures brokerage, futures investment consultation and asset management. As of the end of June 2023, China Merchants Futures has four futures branches in Beijing, Guangzhou, Shanghai and Hangzhou, one branch office in Henan and one risk management subsidiary, i.e. China Merchants Securities Capital Investment Co., Ltd. (招證資本投資有限公司).

As of the end of June 2023, the total assets of China Merchants Futures amounted to RMB49.308 billion and the net assets amounted to RMB5.034 billion. In the first half of 2023, it recorded total revenue, other income and gains of RMB1.604 billion and net profit of RMB227 million.

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

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

As of the end of June 2023, the total assets of CMS Zhiyuan Capital amounted to RMB4.296 billion and the net assets attributable to shareholders of the parent company amounted to RMB2.157 billion. In the first half of 2023, it recorded total revenue, other income and gains of RMB111 million and net profit attributable to shareholders of the parent company of RMB44 million.

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

CMS Investment is a wholly-owned subsidiary of China Merchants Securities with a registered capital of RMB10.1 billion and a paid-up capital of RMB7.1 billion. It is principally engaged in alternative investment businesses such as financial products and equity investment other than those listed in the List of Securities Investments for Proprietary Trading of Securities Companies (《證券公司證券自營投資品種清單》).

As of the end of June 2023, the total assets of CMS Investment amounted to RMB10.422 billion and the net assets amounted to RMB9.772 billion. In the first half of 2023, it recorded total revenue, other income and gains of RMB664 million and net profit of RMB501 million.

2. Analysis of companies in which the Company has a non-controlling interest**(1) Bosera Asset Management Co., Limited**

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

As of the end of June 2023, Bosera Funds recorded total assets of RMB11.657 billion and net assets attributable to shareholders of the parent company of RMB8.546 billion. In the first half of 2023, it recorded operating income of RMB2.346 billion and net profit attributable to shareholders of the parent company of RMB755 million.

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

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

As of the end of June 2023, China Merchants Fund recorded total assets of RMB12.634 billion and net assets of RMB8.453 billion. In the first half of 2023, it recorded operating income of RMB2.773 billion and net profit of RMB892 million.

(VI) Structured entities controlled by the Company

As of June 30, 2023, the Group consolidated 50 structured entities, including mainly asset management schemes, investment funds and limited partnership. Under the circumstance that the Group is involved in a structured entity as manager and investor, the Group comprehensively assesses whether its potential variable returns will be significantly affected by the returns attributable to its investment and the remuneration as a manager and whether the Group is a principal responsible person of the entity. As of June 30, 2023, the total assets of the consolidated structured entities amounted to RMB22.086 billion.

Chapter 3: Management's Discussion and Analysis

(VII) Financing

1. *Financing channels and financing capabilities*

The Company has established diversified financing channels, and engages in financing through onshore and offshore additional issuance, rights issue, perpetual subordinated bonds, subordinated bonds, corporate bonds, financial bonds, short-term financing bonds, income certificates, placement from other financial institutions, interbank borrowing and repurchase, bank borrowings, etc. The Company arranges the types of financing according to its operation and business development needs, and constantly optimizes its financing structure.

2. *Liability structure*

As at the end of the first half of 2023, total liabilities of the Company amounted to RMB509.313 billion. Excluding accounts payable to brokerage clients and amount of agency underwriting of securities, total liabilities amounted to RMB395.427 billion. Of which, bonds payable amounted to RMB125.349 billion, accounting for 31.70% of liabilities; long-term borrowings amounted to RMB1.940 billion, accounting for 0.49% of liabilities; short-term debt instruments amounted to RMB22.416 billion, accounting for 5.67% of liabilities; financial assets sold under repurchase agreements amounted to RMB135.579 billion, accounting for 34.29% of liabilities; short-term borrowings amounted to RMB5.687 billion, accounting for 1.44% of liabilities; and placements from banks and other financial institutions amounted to RMB13.037 billion, accounting for 3.30% of liabilities. Currently, the Company has no debts overdue. The solvency of the Company is strong and the liquidity risk is controllable.

3. *Liquidity management*

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

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

By analyzing and monitoring the size and structure of assets and liabilities, the Company ensures that the size and duration of its assets and liabilities are able to meet its business development needs, while also maintains premium liquid assets at a reasonable and sufficient level. The Company has formulated a multitier liquidity risk indicator limit management system based on its risk appetite, and monitors the performance of each risk indicator on a daily basis. The Company monitors and analyzes the development of each business in a timely manner, and on such basis, uses risk assessment approaches such as sensitivity analysis, stress test and VaR analysis to dynamically monitor the liquidity risk of business development, and takes corresponding risk management measures. The Company has established an internal risk reporting system so that it can be promptly aware of the liquidity risk of each business and take corresponding measures to ensure the safety, stability and sustainability of each business. The Company has formulated an emergency management system to deal with the shortage of funds, and organizes emergency plans and conducts regular drills and evaluations. The Company actively expands its financing channels, and meets various needs for capital in its business process through diverse financing approaches. In the first half of 2023, the Company's liquidity risk indicators performed well. It had adequate liquid assets, and the liquidity of asset allocation continued to maintain at a high level.

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

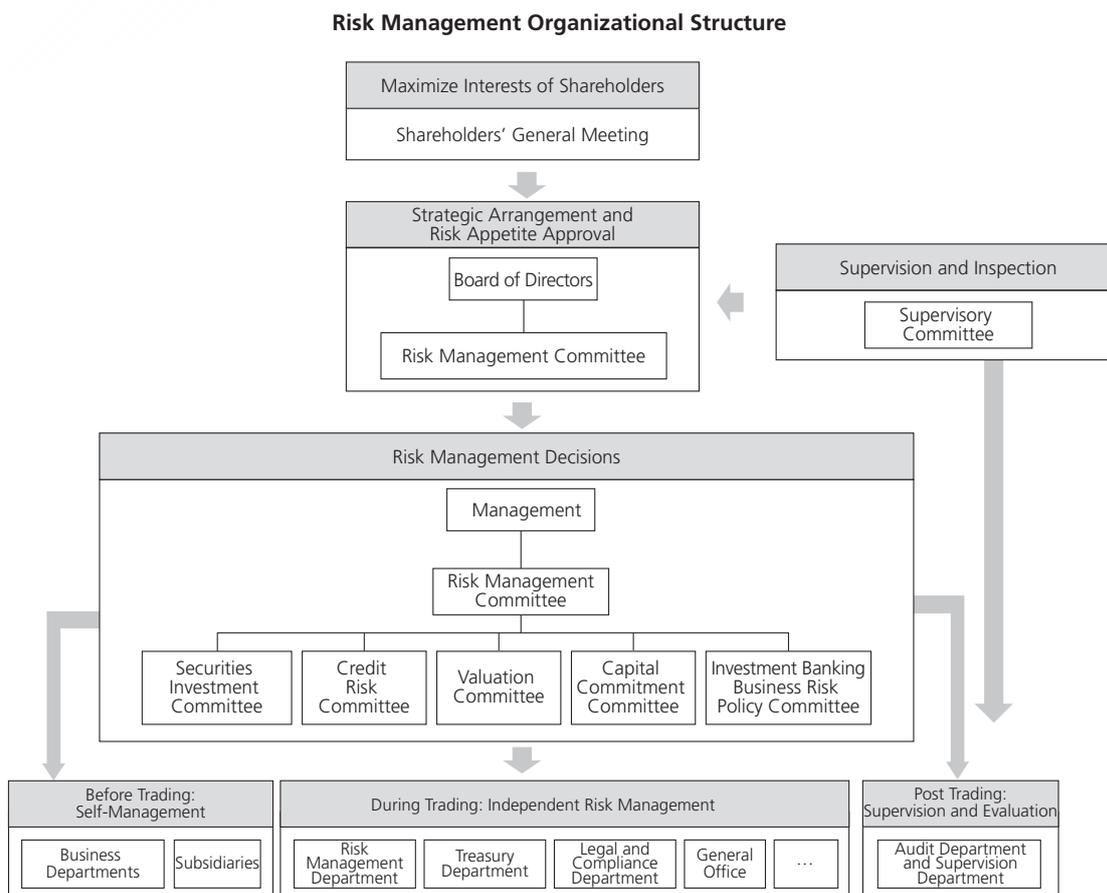
(1) Risk management structure

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

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

Chapter 3: Management's Discussion and Analysis

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



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

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

Chapter 3: Management's Discussion and Analysis

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

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

Chapter 3: Management's Discussion and Analysis

(2) Risk management system

Guided by the Overall Risk Management System of China Merchants Securities Co., Ltd. (《招商證券股份有限公司全面風險管理制度》) and the Rules of Procedures for Risk Management Committee of the Board of China Merchants Securities Co., Ltd. (《招商證券股份有限公司董事會風險管理委員會工作規則》), the Company has developed a risk management system that covers various risk exposures including overall, market, credit, operational, liquidity, reputation and money laundering risks and specifies the boundaries and general principles of each risk category.

(3) Quantitative risk management indicator system

The Company has on a top-down basis established a quantitative risk management indicator system covering risk appetite, risk tolerance, economic capital and risk limit, so as to prioritize businesses with higher risk-adjusted returns for resource allocation. This approach has effectively improved the risk management and the corporate value of the Company.

- ① **Coherent risk appetite and tolerance indicators:** Risk appetite framework establishes the fundamental attitude of the Board and the senior management towards the balance between risk and return based on the analysis of various risk exposures of the Company. Risk tolerance refers to quantitative limit indicators reflecting the effectiveness of risk management set by the Company for each specific business segment based on risk appetite and the characteristics of different business segments, in order to specify the maximum tolerance range for risk management results. After years of effort, the Company has developed clear risk appetite descriptions covering risk types such as overall risk, market risk, credit risk, operational risk and liquidity risk, based on which a risk appetite indicator system and a risk tolerance indicator system were established. The Company sets its targets of risk appetite and risk tolerance at the beginning of each year and determines economic capital budget and business authorization accordingly. The Company monitors and reports risk appetite and risk tolerance on a monthly basis, and continuously reviews the risk management based on the results.
- ② **Scientific economic capital management model:** The Company took the lead to introduce an economic capital management model in the securities industry in 2006, and kept on optimizing the methodologies on economic capital measurement and improving the economic capital management process. Our economic capital management covered market risk, credit risk and operational risk. The Company has developed internal models to measure market risk and credit risk of the economic capital that are sufficiently sensitive to risk factors and practically sound. It measured operational risks according to the standards under the Basel Accords. The measurement of economic capital is generally used in areas such as risk monitoring, quantitative assessment and performance assessment.
- ③ **Business authorization management system with the core of risk limits:** Within the statutory business scope, the Company granted business authorization at different levels based on the risk rating of the decision-making matters. The Company granted authorization prudently based on the risk management capability, implementation of business authorization and actual risk management results of each business department, so as to improve decision-making efficiency while keeping the risks under control. Unauthorized operations are strictly prohibited. Authorized persons at each level must exercise their power and undertake business activities only within the authorized scope, and must not exceed their authorities.

- ④ **Comprehensive stress testing mechanism:** The Company established the Administrative Regulations for Stress Testing of China Merchants Securities Co., Ltd. (《招商證券股份有限公司壓力測試管理規範》), which specified the division of duties among departments in stress test and determined the methods and procedures of stress test. The Company conducts routine or ad hoc stress test on liquidity risk, credit risk and market risk, as well as net capital and other risk limit indicators, based on business and market development. With this approach, the Company can effectively evaluate changes in the operation and risk profiles under extreme circumstances.

(4) Risk management culture

The Company adheres to a sound risk management culture and has integrated risk control and compliance into the corporate culture of China Merchants Securities, emphasizing that compliance and risk control are the lifeline of the Company and proposing that “professional compliance and risk control can not only hold the bottom line, but also facilitate business expansion”. Through promotion platforms at different levels, the Company carried out professional training and salon activities covering key risk areas, risk management policies and major risk warning cases, and established a risk case column to promote its risk management culture, so as to ensure all the employees to exercise risk management. The Company safeguarded the effectiveness of its comprehensive risk management system through a performance appraisal system and an accountability mechanism which cover all employees and are linked to the effectiveness of risk management.

(5) Risk management IT system

The Company fully understood the importance of IT system in modern risk management. With the innovative establishment of the platform for intelligent integrated risk management of the Group with reference to the experience drawn from international leading investment banks, the Company realized the idea of vertically managing risks which were associated with cross-border businesses of the parent company and its subsidiaries, globalization and multiple currencies in T+1 days, providing quantitative data support for risk analysis and business decision-making. The platform focused on ensuring the accurate calculation and submission of regulatory reports and data, as well as effectively realizing the Company's internal risk monitoring and measurement analysis. On this basis, various digital means were used to gradually improve the efficiency of risk management.

The platform for intelligent integrated risk management of the Group automatically captures, calculates and integrates various basic data through construction of risk models, measurement of risk indicators, statistical analysis of historical data and other methodologies, and realizes the accurate submission of various regulatory reports and the monitoring and early warning of all risk limits of the parent company and its subsidiaries. Through the risk data collection of the Group, internal and external data sources such as business data and information data can be integrated, thereby continuously optimizing the functions of data collection, theme model design, data standards and data quality check as well as the risk data management mechanism, and realizing the integrated collection of risk information of the parent company and its subsidiaries. By continuously optimizing the market risk management system and market risk measurement engine, the Company is able to enhance the functions of market risk indicator library and multi-dimensional analysis report, product measurement interface and stress testing, and improve the accuracy of market risk

Chapter 3: Management's Discussion and Analysis

measurement and efficiency of market risk monitoring. By continuously optimizing the same client and various business report modules of the credit risk management system, the Company is able to broaden the extent and range of credit risk management. By continuously optimizing the operational risk management system, the Company is able to enhance the functions of operational risk event management as well as operational risk and control assessment modules, and improve the efficiency of operational risk management. All subordinate risk systems are built upon the data collection and integrated on the same platform through the risk management cockpit, thereby realizing single sign-on and unified authority management. The Company's overall risk profile can be displayed through a unified risk control view.

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

2. Market risks and corresponding measures

(1) Overview

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

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

(2) Market risk management approaches

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

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

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

(3) Responsibilities for managing market risk

The Company collectively allocates the economic capital in accordance with a series of risk appetite and tolerance indicators set by the Board. By considering the risk and return associated with each type of investment and for the purpose of relevance and diversification, the Company allocates the overall risk limitation to different business departments and business lines and formulates corresponding business authorization. Directly confronted with the market risk, the front-office business departments are responsible for risk management as the first line of defense. The person-in-charge and the investment manager conduct trades and front-line risk management within the scope of authorization by virtue of their in-depth knowledge and extensive experience in the relevant markets and products. They dynamically control the market risk exposures to the securities held by the Company and actively take risk management measures to reduce or hedge against such risks. The Risk Management Department, which is a department responsible for supervision and management independent from the business departments and reports to the Chief Risk Officer, uses professional risk management tools and methods for controlling, evaluating and managing different levels of market risk from investment strategies, business departments and business lines and the Company. Different risk reports and analysis and assessment reports of corresponding levels are delivered on a daily, monthly and quarterly basis to the operation management and the responsible officers of the business departments and business lines of the Company. When a risk indicator is approaching or exceeds the threshold values, the Risk Management Department will send an early warning and risk warning to the operation management as well as the responsible officers of the relevant business departments and business lines of the Company in a timely manner. Based on the review opinions from the management of the Company and committee, the business departments will be urged to take corresponding measures. The Risk Management Department will continuously communicate with the respective business departments and business lines with regard to the latest market conditions, current risk exposures and possible extreme stress situations.

(4) Measurement of market risk

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

① VaR

The Company employs VaR, a common instrument used by international financial institutions, as its major tool for risk measurement. VaR analysis is a statistical technique that estimates the potential losses that could occur in portfolio positions due to movements in market prices over a specified time period and at a given level of confidence. The Company uses a VaR with a confidence level of 95% and a holding period of one day as major indicators for measuring the market risk. Historical market data is used in the VaR model. It also takes into account the impact of relevant risk factors in various risk types such as equity, interest rate, commodity and exchange rate on the portfolio position of the Company. In this way, movement in the market risk arising from changes in securities prices, interest rate/yield curve, commodity prices and exchange rate, etc. can be measured and the diversified effects of the portfolio are also considered.

Chapter 3: Management's Discussion and Analysis

With an ongoing expansion of the businesses, the Company continues to refine the VaR model actively, including adding risk factors in the new market and optimizing the computation. In addition, the Company examines the accuracy of the VaR computation model continuously through methods such as a backtesting. For certain particular investment portfolio of the Company (such as equity investment including direct equity investment, equity funds investment and structured equity investment) lack of liquidity, VaR may not be considered as an effective measure for risk calculation. Therefore, the Company has followed the industry practice to forecast the potential effect by assuming that the value of assets invested drops for a certain percentage.

② Stress test

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

③ Sensitivity analysis

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

(5) Market risk limit management system

The Company has already established relevant risk limit indicator system at different levels of departments, business lines and trading strategies, in order to control the fluctuation of profit and loss and market risk exposure. The risk limit of the Company is determined with reference to the risk appetite and tolerance after taking into account the investment features, risks and effects on overall risk exposures of different operations. The risk limit is adjusted based on the market environment, business development needs and risks of the Company. The risk limit of the Company mainly comprises size, concentration ratio, quantitative risk value (including VaR and Greeks, etc.), stop-loss and other indicators. The Company has implemented a classified review system and respective sub-limit indicators within the risk limit are applied to business departments, business lines and investment managers. The operation management is able to effectively manage the overall risk exposure of the Company with risk indicators at the Company level. Business departments, business lines and investment managers are able to enter into transactions effectively within the scope of sub-limit indicators. Sub-risk limit indicators, therefore, do not serve as maximum risk tolerance for the corresponding business but mainly a mechanism which reports any increasing risks in risk management when certain conditions are fulfilled. The Risk Management Department independently monitors each risk limit of the Company on a daily basis. The department will warn or remind the operation management, relevant business departments and business lines in a timely manner if the risk limit is to be reached or is exceeded. Such business departments and business lines will issue analysis reports and propose appropriate measures and, according to the specific condition, reduce risk exposures or increase risk threshold based on the authorization system.

For the exchange rate risk of foreign currency investment, the Company has set limits such as exchange rate exposure of net foreign currency investment, and managed exposure through hedging instruments such as foreign currency loans and foreign exchange forward swaps to control maturity mismatch, and the overall exchange rate risk is low.

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:

Chapter 3: Management's Discussion and Analysis

① Credit risk limit

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

② Internal credit rating

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

③ Quantitative management of collaterals

The Company has paid great attention to the protection of collaterals for the Company's debts. The Company has strengthened collateral management by establishing negative collateral lists mechanism and collateral conversion rate models and adjusting collateral types and conversion rate periodically to safeguard the Company's right of credit. The adjustment mechanism on conversion rate is determined based on intrinsic value (financial statements) and market factors (market price fluctuation, increase, etc.). The Company has also founded a centralized collateral monitoring mechanism and key collaterals assessment mechanism.

④ Credit risk measurement model

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

(3) Responsibilities for managing credit risk

The Risk Management Committee of the Board is responsible for the review and approval of credit risk appetite. The Risk Management Committee of the Company is responsible for the review of overall risk management on credit business and development of major high-risk and innovative credit business. The Risk Management Committee of the Company and its Credit Risk Committee are responsible for the approval for the loan provision policy. All business departments of the Company are responsible for the particular operation, management and monitoring of credit-related business. The Risk Management Department of the Company is responsible for the research and establishment of credit risk management system, determination of credit risk appetite and tolerance, formulation of loan provision policy of the Company and independent monitoring and warning on credit risk.

(4) Credit risk management on principal businesses

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

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

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

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

Chapter 3: Management's Discussion and Analysis

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

Unit: RMB10,000

	June 30, 2023	December 31, 2022
Onshore bonds		
PRC sovereign bonds	13,954,254	13,607,139
AAA	8,875,042	6,484,436
AA+	253,942	269,340
AA	89,486	70,735
AA-	—	135
Below AA-	30,747	35,243
A-1	15,249	—
Non-rated	41,275	103,774
Sub-total	23,259,995	20,570,802
Offshore bonds		
PRC sovereign bonds	181	453
A	376,102	309,346
B	67,141	97,006
C	—	—
D	—	—
Non-rated	2,748	7,205
Sub-total	446,172	414,010
Total	23,706,167	20,984,812

Notes:

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

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

4. Operational risks and corresponding measures

(1) Overview

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

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

(2) Operational risk management

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

- ① The Company has established comprehensive systems for operational risk management in accordance with the New Basel Accord and our strategic development needs, and effectively led the operation of various businesses through measurement and allocation of operational risk-based economic capital;
- ② The Company has established a scientific system on the basis of operational risk appetite, tolerance and management policy. The Company improved the operational risk governance structure in a dynamic way;
- ③ The Company has established a system of pre-risk identification and assessment covering all business procedures of all units, subsidiaries and branches by using operational risk and self-assessment management tools with procedure rationalization as the focus, facilitating the formation of operational risk manuals for each unit;
- ④ The Company has continued to set up a system of key indicators of operational risk to further enhance the in-process capabilities of operational risk monitoring based on risk-prone areas of different business features and operations by formulating risk management standards and conducting management by classification;
- ⑤ The Company has established an operational risk event management mechanism, collected and summarized the internal and external operational risk events encountered by the Company, analyzed reasons of the events and formulated alleviation plans, as well as strengthened the following-up of and improvements in the operational risk events;

Chapter 3: Management's Discussion and Analysis

- ⑥ The Company paid great attention to the control of substantive risks, and carried out various special operational risk inspections and management improvements focusing on areas with high and frequent operational risks according to the characteristics of different businesses;
- ⑦ The Company has promoted the systematic application of three major operational risk management tools on risk identification and assessment, risk monitoring and events collecting and reporting by establishing an operational risk system, so as to effectively improve the efficiency of the Company's operational risk management and its management standard;
- ⑧ The Company paid great attention to the training and promotion of culture relating to operational risk management. The Company emphasized the importance of conducting risk identification and control before introducing innovative products and innovative businesses. Through various kinds of trainings and promotions, operational risk management covers all the departments and branches of the Company.

5. Liquidity risks and corresponding measures

(1) Overview

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

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

(2) Responsibilities for managing liquidity risk

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

(3) Liquidity risk management approaches

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

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

6. Reputational risks and corresponding measures

(1) Overview

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

(2) Reputational risk management

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

Chapter 3: Management's Discussion and Analysis

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

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

The Company has established a monitoring system over risk control indicators, achieving T+1 dynamic monitoring and automatic advance warning functions over all risk control indicators. The Company has formulated the "Administrative Measures for Risk Control Indicators of China Merchants Securities Co., Ltd." (《招商證券股份有限公司風險控制監管指標管理辦法》) and "Administrative Regulations for Stress Testing of China Merchants Securities Co., Ltd." (《招商證券股份有限公司壓力測試管理規範》) to formally set up the mechanism for the management of risk control indicators and stress tests over the indicators. The Company has designated staff to perform regular monitoring over the risk control indicators and immediately report abnormalities. The Company has set up a net capital replenishment mechanism and replenished net capital through, among others, equity financing and issuance of subordinated debts based on the stress tests and analysis of the risk control indicators over a period of time.

During the Reporting Period, all risk control indicators including net capital and liquidity of the Company continuously satisfied the regulatory requirements and the Company has not recorded any non-compliance with the regulatory requirements. As at the end of the Reporting Period, the net capital of the Company amounted to RMB75.473 billion.

Chapter 4: Corporate Governance

I. Shareholders' General Meetings

Meeting	Date of meeting	Enquiry index of designated website for the publication of resolutions	Date of announcement on resolutions	Resolutions of the meeting
2023 first extraordinary general meeting	January 12, 2023	Hong Kong Stock Exchange website	January 12, 2023	Considered and approved the resolution on the election of Mr. LI Xiaofei as a non-executive Director, the resolution on the election of Mr. XU Xin as a shareholders' representative Supervisor and the resolution on the amendments to the Articles of Association of China Merchants Securities Co., Ltd.
2022 annual general meeting	June 30, 2023	Hong Kong Stock Exchange website	June 30, 2023	Considered and approved the working report of the Board of the Company for 2022, the working report of the Supervisory Committee of the Company for 2022, the duty report of independent Directors of the Company for 2022, the annual report of the Company for 2022, the final accounts report of the Company for 2022, the resolution on the profit distribution plan of the Company for 2022, the resolution on the budget for the proprietary investment of the Company for 2023, the resolution on the engagement of the auditors of the Company for 2023, the resolution on the contemplated ordinary related party transactions of the Company for 2023, the resolution on the guarantee authorization scheme for the year 2023 of China Merchants Securities International Company Limited and its wholly-owned subsidiaries, the resolution on the election of Ms. DING Lusha as a non-executive Director of the Company, the resolution on the election of Mr. PENG Luqiang as a shareholders' representative Supervisor of the Company, the resolution on the grant of the general mandate to the Board to issue debt financing instruments of the Company and the resolution on the grant of the general mandate to the Board to issue additional H shares of the Company.
2023 second extraordinary general meeting	August 25, 2023	Hong Kong Stock Exchange website	August 25, 2023	Considered and approved the resolution on the proposed appointment of Mr. ZHANG Jian as a non-executive Director and the resolution on the proposed appointment of Mr. ZHU Liwei as a shareholders' representative Supervisor.

Chapter 4: Corporate Governance

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

Name	Position	Change	Date of change	Reason for change
PENG Lei (彭磊)	Non-executive Director	Resigned	January 12, 2023	Resigned due to change in work arrangement
LI Xiaofei (李曉霏)	Shareholder representative Supervisor	Resigned	January 12, 2023	Resigned due to change in work arrangement
LI Xiaofei (李曉霏)	Non-executive Director	Elected	January 12, 2023	Elected at the shareholders' general meeting
XU Xin (徐鑫)	Shareholder representative Supervisor	Elected	January 12, 2023	Elected at the shareholders' general meeting
SHEN Weihua (沈衛華)	Employee representative Supervisor	Resigned	March 9, 2023	Resigned due to change in work arrangement
CHEN Jun (陳鋈)	Employee representative Supervisor	Elected	March 9, 2023	Elected at the employee representatives' meeting
SU Min (蘇敏)	Non-executive Director	Resigned	March 31, 2023	Resigned due to reaching the retirement age
ZHANG Zhen (張震)	Shareholder representative Supervisor	Resigned	April 14, 2023	Resigned due to change in work arrangement
WU Hui Feng (吳慧峰)	Vice president, secretary to the Board, joint company secretary, authorized representative	Resigned	April 21, 2023	Resigned due to change in work arrangement
LIU Jie (劉傑)	Vice president (chief financial officer), joint company secretary, authorized representative	Appointed	April 21, 2023	Appointed by the Board
WANG Wen (王文)	Non-executive Director	Resigned	May 19, 2023	Resigned due to change in work arrangement
DING Lusha (丁璐莎)	Non-executive Director	Elected	June 30, 2023	Elected at the shareholders' general meeting
PENG Luqiang (彭陸強)	Shareholder representative Supervisor	Elected	June 30, 2023	Elected at the shareholders' general meeting
XU Xin (徐鑫)	Shareholder representative Supervisor	Resigned	July 28, 2023	Resigned due to change in work arrangement
GAO Hong (高宏)	Non-executive Director	Resigned	August 11, 2023	Resigned due to change in work arrangement
LIU Rui (劉銳)	Vice president	Appointed	August 21, 2023	Appointed by the Board
ZHANG Jian (張健)	Non-executive Director	Elected	August 25, 2023	Elected at the shareholders' general meeting
ZHU Liwei (朱立偉)	Shareholder representative Supervisor	Elected	August 25, 2023	Elected at the shareholders' general meeting
XIONG Kai (熊開)	Vice president	Appointed	August 29, 2023	Appointed by the Board
LIU Jie (劉傑)	Secretary to the Board	Appointed	August 29, 2023	Appointed by the Board

For details of the above changes, please refer to the relevant announcements and/or circulars published by the Company on the Hong Kong Stock Exchange website dated December 21, 2022 and January 12, February 17, March 9, March 31, April 14, April 21, May 19, May 31, June 30, July 28, August 4, August 11, August 21, August 25 and August 29, 2023.

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

During the Reporting Period, a total of seven Directors, Supervisors and senior management of the Company resigned, accounting for 25% of the total number of Directors, Supervisors and senior management as at the beginning of the Reporting Period.

On April 21, 2023, at the 29th meeting of the seventh session of the Board, Mr. LIU Jie was appointed as a vice president (chief financial officer), joint company secretary and authorized representative under Rule 3.05 of the Hong Kong Listing Rules of the Company. Mr. LIU Jie shall act as the secretary to the Board until a new secretary to the Board is appointed by the Board. The person-in-charge of information disclosure of the Company was changed from Mr. WU Huifeng to Mr. LIU Jie accordingly.

On July 20, 2023, Mr. LIU Jie had acted as the secretary to the Board for three months. According to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, from July 21, 2023, Mr. HUO Da, the chairman of the Company, shall act as the secretary to the Board until the date on which a secretary to the Board is appointed by the Board. The person-in-charge of information disclosure of the Company was changed from Mr. LIU Jie to Mr. HUO Da (the chairman) accordingly.

On August 29, 2023, at the 37th meeting of the seventh session of the Board, Mr. LIU Jie was appointed as the secretary to the Board for a term of office commencing from August 29, 2023 until the expiry of the seventh session of the Board. The person-in-charge of information disclosure of the Company was changed from Mr. HUO Da (the chairman) to Mr. LIU Jie accordingly.

For details of the above changes, please refer to the relevant announcements and/or overseas regulatory announcements published by the Company on the Hong Kong Stock Exchange website dated April 21, July 20 and August 29, 2023.

Other changes in positions of Directors, Supervisors and senior management of the Company from the date of publication of the 2022 annual report to the date of this report were as follows:

DENG Weidong, a Director, has served as the vice chairman of China Merchants Energy Shipping Co., Ltd. (a company listed on the SSE, stock code: 601872) since August 2023.

LI Xiaofei, a Director, ceased to serve as a supervisor of China Great Wall Securities Co., Ltd. (a company listed on the SZSE, stock code: 002939) since June 2023.

HUANG Jian, a Director, has served as a director of SAIC Motor Corporation Limited (a company listed on the SSE, stock code: 600104) since June 2023.

HU Honggao, a Director, ceased to serve as an independent director of Shanghai Amarsoft Information & Technology Co., Ltd. (a company listed on the SZSE, stock code: 300380) since March 2023, and ceased to serve as an independent director of Shanghai China Fortune Co., Ltd. (a company listed on the SSE, stock code: 600621) since May 2023.

WANG Zhangwei, a Supervisor, has served as a director of China Great Wall Securities Co., Ltd. (a company listed on the SZSE, stock code: 002939) since June 2023.

PENG Luqiang, a Supervisor, has served as the vice chairman of Jiang Tai Insurance Brokers Co., Ltd. since May 2023.

GAO Hong, a Director (resigned on August 11, 2023), ceased to serve as the general manager of China Merchants Financial Technology Co., Ltd. since March 2023.

WANG Wen, a Director (resigned on May 19, 2023), ceased to serve as a vice president of PICC Life Insurance Company Limited since March 2023, and ceased to serve as the chairman of China-US Insurance Advisory Co., Ltd. since April 2023.

XU Xin, a Supervisor (resigned on July 28, 2023), has served as a director of Liaoning Port Co., Ltd. (a company listed on the SSE, stock code: 601880; listed on the Hong Kong Stock Exchange: stock code: 2880) since June 2023.

ZHAO Bin, a vice president, ceased to serve as the chairman of China Merchants Securities International Company Limited since May 2023.

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

Chapter 4: Corporate Governance

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

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

Name	Position(s)
HUO Da (霍達)	Chairman of the Board, executive Director, Chief Information Officer
ZHANG Jian (張健)	Non-executive Director
DENG Weidong (鄧偉棟)	Non-executive Director
LIU Weiwu (劉威武)	Non-executive Director
WU Zongmin (吳宗敏)	Executive Director, President
LI Xiaofei (李曉霏)	Non-executive Director
HUANG Jian (黃堅)	Non-executive Director
LIU Chong (劉沖)	Non-executive Director
DING Lusha (丁璐莎)	Non-executive Director
XIANG Hua (向華)	Independent non-executive Director (Note)
XIAO Houfa (肖厚發)	Independent non-executive Director (Note)
XIONG Wei (熊偉)	Independent non-executive Director (Note)
HU Honggao (胡鴻高)	Independent non-executive Director (Note)
FENG Jinhua (豐金華)	Independent non-executive Director
ZHOU Linda Lei (周語菡)	Chairlady of the Supervisory Committee
ZHU Liwei (朱立偉)	Shareholder representative Supervisor
WANG Zhangwei (王章為)	Shareholder representative Supervisor
MA Yunchun (馬蘊春)	Shareholder representative Supervisor
PENG Luqiang (彭陸強)	Shareholder representative Supervisor
ZOU Qun (鄒群)	Shareholder representative Supervisor
YIN Hongyan (尹虹艷)	Employee representative Supervisor
HE Min (何敏)	Employee representative Supervisor
CHEN Jun (陳鋈)	Employee representative Supervisor

Name	Position(s)
XIONG Kai (熊開)	Vice President
LIU Jie (劉傑)	Vice President (Chief Financial Officer), secretary to the Board
ZHAO Bin (趙斌)	Vice President
HU Yu (胡宇)	Chief Compliance Officer, Chief Risk Officer
ZHANG Haochuan (張浩川)	Vice President
LIU Rui (劉銳)	Vice President

Note: Reference is made to the announcement of the Company dated July 11, 2023 in relation to the expiry of the terms of independent non-executive Directors. Mr. XIAO Houfa, Mr. XIANG Hua, Mr. HU Honggao and Mr. XIONG Wei, the independent non-executive Directors of the Company (the “**Relevant Directors**”) had served as the independent non-executive Directors for six consecutive years on July 12, 2023, July 18, 2023, July 18, 2023 and August 3, 2023, respectively. Pursuant to the Rules for Independent Directors of Listed Companies (《上市公司獨立董事規則》) and other relevant regulations, the consecutive term of an independent director serving in the same listed company shall not exceed six years.

In view of the fact that the resignation of the Relevant Directors upon the expiry of their terms will result in the number of the independent non-executive Directors of the seventh session of the Board of the Company being less than one-third of the members of the Board and in accordance with the requirements of the Rules for Independent Directors of Listed Companies (《上市公司獨立董事規則》), the Relevant Directors will continue to serve as the independent non-executive Directors and perform their related duties in the special committees under the Board until new independent non-executive Directors are elected at the general meeting of the Company.

In June 2023, the Remuneration and Appraisal Committee under the Board considered and approved the remuneration of senior management of the Company for 2020. The remaining portion of remuneration before tax of senior management of the Company for 2020 (including the remuneration accrued and payable for 2020, and the remuneration deferred from 2017, 2018 and 2019 to 2020) amounted to: RMB3.0285 million (HUO Da), RMB2.5798 million (ZHOU Linda Lei), RMB2.3993 million (DENG Xiaoli), RMB1.9406 million (LI Zongjun), RMB2.0934 million (WU Huifeng), RMB4.7475 million (ZHAO Bin), RMB2.4525 million (HU Yu) and RMB957.2 thousand (XIE Jijun).

In addition, the remaining portion of remuneration before tax of employee representative Supervisors of the Company during their tenure of office for 2020 (including the remuneration accrued and payable for 2020, and the remuneration deferred from 2017, 2018 and 2019 to 2020) amounted to: RMB3.9613 million (YIN Hongyan), RMB1.4086 million (HE Min), RMB390.0 thousand (SHEN Weihua) and RMB2.4056 million (XIONG Zhigang).

Chapter 4: Corporate Governance

IV. Employees of the Parent Company and Major Subsidiaries

(I) Employees

Unit: person

Number of employees of the parent company	11,305
Number of employees of major subsidiaries	953
Total number of employees	12,258
Number of resigned and retired employees with expenses borne by the parent company and major subsidiaries	61

(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 fixed remuneration determined based on the market remuneration data provided by professional management consulting company and the ranking of the Company among its major competitors, and bonus determined at the discretion of the Company mainly according to the achievement of key performance indicators of each department, strategic tasks, and objectives in terms of innovation and synergy, use of economic capital, implementation of comprehensive risk management and compliance management as well as the market rate.

For details of staff remuneration of the Company during the Reporting Period, please refer to Note 9 to the consolidated financial statements of this report.

(III) Training program

Focusing on its development strategy and closely following the needs of business development and talent training, the Company has formulated and implemented the 2023 training program. In the first half of 2023, the Company organized and implemented training programs in various forms combining systematic training with individualized training, covering a total of 250,000 hours of employee training and a total of 250,000 person-times. The training focused on cultural construction, compliance risk control, advanced technology, investment research, wealth management, digital transformation, professional quality, etc., which has effectively facilitated the improvement of employee capabilities and the cultivation of core talents. At the same time, the Company promoted the resource construction and function optimization of the mobile learning platform, and launched 230 new online courses to support the flexible and independent learning needs of employees.

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

Employee stock ownership scheme

Summary of event	Reference
<p>The "Plan for Repurchasing A Shares of the Company by Centralized Bidding Transactions" was considered and approved at the 17th meeting of the sixth session of the Board, the 2019 first extraordinary general meeting, the 2019 first A shareholders class meeting and the 2019 first H shareholders class meeting of the Company. The Company intended to use all of the A shares repurchased this time for the employee stock ownership scheme.</p> <p>The "Proposal for Employee Stock Ownership Scheme (Draft) of China Merchants Securities Co., Ltd. and its Summary" was considered and approved at the 25th meeting of the sixth session of the Board and the 2020 first extraordinary general meeting of the Company. The "Proposal on the Advanced Completion of A Share Repurchase of the Company" and the "Proposal on Defining the Price and Scale of Purchasing the Repurchased Shares of the Company's Employee Stock Ownership Scheme" were considered and approved at the 28th meeting of the sixth session of the Board and the 2020 first extraordinary general meeting of the Company, and the "Employee Stock Ownership Scheme (Draft) of China Merchants Securities Co., Ltd." and its summary were accordingly revised. The purpose of the employee stock ownership scheme is to (1) further improve the corporate governance structure, establish and enhance the benefit-sharing and risk-sharing mechanism among shareholders, the Company and its employees, promote the concept of common and sustainable development of the Company and individuals, and fully stimulate the enthusiasm of the senior management and key talents of the Company; (2) attract and retain outstanding talents and key employees, balance the long-term and short-term interests of the Company, and attract various talents more flexibly, so as to better promote the long-term, sustainable and sound development of the Company. Upon the implementation of the employee stock ownership scheme, the total number of shares held under the employee stock ownership scheme shall not exceed 10% of the total share capital of the Company, and the total number of shares held by any individual holder under the employee stock ownership scheme shall not exceed 1% of the total share capital of the Company.</p>	<p>The relevant announcements and/or overseas regulatory announcements published by the Company on the Hong Kong Stock Exchange website dated March 12, March 13, April 11, May 20, October 15, November 8 and December 26, 2019, and January 14, January 15, January 22, March 5, July 6 and August 18, 2020.</p>

Chapter 4: Corporate Governance

Summary of event	Reference
<p>On January 21, 2020, the Company held the first meeting of holders of employee stock ownership scheme, and considered and approved the “Proposal on the Establishment of Employee Stock Ownership Scheme Management Committee of the Company” and the “Proposal on the Election of Members of the Employee Stock Ownership Scheme Management Committee of the Company”.</p> <p>The participants of the employee stock ownership scheme are Directors, Supervisors, senior management, personnel at D-tier and above and other key employees who have entered into labor contracts with the Company and its wholly-owned subsidiaries.</p> <p>The Company engaged CMS Asset Management as the management authority for the employee stock ownership scheme, and signed the “CMS Asset Management – Asset Management Contract for Single Asset Management Scheme under the China Merchants Securities No. 1 Employee Stock Ownership Scheme” with CMS Asset Management on behalf of the employee stock ownership scheme. On March 6, 2020, the Company received the “Share Transfer Confirmation” issued by China Securities Depository and Clearing Corporation Limited. On March 3, 2020, the Company completed the share transfer procedures for the employee stock ownership scheme. The employee stock ownership scheme held 40,020,780 A shares of the Company, accounting for 0.5974% of the total share capital of the Company, with a total of 995 participants.</p> <p>Upon the completion of the Company’s A+H shares rights issue from July 2020 to August 2020, the employee stock ownership scheme held 52,026,381 A shares of the Company, accounting for 0.5982% of the total share capital of the Company.</p>	

Summary of event	Reference
<p>The subscription price under the employee stock ownership scheme is RMB16.5912 per share, which is determined based on the average price of the shares repurchased by the Company (including transaction fees) for the implementation of the employee stock ownership scheme. The subscription price for the issuance of shares under the employee stock ownership scheme is RMB7.46 per share.</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>On March 7, 2023, the relevant shares under the employee stock ownership scheme were unlocked. From May 8 to May 9, 2023, a total of 24,094,488 shares under the employee stock ownership scheme were sold. As of the date of this report, the employee stock ownership scheme holds 27,931,893 shares of the Company, accounting for 0.32% of the total share capital of the Company, with a total of 995 participants, which have not changed.</p> <p>The employee stock ownership scheme shall last for 10 years, commencing from the date on which it was considered and approved at the shareholders' general meeting (i.e. January 15, 2020). The scheme can be extended upon consideration at the meeting of holders under the employee stock ownership scheme and submission to the Board for consideration and approval. If the employee stock ownership scheme expires and has not been effectively extended, the employee stock ownership scheme shall be automatically terminated. The remaining term of the employee stock ownership scheme is approximately 6.4 years.</p>	

Chapter 4: Corporate Governance

In the first half of 2023, no shares were granted under the employee stock ownership scheme. Details of the shares granted under the employee stock ownership scheme are as follows:

Name/category of holder	Number of shares held
HUO Da	531,210
ZHOU Linda Lei	429,054
YIN Hongyan	204,311
HE Min	102,156
CHEN Jun	102,156
Total of other employees	26,563,006

VI. Corporate Governance

(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. The Board inspects 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 “Interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations of the Directors, Supervisors and chief executives” in “Chapter 7: Changes in Shares and Shareholders” of this report.

(II) Relevant information on corporate governance

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

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

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

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

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

1. In terms of assets, the Company has a clear property right relationship with the controlling shareholder, and has complete and independent legal person assets. The Company has complete control over all of its assets, and there is no situation where assets and funds are being appropriated by the controlling shareholder and damages the interests of the Company.
2. In terms of personnel, the Company has developed a comprehensive system regarding the management of personnel and remuneration, and established an independent human resources management department that manages personnel and remuneration independent from the controlling shareholder. The Company has an independent team of employees, and its Directors, Supervisors and senior management are legally appointed in accordance with the Company Law, the Articles of Association and relevant laws, regulations and rules. Senior management of the Company serves and receives remuneration from the Company, and does not hold any position other than director and supervisor in the controlling shareholder and its subsidiaries.
3. In term of finance, the Company has an independent finance and accounting department with dedicated finance personnel, and established an independent accounting system and regulated financial management system to make financial decisions independently. The Company has independent bank accounts, and completes tax registration and fulfills its tax obligations independently according to the laws. There is no sharing of bank account or tax paid in mix with those of the controlling shareholder.
4. In terms of organization, the Company has established a sound organizational system that meets its operational needs. The system operates independently and stably without any subordination to departments of the controlling shareholder.
5. In terms of business, the Company has an independent and comprehensive business system. The Company conducts its businesses, audits and decision-making independently, and assumes liabilities and risks independently without reliance on the controlling shareholder or any other related parties.

Chapter 5: Environment and Social Responsibility

I. Information on Environmental Protection

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

1. Administrative punishment due to environmental issues

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

2. Reasons for not disclosing other environmental protection information

The Company has incorporated the concept of being green and low-carbon into its daily operations, and formulated energy-saving and environmental protection work plans, so as to reduce energy consumption, improve the utilization efficiency of resources and reduce waste emissions. The energy consumption and emissions from daily office work have a mild impact on the environment. The Company will disclose specific environmental data and management information in its 2023 social responsibility report.

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

The Company has been committed to protecting the ecology, preventing pollution and promoting the concept of green development in multiple dimensions. Through various media within the Company, focusing on energy conservation and environmental protection, the Company has vigorously publicized the importance of environmental protection, energy conservation and emission reduction, educated employees about the guidelines, policies, laws and regulations related to energy conservation and consumption reduction, and popularized tips for energy conservation and emission reduction. Outside the Company, through the official WeChat official account, the Company has carried out a series of promotions on "carbon neutrality" to convey the concept of sustainable development.

Actively responding to the relevant requirements of the Administrative Regulations on Domestic Garbage Sorting of Shenzhen (《深圳市生活垃圾分类管理条例》) promulgated by the Shenzhen Municipal Government, the Company has set up domestic garbage sorting stations, publicized garbage sorting knowledge through projection screens in the public area, guided employees to carry out domestic garbage sorting, and regularly contacted the urban management department to collect harmful garbage such as toner cartridges, toner drum units, fluorescent tubes and batteries. In the canteen of the headquarters building, two sets of oil-water separation equipment are used to separate dry and wet kitchen waste, which is disposed daily in accordance with the relevant requirements. The Company has advocated the Clean Your Plate campaign (光盘行动) and encouraged the use of less disposable tableware and the use of degradable lunch boxes to reduce environmental pollution.

Chapter 5: Environment and Social Responsibility

The Company has vigorously developed green finance, with an aim to achieve the goal of “emission peak and carbon neutrality”. During the Reporting Period, the Company assisted relevant companies to complete equity financing of RMB3.443 billion and issue green bonds of RMB7.523 billion (being the amount underwritten by the Company, and the total financing of the projects amounted to RMB78.869 billion). In addition, the Company acted as the sole financial advisor for one of the first new energy REITs and the first photovoltaic public offering REIT in China with an issuance amount of RMB2.935 billion, the underlying assets of which are two centralized photovoltaic power stations of Beijing Energy International Holding Co., Ltd. (北京能源國際控股有限公司) in Yulin, Shaanxi (300 MW) and Suizhou, Hubei (100 MW), respectively. Since the operation of the two projects, a total of 2.67 billion kWh of electricity has been generated, and a total of 2.664 million tonnes of carbon dioxide has been reduced while realizing economic benefits.

Under the “Gazelle Incubator Project” (羚躍計劃), the Company organized a series of enablement activities such as the “Exploring the Future with Technology and Innovations while Achieving Emission Peak and Carbon Neutrality” (科技創『芯』『碳』索未來) industry exchange meeting on TMT and emission peak and carbon neutrality, thereby building a platform of investment, financing and industry exchanges for outstanding enterprises in the TMT and emission peak and carbon neutrality industries, and creating a sustainable, communicable, multi-level and multi-form investment and financing service system.

(III) Measures taken to reduce carbon emissions and their effects during the Reporting Period

1. Practicing green operation

The Company has always advocated and promoted low-carbon and environmentally friendly business philosophy and working approaches, and practiced green operation. In daily office work, the Company has promoted paperless office and reduced offline meetings. Company documents and processes are mainly circulated through the OA system, and paper materials are printed on both sides. The Company has designated personnel to inspect the office and workplace and remind employees to turn off lighting, computers, photocopiers, scanners and other electrical equipment in time after work. The Company has set up a waste paper recycling area, and recycled and reused old newspapers and paper materials discarded by employees. In terms of air-conditioning facilities and equipment, the Company has installed ice storage systems to reduce electricity consumption by storing ice during off-peak electricity hours at night and melting the ice to produce chilled air during peak electricity hours at daytime, thereby significantly reducing energy consumption. The Company reduced electricity consumption by replacing the lighting fixtures in the underground parking lots with those that extinguish intermittently to achieve the purpose of energy saving.

2. Continuously building a green and energy-saving data center

The data center of the Company’s headquarters has a GFA of 8,700 square meters, and is designed and built in accordance with the national A-level computer room standard. While ensuring safe operation, the Company has continuously built a green and energy-saving data center. The facade of the data center building is insulated as a whole to reduce the cooling loss caused by heat conduction. The data center adopts a closed cold aisle and is equipped with an intelligent inverter air-conditioning system. At the same time, through continuous optimization of the return air system, the cooling loss caused by the mixing of hot and cold air is reduced, and the heat dissipation efficiency of computer equipment is improved. The lighting system is intelligently managed, which enables the automatic adjustment of lighting equipment to realize the energy saving of lighting system.

Chapter 5: Environment and Social Responsibility

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

(I) Poverty alleviation through finance

In the first half of 2023, the Company assisted Xinjiang Zhongtai (Group) Co., Ltd. (新疆中泰(集團)有限責任公司) (hereinafter referred to as “Xinjiang Zhongtai Group”), Agricultural Bank of China Limited and China Merchants Bank Co., Ltd. to issue rural revitalization special corporate bonds and “Three Rural Issues” (三農) special financial bonds, with a total issuance amount of RMB26.180 billion, of which the Company underwrote RMB4.530 billion.

1. *Assisted Xinjiang Zhongtai Group in its 2023 non-public issuance of rural revitalization special corporate bonds (second tranche) to professional investors*

On March 14, 2023, Xinjiang Zhongtai Group completed its 2023 non-public issuance of rural revitalization special corporate bonds (second tranche) to professional investors. Such bonds are the first rural revitalization special corporate bonds of Xinjiang Zhongtai Group, and are also the first cotton-themed corporate bonds in China. The issuance of this tranche of bonds amounted to RMB500 million, with a term of three years and a coupon rate of 4.65%. China Merchants Securities acted as the bookrunner and sole lead underwriter of this tranche of bonds.

Most of the proceeds raised from this tranche of corporate bonds will be used for the establishment of the cotton spinning project of a subsidiary of Xinjiang Lihua (Group) Co., Ltd. (新疆利華(集團)股份有限公司) (hereinafter referred to as “Lihua Group”), so as to promote the high-quality development of Xinjiang’s textile and garment industry.

Lihua Group, being a key enterprise in the textile and garment segment under Xinjiang Zhongtai Group, is a group company principally engaging in the entire cotton industry chain, and is also a national key leading enterprise in agricultural industrialization and the largest individual enterprise in the domestic cotton industry. Lihua Group has continuously extended, strengthened and reinforced the industry chain. The upstream enterprises have participated in the transfer of millions of acres of land and the construction of high-standard farmland in northern and southern Xinjiang, while the downstream enterprises plan to establish the million-spindle cotton spinning (百萬錠棉紡) project, with an aim to continuously advancing poverty alleviation, providing local farmers with local and nearby employment, and strongly supporting the implementation of the rural revitalization strategy in Xinjiang.

2. Assisted Agricultural Bank of China Limited in its issuance of the 2023 “Three Rural Issues” special financial bonds

On June 2, 2023, the Agricultural Bank of China successfully issued RMB20 billion of “Three Rural Issues” (三農) special financial bonds by way of bookkeeping. Such issuance was the largest issuance record of such type of bonds, with an issuance rate of 2.65%. This tranche of bonds innovatively adopted the theme of “facilitating the construction of a strong agricultural country”, and is the first “Three Rural Issues” (三農) special financial bonds linked to a specific theme in the market. The proceeds raised will be used in areas such as food security and the integrated development of primary, secondary and tertiary rural industries. China Merchants Securities acted as the joint lead underwriter of this tranche of bonds.

This tranche of bonds have a distinct theme and received active subscriptions from many investors, with a subscription ratio of 2.1 times. The successful issuance of this tranche of bonds will facilitate the Agricultural Bank of China to give full play to its role as a main force in providing financial services for the “Three Rural Issues” (三農), continue to increase capital investment, and drive more “financial vitality” (金融活水) to promote rural revitalization, so as to accelerate agricultural and rural modernization.

3. Assisted China Merchants Bank to issue RMB5 billion of “Three Rural Issues” special financial bonds

On March 27, 2023, China Merchants Bank successfully issued the 2023 “Three Rural Issues” (三農) special financial bonds of China Merchants Bank Co., Ltd. by way of bookkeeping, with an issuance amount of RMB5 billion and a term of three years. The proceeds raised will be earmarked for granting agriculture-related loans to support rural revitalization. China Merchants Securities acted as the lead underwriter of this tranche of bonds.

This tranche of “Three Rural Issues” (三農) special financial bonds is the first commercial bank financial bonds using the ChinaBond Roadshow platform. This tranche of issuance innovatively utilized advanced digital methods such as online roadshow and blockchain system bookkeeping to further improve the transparency of issuance information and efficiency of issuance. This tranche of bonds was widely recognized by the market, and the bid-to-cover ratio was as high as 3.07 times. The issuance rate of this tranche of bonds was 2.77%, hitting a new low among the financial bonds of commercial banks this year, and there were as many as 33 allocated institutions.

The issuance of this tranche of bonds is a successful example of financial institutions widely mobilizing the enthusiasm of market players and effectively allocating financial resources to support rural revitalization, achieving a win-win situation of social value and issuance quality.

Chapter 5: Environment and Social Responsibility

(II) Poverty alleviation through charity

1. The Company donated RMB357,405 to the Chongqing Xing'an Poverty Alleviation Foundation (重慶市興安幫扶基金會) to specifically support the Ayi Tudou (阿依土豆) Daliang Mountains education support project, providing assistance for the education and healthy growth of primary school students in remote and less developed areas. By providing teaching materials and stationery, as well as transportation and living allowances for teaching volunteers, the Foundation has promoted the improvement of quality education for local teenagers and children.
2. The Company carried out the "Continuous Hope, Love and Warm Gannan" (賡續希望·愛暖甘南) education support activity. The Company initiated a proposal for education support throughout the Company to recruit education support members to visit Nimalong Wanquan Primary School (尼瑪龍完全小學) in Xiahe County, Gansu Province for a one-month education support activity. At the same time, the Company purchased a batch of school supplies worth RMB40,000 as a "June 1st" Children's Day gift package to the students of Nimalong Wanquan Primary School.

(III) Poverty alleviation through enlightenment

The Company donated RMB450,000 to the Ganzhou Financial Poverty Alleviation Foundation (贛州市金融扶貧基金會) to support the Ganzhou Municipal People's Government in organizing and holding the "2023 Ganzhou Financial Talent Special Training" (2023年贛州市『百千萬』金融人才專題培訓) at the China Capital Market Institute, with an aim to improving the financial capital knowledge of leading cadres of various functional departments of the Ganzhou Municipal Government and heads of local enterprises.

(IV) Poverty alleviation through consumption

The Company purchased agricultural products worth RMB1,705,800 through the Shenzhen Haijixing Poverty Alleviation (Consumption) Center (深圳海吉星消費幫扶中心), thereby consolidating and advancing poverty alleviation and facilitating the rural revitalization strategy with practical actions.

Chapter 6: Major Events

I. Performance of Undertakings

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

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

Chapter 6: Major Events

Background	Type	Party(ies)	Details	Effective time and validity period	Whether the undertakings have a performance deadline	Whether the undertakings have been strictly performed in a timely manner	Reason for not performed in a timely manner	Follow-up actions, in case of undertakings not performed in a timely manner
Undertaking related to re-financing	To resolve horizontal competition	CM Financial Holdings	CM Financial Holdings has undertaken that it and other entities controlled by it will not engage in any business which competes with the businesses of the Company.	As long as CM Financial Holdings is the controlling shareholder of the Company.	Yes	Yes	—	—
	Others	China Merchants Group, CM Financial Holdings	They have undertaken not to interfere in the operation and management activities of the Company beyond the authority; not to encroach upon the interests of the Company; not to deliver interests to other units or individuals free of charge or under unfair conditions, nor damage the interests of the Company by other means; if the CSRC makes other new regulatory provisions on remedial measures and their undertakings before the completion of the rights issue, and the aforesaid undertakings fail to meet such provisions of the CSRC, 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 Financial Holdings is the controlling shareholder of the Company.	Yes	Yes	—	—
Other undertakings to minority shareholders	Others	China Merchants Group, China Ocean Shipping	When there is unusual price movement in the shares of the Company, they will not reduce their shareholdings in the Company and will increase their shareholdings in accordance with laws when appropriate.	When there is unusual price movement in the shares of the Company.	Yes	Yes	—	—

II. Material Litigations or Arbitrations

There were no material litigations or arbitrations during the Reporting Period.

Certain investors of China Security Co., Ltd. (中安科股份有限公司) (hereinafter referred to as “China Security”) commenced litigations against China Security and its directors, China Security & Fire Technology Co., Limited (中安消技術有限公司) (its subsidiary, hereafter referred to as “China Security & Fire Technology”) and intermediaries such as the Company, respectively, in the Shanghai Financial Court for civil compensation regarding relevant investment losses caused by false statements in the securities market, claiming China Security to compensate for their losses and bear the litigation expenses and requesting China Security & Fire Technology, directors and relevant personnel of China Security and relevant intermediaries to be jointly liable for the losses. On May 18, 2021, the Higher People’s Court of Shanghai made second trial judgments on the model cases involving two investors, ordering the Company to bear joint liability within the scope of 25% for the total losses of RMB228 thousand payable by China Security to the two investors. Moreover, as China Security changed its registered address to Wuhan in December 2021, the competent court for such series of subsequent cases has been changed to the Wuhan Intermediate People’s Court. As of August 28, 2023, in addition to the two investors in the above cases, the Company received litigation materials and notices of a total of 6,366 investors from the Shanghai Financial Court. Among which, the Shanghai Financial Court made first trial judgments on the cases involving 6,337 investors (including the two investors in the above cases), ordering the Company to bear joint liability within the scope of 25% for the losses of RMB893.7034 million payable by China Security to the investors. The Company received litigation materials and notices of a total of 1,685 investors from the Wuhan Intermediate People’s Court. Among which, the Wuhan Intermediate People’s Court made first trial judgments on the cases involving 1,666 investors, ordering the Company to bear joint liability within the scope of 25% for the losses of RMB256.2585 million payable by China Security to the investors.

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

On June 4, 2023, the Company received the Decision of the CSRC Shenzhen Office on Taking Measures to Issue Warning Letter to China Merchants Securities Co., Ltd. ([2023] No. 76) (《深圳證監局關於對招商證券股份有限公司採取出具警示函措施的決定》([2023]76號)), which stated that the Company had the following issues in the publication of securities research reports: (i) the market impact assessment mechanism is imperfect, with insufficient market impact assessment on certain research reports and inadequate management of upgrade review; (ii) there is insufficient effectiveness of internal control management in terms of analyst research activity management, customer services, public speeches, etc.; and (iii) the production of certain research reports is imprudent, with circumstances where the content is not expressed rigorously, the referenced information is not indicated, the source of data is improperly disclosed, the signature of research report is not standardized, etc. The CSRC Shenzhen Office took administrative supervision measures to issue a warning letter to the Company.

The Company has attached great importance to the above issues and adopted the following remedial measures: (i) strengthening business training and publicity; (ii) strengthening the system control of key business stages through digital means to reduce human operation risks; (iii) further improving the market impact assessment mechanism; and (iv) strengthening the implementation of business processes and business norms through means such as mid-event control and post-event inspection.

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

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

Chapter 6: Major Events

V. Material Contracts and their Performance

Material guarantees performed and outstanding during the Reporting Period

Unit: 100 Million Yuan Currency: RMB

Guarantees provided by the Company (excluding guarantees for subsidiaries)															
Guarantor	Relationship between the guarantor and the listed company	Guaranteed party	Amount of guarantee	Date of guarantee (date of agreement)	Effective date of guarantee	Expiry date of guarantee	Type of guarantee	Principal debt	Collateral (if any)	Whether the guarantee has been fulfilled	Whether the guarantee is overdue	Outstanding amount of guarantee overdue	Counter guarantee	Whether it is a guarantee for related parties	Relationship
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total guarantees provided during the Reporting Period (excluding guarantees for subsidiaries)															-
Balance of guarantees as at the end of the Reporting Period (A) (excluding guarantees for subsidiaries)															-
Guarantees for subsidiaries by the Company															
Total guarantees for subsidiaries during the Reporting Period															-17.99
Balance of guarantees for subsidiaries as at the end of the Reporting Period (B)															55.58
Total guarantees (including guarantees for subsidiaries)															
Total guarantees (A+B)															55.58
Ratio of total guarantees to net assets of the Company (%)															4.70
Among which:															
Guarantees for shareholders, de facto controller and their related parties (C)															-
Debt guarantee provided directly or indirectly for companies with gearing ratio over 70% (D)															50.44
Amount of guarantees in excess of 50% of the net assets (E)															-
Total amount of the above three types of guarantees (C+D+E)															50.44
Outstanding guarantees subject to joint and several liabilities															-
Details of guarantees							<ol style="list-style-type: none"> 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 RMB500 million; On May 19, 2020, at the 2019 annual general meeting of the Company, it was considered and approved that the Company or its wholly-owned subsidiaries shall provide guarantees in favor of its overseas wholly-owned subsidiaries for the issuance of overseas debt financing instruments. The amount of a single guarantee shall not exceed 10% of the Company's latest audited net assets and the total amount of guarantees shall not exceed 30% of the Company's latest audited net assets (valid until June 30, 2023). On June 30, 2022, at the 2021 annual general meeting of the Company, it was considered and approved that the total amount of guarantees provided by CMS International and its wholly-owned subsidiaries in favor of the guaranteed parties within the term of authorization shall not exceed HK\$84 billion equivalent, of which, financing guarantees shall not exceed HK\$12.9 billion equivalent. On June 30, 2023, at the 2022 annual general meeting of the Company, it was considered and approved that the total amount of guarantees provided by CMS International and its wholly-owned subsidiaries in favor of the guaranteed parties within the term of authorization shall not exceed HK\$84 billion equivalent, of which, financing guarantees shall not exceed HK\$10.3 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 RMB39.418 billion in total (with financing guarantees of approximately RMB7.299 billion). As at the end of the period, the balance of guarantees utilized and traded was approximately RMB5.058 billion in total. 								

VI. Investor Relations Activities during the Reporting Period

The Company attaches great importance to investor relations management, actively carries out the management of investor relations, continuously enhances the transparency of the Company, and comprehensively introduces the business development advantages of the Company, so as to enable investors to have a better understanding of the Company. The Company has formulated the Standards for the Work of the Secretary to the Board (《董事會秘書工作規範》), Information Disclosure Management System (《信息披露事務管理制度》) and Investor Relations Management System (《投資者關係管理制度》), and has defined the relevant working mechanisms. In addition to the information disclosure channels stipulated by the laws, the Company mainly communicates with investors through shareholders' meetings, investor briefings, telephone, e-mail, online platforms, receptions and attendance to investor meetings.

During the Reporting Period, the Company organized the analyst and investor telephone conferences on 2022 annual results and the online interactive briefing on 2022 annual results on SSE Roadshow, and made continuous and in-depth communications with a total of more than 200 person-times through the SSE e-Interaction platform, attendance at strategy meetings of securities companies, reception of researchers, investor hotlines and e-mail. The Company also regularly presented its performance highlights through long images and short videos on WeChat, with an aim to enhancing the Company's market value. As at the end of June 2023, the Company ranked 6th among listed securities companies in terms of total market value of A+H shares.

VII. Purchase, Sale or Redemption of Securities of the Company

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

VIII. Major Events after the Reporting Period

Save for those disclosed in "Chapter 6: Major Events" and "Events after the Reporting Period" in Note 57 to the consolidated financial statements of this report, there were no other major events after the Reporting Period.

IX. Review of Interim Results

The Audit Committee of the Company has reviewed the interim results announcement for the six months ended June 30, 2023, the 2023 interim report and the unaudited interim financial information for the six months ended June 30, 2023 and did not raise any objection to the accounting policy and practices adopted by the Company. The external auditor of the Company has reviewed the unaudited interim financial information for the six months ended June 30, 2023 in accordance with International Standard on Review Engagements 2410.

X. Material Acquisitions and Disposals

During the Reporting Period, the Group did not make any material acquisitions or disposals of any subsidiaries, associates and joint ventures.

Chapter 7: Changes in Shares and Shareholders

I. Changes in Share Capital

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

II. Shareholders

(I) Total number of shareholders:

Total number of holders of ordinary shares as of the end of the Reporting Period	163,065
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Chapter 7: Changes in Shares and Shareholders

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

Unit: share

Shareholdings of the top ten shareholders							
Name of shareholder (in full)	Changes during the Reporting Period	Number of shares held at the end of the period	Percentage (%)	Number of restricted shares held	Pledged, marked or locked-up		Nature of shareholder
					Status	Number	
China Merchants Financial Holdings Co., Ltd. (招商局金融控股有限公司)	-	2,047,900,517	23.55	-	Nil	-	State-owned legal person
Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司)	-	1,703,934,870	19.59	-	Nil	-	State-owned legal person
HKSCC Nominees Limited	800	1,274,225,067	14.65	-	Nil	-	Overseas legal person
China Ocean Shipping Company Limited (中國遠洋運輸有限公司)	-	544,632,418	6.26	-	Nil	-	State-owned legal person
Hebei Port Group Co., Ltd. (河北港口集團有限公司)	-	343,282,732	3.95	-	Nil	-	State-owned legal person
CCCC Capital Holdings Co., Ltd. (中交資本控股有限公司)	-	272,219,361	3.13	-	Nil	-	State-owned legal person
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	-	170,789,261	1.96	-	Nil	-	Unknown
Hong Kong Securities Clearing Company Limited	28,592,141	140,142,022	1.61	-	Nil	-	Overseas legal person
COSCO Shipping (Guangzhou) Co., Ltd. (中遠海運(廣州)有限公司)	-	109,199,899	1.26	-	Nil	-	State-owned legal person
China Construction Bank Corporation – Guotai CSI All Share brokerage ETF (中國建設銀行股份有限公司—國泰中證全指證券公司交易型開放式指數證券投資基金)	6,022,508	83,207,443	0.96	-	Nil	-	Others

Chapter 7: Changes in Shares and Shareholders

Shareholdings of the top ten holders of unrestricted shares			
Name of shareholder	Number of tradable unrestricted shares held	Class and number of shares	
		Class	Number
China Merchants Financial Holdings Co., Ltd. (招商局金融控股有限公司)	2,047,900,517	RMB ordinary shares	2,047,900,517
Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司)	1,703,934,870	RMB ordinary shares	1,703,934,870
HKSCC Nominees Limited	1,274,225,067	Overseas listed foreign shares	1,274,225,067
China Ocean Shipping Company Limited (中國遠洋運輸有限公司)	544,632,418	RMB ordinary shares	544,632,418
Hebei Port Group Co., Ltd. (河北港口集團有限公司)	343,282,732	RMB ordinary shares	343,282,732
CCCC Capital Holdings Co., Ltd. (中交資本控股有限公司)	272,219,361	RMB ordinary shares	272,219,361
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	170,789,261	RMB ordinary shares	170,789,261
Hong Kong Securities Clearing Company Limited	140,142,022	RMB ordinary shares	140,142,022
COSCO Shipping (Guangzhou) Co., Ltd. (中遠海運(廣州)有限公司)	109,199,899	RMB ordinary shares	109,199,899
China Construction Bank Corporation – Guotai CSI All Share brokerage ETF (中國建設銀行股份有限公司－國泰中證全指證券公司交易型開放式指數證券投資基金)	83,207,443	RMB ordinary shares	83,207,443

Chapter 7: Changes in Shares and Shareholders

Shareholdings of the top ten holders of unrestricted shares			
Name of shareholder	Number of tradable unrestricted shares held	Class and number of shares	
		Class	Number
Description of the special account for repurchase among the top ten shareholders		Nil	
Description of the entrusting voting right, entrusted voting right and waiver of voting right of the above shareholders		Nil	
Description of the connected relationships or concerted actions among the above shareholders		<ol style="list-style-type: none"> 1. CM Financial Holdings indirectly holds 100% of the equity interest in Jisheng Investment. CM Financial Holdings and Jisheng Investment are both subsidiaries of China Merchants Group, the de facto controller of the Company; 2. China Ocean Shipping and COSCO Shipping (Guangzhou) Co., Ltd. are both subsidiaries of China COSCO Shipping Corporation Limited. 	

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

Chapter 7: Changes in Shares and Shareholders

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

As at June 30, 2023, to the best knowledge of the Directors having made reasonable enquiries, the following persons (other than the Directors, Supervisors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

No.	Name of de facto controller and substantial shareholders	Class of shares	Nature of interest	Number of shares held	Percentage of total number of issued shares of the Company (%)	Percentage of total number of issued A shares/ H shares of the Company (%)	Long positions ⁷ / short positions ⁸ / shares available for lending
1	China Merchants Group	A shares	Interest held by controlled corporations ¹	3,751,835,387	43.14	50.55	Long position
		H shares	Interest held by controlled corporations ²	89,042,607	1.02	6.99	Long position
2	China Merchants Financial Holdings Co., Ltd. (招商局金融控股有限公司)	A shares	Beneficial owner and interest of corporation controlled by substantial shareholders ³	3,751,835,387	43.14	50.55	Long position
		H shares	Interest held by controlled corporations ³	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 ³	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 ⁴	663,437,515	7.63	8.94	Long position
		H shares	Interest held by controlled corporations ⁵	207,797,720	2.39	16.30	Long position
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	COSCO SHIPPING Investment Holdings Co., Limited	H shares	Beneficial owner	207,797,720	2.39	16.30	Long position
9	Hebei Port Group Co., Ltd. (河北港口集團有限公司)	A shares	Beneficial owner	343,282,732	3.95	4.63	Long position
		H shares	Beneficial owner	90,674,300	1.04	7.11	Long position
10	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
11	The People's Insurance Company (Group) of China Limited (中國人民保險集團股份有限公司)	H shares	Interest held by controlled corporations ⁶	433,290,000	4.98	34.00	Long position

Chapter 7: Changes in Shares and Shareholders

- Notes:
1. China Merchants Group holds 100% of the equity interest in CM Financial Holdings and Jisheng Investment, and is deemed to be interested in the same number of A shares of the Company which CM Financial Holdings (23.55%) and Jisheng Investment (19.59%) are interested in under the SFO.
 2. China Merchants Group holds 100% of the equity interest in Best Winner Investment Limited, and is deemed to be interested in the same number of H shares of the Company which Best Winner Investment Limited (1.02%) is interested in under the SFO.
 3. CM Financial Holdings directly holds 23.55% of the shares of the Company. CM Financial Holdings holds 100% of the equity interest in Jisheng Investment, and is deemed to be interested in the same number of A shares of the Company which Jisheng Investment (19.59%) is interested in under the SFO. Thus, CM Financial Holdings holds, directly and indirectly, an aggregate of 43.14% of the equity interest in the A shares of the Company. CM Financial Holdings holds 100% of the equity interest in CMF Holdings Limited, and CMF Holdings Limited holds 100% of the equity interest in Best Winner Investment Limited. Thus, CM Financial Holdings and CMF Holdings Limited are deemed to be interested in the same number of H shares of the Company which Best Winner Investment Limited (1.02%) is interested in under the SFO.
 4. China COSCO Shipping Corporation Limited holds 100% of the equity interest in China Ocean Shipping and China Shipping Group Co., Ltd. (中國海運集團有限公司), and is deemed to be interested in the same number of A shares of the Company 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 of the Company 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 of the Company which PICC Life Insurance Company Limited is interested in under the SFO.
 7. A shareholder has a "long position" if it has an interest in shares, including interests through holding, selling or issuing financial instruments (including derivatives) under which such shareholder has the following rights and liabilities: (i) it has a right to buy the underlying shares; (ii) it is under an obligation to buy the underlying shares; (iii) it has a right to receive money if the price of the underlying shares increases; or (iv) it has a right to avoid or reduce a loss if the price of the underlying shares increases.
 8. A shareholder has a "short position" if it borrows shares under a securities borrowing and lending agreement, or if it holds, sells or issues financial instruments (including derivatives) under which such shareholder has the following rights and liabilities: (i) it has a right to require another person to buy the underlying shares; (ii) it is under an obligation to deliver the underlying shares; (iii) it has a right to receive money if the price of the underlying shares decreases; or (iv) it has a right to avoid or reduce a loss if the price of the underlying shares decreases.

Save as disclosed above, as at June 30, 2023, the Company was not aware of any other person (other than the Directors, Supervisors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Chapter 7: Changes in Shares and Shareholders

III. Directors, Supervisors and Senior Management

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

As at June 30, 2023, 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 (周語蕊)	Chairlady of the Supervisory Committee	A shares	Beneficial owner	429,054	0.005	0.006	Long position
YIN Hongyan (尹虹艷)	Employee representative Supervisor	A shares	Beneficial owner	204,311	0.002	0.003	Long position
HE Min (何敏)	Employee representative Supervisor	A shares	Beneficial owner	102,156	0.001	0.001	Long position
CHEN Jun (陳鋆)	Employee representative Supervisor	A shares	Beneficial owner	102,156	0.001	0.001	Long position

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

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

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

Chapter 8: Relevant Information of Bonds

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

(I) Corporate bonds

1. General information of corporate bonds

As of the date of this report, 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	Lead underwriter	Trustee	Trading place	Eligibility of investors (if any)	Trading mechanism	Whether there is any risk of termination of listing and trading
The 2014 Corporate Bonds publicly issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2014年公司債券)	14 China Merchants Bonds (14招商債)	122374.SH	May 26, 2015	May 26, 2015	May 16, 2025	55.00	5.08	Payment of interest annually, and payment of principal upon expiry	Everbright Securities	Everbright Securities	SSE	Offering to investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2020 Type Two Corporate Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司向專業投資者公開發行2020年公司債券(第三期)(品種二))	20 China Merchants Securities G5 (20招商債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	Guotai Junan, Everbright Securities, Ping An Securities	Everbright Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2020 Type Two Corporate Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司向專業投資者公開發行2020年公司債券(第四期)(品種二))	20 China Merchants Securities G7 (20招商債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	Guotai Junan, Everbright Securities, Ping An Securities	Everbright Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2020 Type Two Subordinated Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司向專業投資者公開發行2020年公司債券(第一期)(品種二))	20 China Merchants Securities C2 (20招商債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	CTIC Securities	CTIC Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 Type Two Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司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招商債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	Guotai Junan, Everbright Securities, Ping An Securities	Everbright Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 Subordinated Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司向專業投資者公開發行2021年公司債券(第一期))	21 China Merchants Securities C1 (21招商債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	CTIC Securities	CTIC Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No

Chapter 8: Relevant Information of Bonds

Name	Abbreviation	Code	Date of issuance	Value date	Date of expiry	Remaining balance	Interest rate (%)	Payment of principal and interest	Lead underwriter	Trustee	Trading place	Eligibility of investors (if any)	Trading mechanism	Whether there is any risk of termination of listing and trading
The 2021 Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司專業投資者公開發行2021年公司債券(第二期))	Z1 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	Guotai Junan, Everbright Securities, Ping An Securities	Everbright Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 Subordinated Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第二期))	Z1 China Merchants Securities C2 (21招證C2)	173813.SH	March 8, 2021	March 9, 2021	March 9, 2024	60.00	3.95	Payment of interest annually, and payment of principal upon expiry	CTIC Securities	CTIC Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 Subordinated Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第三期))	Z1 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	CTIC Securities	CTIC Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 Subordinated Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第四期))	Z1 China Merchants Securities C4 (21招證C4)	188121.SH	May 17, 2021	May 18, 2021	November 18, 2023	30.00	3.55	Payment of interest annually, and payment of principal upon expiry	CTIC Securities	CTIC Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 Type Two Subordinated Bonds (fifth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第五期))	Z1 China Merchants Securities C6 (21招證C6)	188307.SH	June 23, 2021	June 24, 2021	December 23, 2023	20.00	3.60	Payment of interest annually, and payment of principal upon expiry	CTIC Securities	CTIC Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 Type Two Corporate Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行2021年公司債券(第三期))	Z1 China Merchants Securities G5 (21招證G5)	188301.SH	July 9, 2021	July 12, 2021	July 12, 2024	40.00	3.22	Payment of interest annually, and payment of principal upon expiry	CTIC Securities, Galay Securities, Everbright Securities, Ping An Securities	CTIC Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 Type One Corporate Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行2021年公司債券(第四期))	Z1 China Merchants Securities G6 (21招證G6)	188401.SH	July 28, 2021	July 29, 2021	October 12, 2023	20.00	2.95	Payment of interest annually, and payment of principal upon expiry	CTIC Securities, Galay Securities, Everbright Securities, Ping An Securities	CTIC Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 Type Two Corporate Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行2021年公司債券(第四期))	Z1 China Merchants Securities G7 (21招證G7)	188403.SH	July 28, 2021	July 29, 2021	June 13, 2024	43.00	3.12	Payment of interest annually, and payment of principal upon expiry	CTIC Securities, Galay Securities, Everbright Securities, Ping An Securities	CTIC Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 Type Two Corporate Bonds (fifth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行2021年公司債券(第五期))	Z1 China Merchants Securities G9 (21招證G9)	188507.SH	August 11, 2021	August 12, 2021	August 12, 2024	50.00	3.08	Payment of interest annually, and payment of principal upon expiry	CTIC Securities, Galay Securities, Everbright Securities, Ping An Securities	CTIC Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No

Chapter 8: Relevant Information of Bonds

Name	Abbreviation	Code	Date of issuance	Value date	Date of expiry	Remaining balance	Interest rate (%)	Payment of principal and interest	Lead underwriter	Trustee	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向專業投資者公開發行2021年公司債券(第五期))(品種二)	Z1 China Merchants Securities 10 (Z1招證10)	185598.SH	August 11, 2021	August 12, 2021	August 12, 2026	20.00	3.41	Payment of interest annually, and payment of principal upon expiry	CTIC Securities, Galaxy Securities, Everbright Securities, Ping An Securities	CTIC Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 Type One Subordinated Bonds (sixth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司向專業投資者公開發行次級債券(第六期))(品種一)	Z1 China Merchants Securities C7 (Z1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	Ping An Securities	Ping An Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2021 Type Two Subordinated Bonds (sixth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司向專業投資者公開發行次級債券(第六期))(品種二)	Z1 China Merchants Securities C8 (Z1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	Ping An Securities	Ping An Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2022 Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司向專業投資者公開發行2022年公司債券(第一期))	Z2 China Merchants Securities G1 (Z2招證G1)	185206.SH	January 14, 2022	January 17, 2022	January 17, 2025	50.00	2.89	Payment of interest annually, and payment of principal upon expiry	CTIC Securities, Galaxy Securities, Everbright Securities, Ping An Securities	CTIC Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2022 Perpetual Subordinated Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司向專業投資者公開發行永續次級債券(第一期)) Notes 1 & 2	Z2 China Merchants Securities Y1 (Z2招證Y1)	185594.SH	March 23, 2022	March 24, 2022	-	48.00	3.95	Payment of interest annually if the option of deferring payment of interest is not exercised	GF Securities	GF Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2022 Perpetual Subordinated Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司向專業投資者公開發行永續次級債券(第二期)) Notes 1 & 2	Z2 China Merchants Securities Y2 (Z2招證Y2)	185697.SH	April 18, 2022	April 19, 2022	-	47.00	3.77	Payment of interest annually if the option of deferring payment of interest is not exercised	GF Securities	GF Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2022 Perpetual Subordinated Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司向專業投資者公開發行永續次級債券(第三期)) Notes 1 & 2	Z2 China Merchants Securities Y3 (Z2招證Y3)	185799.SH	April 25, 2022	April 26, 2022	-	40.00	3.77	Payment of interest annually if the option of deferring payment of interest is not exercised	GF Securities	GF Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2022 Perpetual Subordinated Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司向專業投資者公開發行永續次級債券(第四期)) Notes 1 & 2	Z2 China Merchants Securities Y4 (Z2招證Y4)	185821.SH	June 7, 2022	June 8, 2022	-	20.00	3.72	Payment of interest annually if the option of deferring payment of interest is not exercised	GF Securities	GF Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2022 Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司向專業投資者公開發行2022年公司債券(第二期))	Z2 China Merchants Securities G2 (Z2招證G2)	185599.SH	July 25, 2022	July 26, 2022	July 26, 2025	40.00	2.70	Payment of interest annually, and payment of principal upon expiry	CTIC Securities, Galaxy Securities, Everbright Securities, Ping An Securities	CTIC Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No

Chapter 8: Relevant Information of Bonds

Name	Abbreviation	Code	Date of issuance	Value date	Date of expiry	Remaining balance	Interest rate (%)	Payment of principal and interest	Lead underwriter	Trustee	Trading place	Eligibility of investors (if any)	Trading mechanism	Whether there is any risk of termination of listing and trading
The 2022 Type One Corporate Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司向專業投資者公開發行2022年公司債券(第三期))(品種一)	Z2 China Merchants Securities G3 Securities G3 (Z2招證G3)	137653.SH	August 10, 2022	August 11, 2022	February 12, 2025	30.00	2.54	Payment of interest annually, and payment of principal upon expiry	CTIC Securities, Galaxy Securities, Everright Securities, Ping An Securities	CTIC Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2022 Type Two Corporate Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司向專業投資者公開發行2022年公司債券(第三期))(品種二)	Z2 China Merchants Securities G4 Securities G4 (Z2招證G4)	137654.SH	August 10, 2022	August 11, 2022	August 11, 2025	50.00	2.59	Payment of interest annually, and payment of principal upon expiry	CTIC Securities, Galaxy Securities, Everright Securities, Ping An Securities	CTIC Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2023 Type One Subordinated Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2023年面向專業投資者公開發行次級債券(第一期))(品種一)	Z3 China Merchants Securities C1 Securities C1 (Z3招證C1)	138879.SH	February 27, 2023	March 1, 2023	September 11, 2025	14.00	3.45	Payment of interest annually, and payment of principal upon expiry	Ping An Securities	Ping An Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2023 Type Two Subordinated Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2023年面向專業投資者公開發行次級債券(第一期))(品種二)	Z3 China Merchants Securities C2 Securities C2 (Z3招證C2)	138880.SH	February 27, 2023	March 1, 2023	March 1, 2026	8.00	3.55	Payment of interest annually, and payment of principal upon expiry	Ping An Securities	Ping An Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2023 Type One Subordinated Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2023年面向專業投資者公開發行次級債券(第二期))(品種一)	Z3 China Merchants Securities C3 Securities C3 (Z3招證C3)	115086.SH	March 16, 2023	March 17, 2023	March 17, 2025	15.00	3.25	Payment of interest annually, and payment of principal upon expiry	Ping An Securities	Ping An Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2023 Type Two Subordinated Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2023年面向專業投資者公開發行次級債券(第二期))(品種二)	Z3 China Merchants Securities C4 Securities C4 (Z3招證C4)	115087.SH	March 16, 2023	March 17, 2023	March 17, 2026	17.00	3.40	Payment of interest annually, and payment of principal upon expiry	Ping An Securities	Ping An Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2023 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向專業投資者公開發行2023年公司債券(第一期))(品種一)	Z3 China Merchants Securities G1 Securities G1 (Z3招證G1)	115251.SH	April 14, 2023	April 17, 2023	April 17, 2025	40.00	2.89	Payment of interest annually, and payment of principal upon expiry	CTIC Securities, Galaxy Securities, Everright Securities, Ping An Securities	CTIC Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2023 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向專業投資者公開發行2023年公司債券(第一期))(品種二)	Z3 China Merchants Securities G2 Securities G2 (Z3招證G2)	115252.SH	April 14, 2023	April 17, 2023	April 17, 2026	40.00	3.03	Payment of interest annually, and payment of principal upon expiry	CTIC Securities, Galaxy Securities, Everright Securities, Ping An Securities	CTIC Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2023 Type Two 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2023年面向專業投資者公開發行次級債券(第三期))(品種二)	Z3 China Merchants Securities C6 Securities C6 (Z3招證C6)	115286.SH	April 18, 2023	April 19, 2023	April 19, 2026	33.00	3.30	Payment of interest annually, and payment of principal upon expiry	Ping An Securities	Ping An Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No

Chapter 8: Relevant Information of Bonds

Name	Abbreviation	Code	Date of issuance	Value date	Date of expiry	Remaining balance	Interest rate (%)	Payment of principal and interest	Lead underwriter	Trustee	Trading place	Eligibility of investors (if any)	Trading mechanism	Whether there is any risk of termination of listing and trading
The 2023 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向專業投資者公開發行2023年公司債券(第二期)(品種一))	Z3 China Merchants Securities G3 (23招證G3)	115314.SH	April 24, 2023	April 25, 2023	May 14, 2026	28.00	3.03	Payment of interest annually in the first two interest-bearing years, and payment of interest for the remaining term together with the payment of principal upon expiry	CTIC Securities, Galaxy Securities, Everbright Securities, Ping An Securities	CTIC Securities	SSE	Offering to professional institutional investors	Matching, click-to-bid, quote request, auction and negotiation	No
The 2023 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向專業投資者公開發行2023年公司債券(第二期)(品種二))	Z3 China Merchants Securities G4 (23招證G4)	115315.SH	April 24, 2023	April 25, 2023	April 25, 2028	22.00	3.17	Payment of interest annually, and payment of principal upon expiry	CTIC Securities, Galaxy Securities, Everbright Securities, Ping An Securities	CTIC Securities	SSE	Offering to professional institutional investors	Matching, click-to-bid, quote request, auction and negotiation	No
The 2023 Type One Short-term Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2023年面向專業投資者公開發行短期公司債券(第一期)(品種一))	Z3 China Merchants Securities S1 (23招證S1)	115383.SH	May 18, 2023	May 19, 2023	September 14, 2023	20.00	2.26	Payment of principal and interest upon expiry	GF Securities, CTIC Securities	GF Securities	SSE	Offering to professional institutional investors	Matching, click-to-bid, quote request, auction and negotiation	No
The 2023 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2023年面向專業投資者公開發行短期公司債券(第一期)(品種二))	Z3 China Merchants Securities S2 (23招證S2)	115384.SH	May 18, 2023	May 19, 2023	November 10, 2023	40.00	2.35	Payment of principal and interest upon expiry	GF Securities, CTIC Securities	GF Securities	SSE	Offering to professional institutional investors	Matching, click-to-bid, quote request, auction and negotiation	No
The 2023 Type One 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2023年面向專業投資者公開發行次級債券(第四期)(品種一))	Z3 China Merchants Securities C7 (23招證C7)	115379.SH	May 19, 2023	May 22, 2023	May 22, 2026	10.00	3.13	Payment of interest annually, and payment of principal upon expiry	Ping An Securities	Ping An Securities	SSE	Offering to professional institutional investors	Matching, click-to-bid, quote request, auction and negotiation	No
The 2023 Type Two 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2023年面向專業投資者公開發行次級債券(第四期)(品種二))	Z3 China Merchants Securities C8 (23招證C8)	115380.SH	May 19, 2023	May 22, 2023	May 22, 2028	10.00	3.39	Payment of interest annually, and payment of principal upon expiry	Ping An Securities	Ping An Securities	SSE	Offering to professional institutional investors	Matching, click-to-bid, quote request, auction and negotiation	No
The 2023 Type One Short-term Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2023年面向專業投資者公開發行短期公司債券(第二期)(品種一))	Z3 China Merchants Securities S3 (23招證S3)	115527.SH	June 14, 2023	June 15, 2023	September 15, 2023	40.00	2.07	Payment of principal and interest upon expiry	GF Securities, CTIC Securities	GF Securities	SSE	Offering to professional institutional investors	Matching, click-to-bid, quote request, auction and negotiation	No
The 2023 Type Two Short-term Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2023年面向專業投資者公開發行短期公司債券(第二期)(品種二))	Z3 China Merchants Securities S4 (23招證S4)	115528.SH	June 14, 2023	June 15, 2023	October 18, 2023	10.00	2.12	Payment of principal and interest upon expiry	GF Securities, CTIC Securities	GF Securities	SSE	Offering to professional institutional investors	Matching, click-to-bid, quote request, auction and negotiation	No
The 2023 Type One Short-term 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2023年面向專業投資者公開發行短期公司債券(第三期)(品種一))	Z3 China Merchants Securities S5 (23招證S5)	115574.SH	June 21, 2023	June 26, 2023	September 22, 2023	20.00	2.19	Payment of principal and interest upon expiry	GF Securities, CTIC Securities	GF Securities	SSE	Offering to professional institutional investors	Matching, click-to-bid, quote request, auction and negotiation	No

Chapter 8: Relevant Information of Bonds

Name	Abbreviation	Code	Date of issuance	Value date	Date of expiry	Remaining balance	Interest rate (%)	Payment of principal and interest	Lead underwriter	Trustee	Trading place	Eligibility of investors (if any)	Trading mechanism	Whether there is any risk of termination of listing and trading
The 2023 Type One Short-term 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2023年面向專業投資者公開發行公司債券(第四期))(品種一)	Z3 China Merchants Securities S7 (23招證S7)	115637.SH	July 11, 2023	July 12, 2023	October 13, 2023	20.00	2.10	Payment of principal and interest upon expiry	GF Securities, CITIC Securities	GF Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2023 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2023年面向專業投資者公開發行公司債券(第三期))(品種一)	Z3 China Merchants Securities G5 (23招證G5)	115647.SH	July 12, 2023	July 13, 2023	July 13, 2025	16.00	2.58	Payment of interest annually, and payment of principal upon expiry	GF Securities, CITIC Securities, Galaxy Securities, Everbright Securities, Ping An Securities	GF Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2023 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2023年面向專業投資者公開發行公司債券(第三期))(品種二)	Z3 China Merchants Securities G6 (23招證G6)	115648.SH	July 12, 2023	July 13, 2023	July 13, 2026	34.00	2.72	Payment of interest annually, and payment of principal upon expiry	GF Securities, CITIC Securities, Galaxy Securities, Everbright Securities, Ping An Securities	GF Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2023 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2023年面向專業投資者公開發行公司債券(第四期))(品種二)	Z3 China Merchants Securities G8 (23招證G8)	115703.SH	July 21, 2023	July 24, 2023	June 18, 2026	35.00	2.70	Payment of interest annually, and payment of principal upon expiry	GF Securities, CITIC Securities, Galaxy Securities, Everbright Securities, Ping An Securities	GF Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2023 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2023年面向專業投資者公開發行公司債券(第五期))(品種二)	Z3 China Merchants Securities I0 (23招證I0)	115790.SH	August 10, 2023	August 11, 2023	August 11, 2026	40.00	2.74	Payment of interest annually, and payment of principal upon expiry	GF Securities, CITIC Securities, Galaxy Securities, Everbright Securities, Ping An Securities	GF Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No
The 2023 Short-term 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2023年面向專業投資者公開發行公司債券(第五期))(品種一)	Z3 China Merchants Securities S9 (23招證S9)	115866.SH	August 22, 2023	August 23, 2023	February 23, 2024	50.00	2.13	Payment of principal and interest upon expiry	GF Securities, CITIC Securities	GF Securities	SSE	Offering to professional institutional investors	Matching, click-to-trade, quote request, auction and negotiation	No

Notes:

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

Chapter 8: Relevant Information of Bonds

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

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

"22 China Merchants Securities G1", "22 China Merchants Securities G2", "22 China Merchants Securities G3", "22 China Merchants Securities G4", "23 China Merchants Securities G1", "23 China Merchants Securities G2", "23 China Merchants Securities G3", "23 China Merchants Securities G4", "23 China Merchants Securities G5", "23 China Merchants Securities G6", "23 China Merchants Securities G8", "23 China Merchants Securities 10", "23 China Merchants Securities S1", "23 China Merchants Securities S2", "23 China Merchants Securities S3", "23 China Merchants Securities S4", "23 China Merchants Securities S5", "23 China Merchants Securities S7", "23 China Merchants Securities S9", "23 China Merchants Securities C1", "23 China Merchants Securities C2", "23 China Merchants Securities C3", "23 China Merchants Securities C4", "23 China Merchants Securities C6", "23 China Merchants Securities C7", "23 China Merchants Securities C8", "22 China Merchants Securities Y1", "22 China Merchants Securities Y2", "22 China Merchants Securities Y3" and "22 China Merchants Securities Y4" of the Company contain investor protection clauses, including commitments on repayment guarantee measures, remedial measures and research on issuer. During the Reporting Period, such investor protection clauses have not been triggered. The Company has undertaken that, according to the consolidated financial statements, the unrestricted cash and bank balances at the end of each semi-annual period during the duration of the above bonds shall not be less than RMB5 billion. As of the end of June 2023, the Company's own cash and bank balances amounted to RMB15.045 billion, and the unrestricted cash and bank balances amounted to RMB14.081 billion, which met the undertaken amount.

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

Current status	Execution	Whether there is any change	Status upon change	Reason for the change	Whether the change has been approved by the competent authority	Impact of the change on the rights and interests of bond investors
None of the surviving corporate bonds of the Company have credit enhancement measures, and the debt repayment plans are implemented in accordance with the commitments in the prospectus. The repayment guarantee measures include engaging a trustee-manager, formulating the Bondholders' Meeting Rules, setting up a special repayment working group, improving profitability, optimizing asset and liability structure, strictly fulfilling information disclosure obligations and maintaining strong shareholder support.	The Company has strictly executed the commitments on debt repayment plans and repayment guarantee measures in the prospectus, paid the interest and principal of corporate bonds in a timely manner, disclosed relevant information in a timely manner, and safeguarded the legitimate rights and interests of investors. The relevant plans and measures are consistent with the relevant commitments in the prospectus.	No	N/A	N/A	N/A	N/A

Chapter 8: Relevant Information of Bonds

4. Other information on corporate bonds

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

Unit: 100 Million Yuan, %

Type of liability	Parent company			Consolidated		
	June 30, 2023	December 31, 2022	Change	June 30, 2023	December 31, 2022	Change
Short-term borrowings	—	—	—	56.87	106.09	-46.39
Short-term debt instruments	224.06	251.13	-10.78	224.16	251.48	-10.87
Placements from banks and other financial institutions	130.37	108.02	20.69	130.37	108.02	20.69
Financial assets sold under repurchase agreements	1,321.27	1,165.59	13.36	1,355.79	1,208.05	12.23
Long-term borrowings	—	—	—	19.40	11.63	66.80
Bonds payable	1,217.29	1,311.40	-7.18	1,253.49	1,346.28	-6.89
Total	2,892.99	2,836.14	2.00	3,040.09	3,031.56	0.28

Note: As at June 30, 2023 and December 31, 2022, the perpetual subordinated bonds of the parent company and on a consolidated basis both amounted to RMB15 billion, which are classified as equity instruments and are not included in interest-bearing liabilities. For details, please see "Other equity instruments" in "Chapter 9: Financial Report".

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

Unit: 100 Million Yuan, %

Type of liability	Parent company		Consolidated	
	Within one year	Over one year	Within one year	Over one year
Short-term borrowings	—	—	56.87	—
Short-term debt instruments	224.06	—	224.16	—
Placements from banks and other financial institutions	130.37	—	130.37	—
Financial assets sold under repurchase agreements	1,321.27	—	1,355.79	—
Long-term borrowings	—	—	9.26	10.14
Bonds payable	574.88	642.41	575.01	678.47
Total	2,250.58	642.41	2,351.47	688.62
Proportion	77.79	22.21	77.35	22.65

Note: As at June 30, 2023, the perpetual subordinated bonds of the parent company and on a consolidated basis both amounted to RMB15 billion, and the maturities were both over one year. For details, please see "Other equity instruments" in "Chapter 9: Financial Report".

Chapter 8: Relevant Information of Bonds

(3) Use of proceeds from corporate bonds

During the Reporting Period, the Company did not change the use of proceeds from any of its corporate bonds. The proceeds were utilized as follows:

Unit: 100 Million Yuan Currency: RMB

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Use of proceeds according to the commitments in the prospectus	Actual use of proceeds	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
The 2014 Corporate Bonds publicly issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司公開發行2014年公司債券)	55.00	55.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2020 Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第一期))	30.00	30.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2020 Type Two Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第二期)(品種二))	30.00	30.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2020 Type Two Corporate Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第三期)(品種二))	29.00	29.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2020 Type Two Corporate Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2020年公司債券(第四期)(品種二))	10.00	10.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2020 Type Two Subordinated Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2020年面向專業投資者公開發行次級債券(第一期)(品種二))	10.70	10.70	0.00	Operating normally	Meeting the needs of business operations, adjusting the debt structure, repaying due debts, and supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2021 Type Two Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第一期)(品種二))	45.00	45.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2021 Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第二期))	14.00	14.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2021 Type One Corporate Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第三期)(品種一))	20.00	20.00	0.00	Operating normally	Repaying due debts	Repaying due debts	Nil	Yes
The 2021 Type Two Corporate Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第三期)(品種二))	40.00	40.00	0.00	Operating normally	Repaying due debts	Repaying due debts	Nil	Yes
The 2021 Type One Corporate Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第四期)(品種一))	20.00	20.00	0.00	Operating normally	Repaying due debts	Repaying due debts	Nil	Yes

Chapter 8: Relevant Information of Bonds

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Use of proceeds according to the commitments in the prospectus	Actual use of proceeds	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
The 2021 Type Two Corporate Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第四期)(品種二))	43.00	43.00	0.00	Operating normally	Repaying due debts	Repaying due debts	Nil	Yes
The 2021 Type Two Corporate Bonds (fifth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第五期)(品種二))	50.00	50.00	0.00	Operating normally	Meeting the needs of business operations, adjusting the debt structure, repaying due debts, and supplementing the working capital	RMB2.7 billion have been used to repay due debts, and RMB2.3 billion have been used to supplement the working capital	Nil	Yes
The 2021 Type Three Corporate Bonds (fifth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2021年公司債券(第五期)(品種三))	20.00	20.00	0.00	Operating normally	Meeting the needs of business operations, adjusting the debt structure, repaying due debts, and supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2021 Type Two Non-public Issuance of Corporate Bonds (first tranche) issued by China Merchants Securities Co., Ltd. (招商證券股份有限公司2021年非公開發行公司債券(第一期)(品種二))	75.00	75.00	0.00	Operating normally	Repaying due corporate bonds and other debt financing instruments	Repaying due corporate bonds and other debt financing instruments	Nil	Yes
The 2021 Subordinated Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第一期))	48.00	48.00	0.00	Operating normally	Meeting the needs of business operations, adjusting the debt structure, repaying due debts, and supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2021 Subordinated Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第二期))	60.00	60.00	0.00	Operating normally	Meeting the needs of business operations, adjusting the debt structure, repaying due debts, and supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2021 Subordinated Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第三期))	60.00	60.00	0.00	Operating normally	Repaying due debts	Repaying due debts	Nil	Yes
The 2021 Subordinated Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第四期))	30.00	30.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2021 Type Two Subordinated Bonds (fifth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第五期)(品種二))	20.00	20.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2021 Type One Subordinated Bonds (sixth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第六期)(品種一))	40.00	40.00	0.00	Operating normally	Repaying due corporate bonds	Repaying due corporate bonds	Nil	Yes
The 2021 Type Two Subordinated Bonds (sixth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2021年面向專業投資者公開發行次級債券(第六期)(品種二))	10.00	10.00	0.00	Operating normally	Repaying due corporate bonds	Repaying due corporate bonds	Nil	Yes

Chapter 8: Relevant Information of Bonds

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Use of proceeds according to the commitments in the prospectus	Actual use of proceeds	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
The 2022 Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2022年公司債券(第一期))	50.00	50.00	0.00	Operating normally	Repaying the principal of due corporate bonds	Repaying the principal of due corporate bonds	Nil	Yes
The 2022 Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2022年公司債券(第二期))	40.00	40.00	0.00	Operating normally	Repaying the principal of due corporate bonds	Repaying the principal of due corporate bonds	Nil	Yes
The 2022 Type One Corporate Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2022年公司債券(第三期)(品種一))	30.00	30.00	0.00	Operating normally	Repaying the principal of due corporate bonds	Repaying the principal of due corporate bonds	Nil	Yes
The 2022 Type Two Corporate Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司面向專業投資者公開發行2022年公司債券(第三期)(品種二))	50.00	50.00	0.00	Operating normally	Repaying the principal of due corporate bonds	Repaying the principal of due corporate bonds	Nil	Yes
The 2022 Perpetual Subordinated Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2022年面向專業投資者公開發行永續次級債券(第一期))	43.00	43.00	0.00	Operating normally	Repaying the principal of due corporate bonds	Repaying the principal of due corporate bonds	Nil	Yes
The 2022 Perpetual Subordinated Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2022年面向專業投資者公開發行永續次級債券(第二期))	47.00	47.00	0.00	Operating normally	Repaying the principal of due corporate bonds	Repaying the principal of due corporate bonds	Nil	Yes
The 2022 Perpetual Subordinated Bonds (third tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2022年面向專業投資者公開發行永續次級債券(第三期))	40.00	40.00	0.00	Operating normally	Repaying the principal of due corporate bonds	Repaying the principal of due corporate bonds	Nil	Yes
The 2022 Perpetual Subordinated Bonds (fourth tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2022年面向專業投資者公開發行永續次級債券(第四期))	20.00	20.00	0.00	Operating normally	Repaying the principal of due corporate bonds	Repaying the principal of due corporate bonds	Nil	Yes
The 2023 Type One 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2023年公司債券(第一期)(品種一))	40.00	40.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2023 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2023年公司債券(第一期)(品種二))	40.00	40.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2023 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2023年公司債券(第二期)(品種一))	28.00	28.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2023 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2023年公司債券(第二期)(品種二))	22.00	22.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2023 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2023年面向專業投資者公開發行公司債券(第三期)(品種一))	16.00	16.00	0.00	Operating normally	Repaying the principal of due corporate bonds	Repaying the principal of due corporate bonds	Nil	Yes

Chapter 8: Relevant Information of Bonds

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Use of proceeds according to the commitments in the prospectus	Actual use of proceeds	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
The 2023 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2023年面向專業投資者公開發行公司債券(第三期)(品種二))	34.00	34.00	0.00	Operating normally	Repaying the principal of due corporate bonds	Repaying the principal of due corporate bonds	Nil	Yes
The 2023 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2023年面向專業投資者公開發行公司債券(第四期)(品種二))	35.00	35.00	0.00	Operating normally	Meeting the needs of business operations, adjusting the debt structure, repaying due debts, and supplementing the working capital	Repaying the principal of due corporate bonds	Nil	Yes
The 2023 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2023年面向專業投資者公開發行公司債券(第五期)(品種二))	40.00	40.00	0.00	Operating normally	Repaying the principal of due corporate bonds	Repaying the principal of due corporate bonds	Nil	Yes
The 2023 Type One Short-term Corporate Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2023年面向專業投資者公開發行短期公司債券(第一期)(品種一))	20.00	20.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2023 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2023年面向專業投資者公開發行短期公司債券(第一期)(品種二))	40.00	40.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2023 Type One Short-term Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2023年面向專業投資者公開發行短期公司債券(第二期)(品種一))	40.00	40.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2023 Type Two Short-term Corporate Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2023年面向專業投資者公開發行短期公司債券(第二期)(品種二))	10.00	10.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2023 Type One Short-term 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2023年面向專業投資者公開發行短期公司債券(第三期)(品種一))	20.00	20.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2023 Type One Short-term 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2023年面向專業投資者公開發行短期公司債券(第四期)(品種一))	20.00	20.00	0.00	Operating normally	Supplementing the working capital	Supplementing the working capital	Nil	Yes
The 2023 Short-term 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2023年面向專業投資者公開發行短期公司債券(第五期))	50.00	50.00	0.00	Operating normally	Repaying due debts	Repaying due debts	Nil	Yes
The 2023 Type One Subordinated Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2023年面向專業投資者公開發行次級債券(第一期)(品種一))	14.00	14.00	0.00	Operating normally	Repaying due corporate bonds	Repaying due corporate bonds	Nil	Yes
The 2023 Type Two Subordinated Bonds (first tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2023年面向專業投資者公開發行次級債券(第一期)(品種二))	8.00	8.00	0.00	Operating normally	Repaying due corporate bonds	Repaying due corporate bonds	Nil	Yes

Chapter 8: Relevant Information of Bonds

Name	Gross proceeds	Amount used	Amount unused	Operation of the special account for proceeds (if any)	Use of proceeds according to the commitments in the prospectus	Actual use of proceeds	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the purpose, plan and other commitments in the prospectus
The 2023 Type One Subordinated Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2023年面向專業投資者公開發行次級債券(第二期)(品種一))	15.00	15.00	0.00	Operating normally	Repaying due corporate bonds	Repaying due corporate bonds	Nil	Yes
The 2023 Type Two Subordinated Bonds (second tranche) publicly issued by China Merchants Securities Co., Ltd. to professional investors (招商證券股份有限公司2023年面向專業投資者公開發行次級債券(第二期)(品種二))	17.00	17.00	0.00	Operating normally	Repaying due corporate bonds	Repaying due corporate bonds	Nil	Yes
The 2023 Type Two 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2023年面向專業投資者公開發行次級債券(第三期)(品種二))	33.00	33.00	0.00	Operating normally	Repaying due corporate bonds	Repaying due corporate bonds	Nil	Yes
The 2023 Type One 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2023年面向專業投資者公開發行次級債券(第四期)(品種一))	10.00	10.00	0.00	Operating normally	Repaying due corporate bonds	Repaying due corporate bonds	Nil	Yes
The 2023 Type Two 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2023年面向專業投資者公開發行次級債券(第四期)(品種二))	10.00	10.00	0.00	Operating normally	Repaying due corporate bonds	Repaying due corporate bonds	Nil	Yes

(4) During the Reporting Period, there was no violation of laws and regulations, the Articles of Association, the Information Disclosure Management System (《信息披露事務管理制度》) and the agreements or commitments in the bond prospectus.

Chapter 8: Relevant Information of Bonds

(II) Key accounting data and financial indicators

Unit: 100 Million Yuan Currency: RMB

Key indicators	End of the Reporting Period	End of last year	Change (%)	Reason for the change
Current ratio	1.50	1.51	-0.93	—
Quick ratio	1.50	1.51	-0.93	—
Gearing ratio (%)	76.98	77.19	-0.27	—

Note: Gearing ratio = (Total liabilities – Accounts payable to brokerage clients – Amount of agency underwriting of securities)/(Total assets – Accounts payable to brokerage clients – Amount of agency underwriting of securities).

	The Reporting Period (January – June 2023)	The Previous Period (January – June 2022)	Change (%)	Reason for the change
Net profit after deduction of non-recurring profit or loss	47.01	42.43	10.81	—
EBITDA/debt ratio	2.79	2.89	-3.61	—
Interest coverage ratio	2.26	2.02	11.82	—
Cash interest coverage ratio	3.12	10.00	-68.78	Attributable to the decrease in net cash flow generated from operating activities
EBITDA/interest coverage ratio	2.35	2.09	12.26	—
Loan repayment ratio (%)	100.00	100.00	0.00	—
Interest payment ratio (%)	100.00	100.00	0.00	—

Note: “Net profit after deduction of non-recurring profit or loss” refers to the net profit attributable to shareholders of the parent company after deduction of non-recurring profit or loss.

Chapter 9: Financial Report

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

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

Introduction

We have reviewed the condensed consolidated financial statements of China Merchants Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 107 to 207, which comprise the condensed consolidated statement of financial position as of June 30, 2023 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-months period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

August 29, 2023

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

Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended June 30,	
		2023	2022
		(Unaudited)	(Unaudited, restated)
Fee and commission income	4	5,269,094	6,239,856
Interest income	5	5,423,377	5,205,174
Investment gains or losses, net	6	3,918,188	3,059,849
Other income and gains or losses, net	7	1,042,892	1,372,027
Total revenue, other income and gains		15,653,551	15,876,906
Depreciation and amortization	8	(376,281)	(340,632)
Staff costs	9	(3,225,897)	(3,025,459)
Fee and commission expenses	10	(1,137,763)	(1,270,931)
Interest expenses	11	(4,489,749)	(4,840,104)
Tax and surcharges		(53,318)	(70,695)
Other operating expenses	12	(1,782,982)	(2,218,022)
Impairment losses under expected credit loss model, net of reversal	13	(147,068)	(205,525)
Other impairment losses, net		–	(6,915)
Total expenses		(11,213,058)	(11,978,283)
Share of results of associates		769,709	856,522
Profit before income tax		5,210,202	4,755,145
Income tax expenses	14	(480,610)	(456,524)
Profit for the period		4,729,592	4,298,621
Attributable to:			
Shareholders of the Company		4,726,975	4,291,728
Non-controlling interests		2,617	6,893
		4,729,592	4,298,621
Earnings per share attributable to shareholders of the Company (Expressed in RMB per share)			
— Basic and diluted	15	0.51	0.46

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited, restated)
Profit for the period	4,729,592	4,298,621
Other comprehensive income (expense):		
Items that will not be reclassified subsequently to profit or loss:		
Equity instruments designated as at fair value through other comprehensive income:		
Net fair value changes during the period	63,884	(171,461)
Income tax impact	(13,084)	41,315
Sub-total	50,800	(130,146)
Items that may be reclassified subsequently to profit or loss:		
Debt instruments at fair value through other comprehensive income:		
Net fair value changes during the period	270,646	(181,215)
Reclassification adjustment to profit or loss	(28,620)	186,364
Impairment losses under expected credit loss model, net of reversal	(475)	(14,266)
Income tax impact	(65,653)	2,271
Sub-total	175,898	(6,846)
Share of other comprehensive income of associates, net of related income tax	7,903	3,583
Exchange differences arising from translation of foreign operations	180,600	217,152
Other comprehensive income for the period (net of tax)	415,201	83,743
Total comprehensive income for the period (net of tax)	5,144,793	4,382,364
Attributable to:		
Shareholders of the Company	5,142,176	4,375,471
Non-controlling interests	2,617	6,893
	5,144,793	4,382,364

Condensed Consolidated Statement of Financial Position

As at June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	As at June 30, 2023	As at December 31, 2022
		(Unaudited)	(Audited, restated)
Non-current assets			
Property and equipment	16	1,518,474	1,549,043
Right-of-use assets	17	1,570,621	1,556,646
Goodwill		9,671	9,671
Other intangible assets		102,459	42,611
Interests in associates	18	10,985,420	10,745,849
Equity instruments at fair value through other comprehensive income		1,699,532	1,628,336
Debt instruments at amortized cost	19	10,231	20,411
Financial assets held under resale agreements	20	455,264	125,199
Financial assets at fair value through profit or loss	26	9,975,262	9,778,342
Deferred tax assets	21	1,682,822	1,847,338
Other non-current assets	22	512,608	593,169
Total non-current assets		28,522,364	27,896,615
Current assets			
Advances to customers	23	82,615,140	81,541,116
Current tax assets		397,290	440,274
Accounts and other receivables	24	6,910,000	5,820,413
Debt instruments at fair value through other comprehensive income	25	61,011,314	60,888,528
Debt instruments at amortized cost	19	627,723	539,149
Financial assets held under resale agreements	20	36,854,717	49,455,546
Financial assets at fair value through profit or loss	26	255,361,839	231,997,648
Derivative financial assets	27	4,739,374	3,664,686
Other current assets		136,761	37,646
Deposits with exchanges and non-bank financial institutions	28	12,922,642	12,213,224
Clearing settlement funds	29	25,332,965	23,804,906
Cash and bank balances	30	112,121,943	113,377,264
Total current assets		599,031,708	583,780,400
Total assets		627,554,072	611,677,015

Condensed Consolidated Statement of Financial Position (Continued)

As at June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	As at June 30, 2023	As at December 31, 2022
		(Unaudited)	(Audited, restated)
Current liabilities			
Short-term borrowings	32	5,687,495	10,608,902
Short-term debt instruments	33	22,415,653	25,147,999
Placements from banks and other financial institutions	34	13,037,445	10,802,438
Accounts payables to brokerage clients	35	113,646,358	106,377,654
Accrued staff costs	36	6,968,300	6,461,381
Other payables and accrued charges	37	38,773,921	27,538,471
Current tax liabilities		164,270	181,858
Financial liabilities at fair value through profit or loss	38	38,257,198	46,371,940
Derivative financial liabilities	27	3,821,370	2,875,039
Financial assets sold under repurchase agreements	39	135,579,433	120,805,473
Lease liabilities	40	343,350	330,846
Contract liabilities		48,144	63,808
Provisions		885	86,314
Long-term borrowings due within one year	41	925,970	895,160
Bonds payables due within one year	47	57,501,215	63,221,046
Proceeds from underwriting securities received on behalf of customers		239,892	—
Total current liabilities		437,410,899	421,768,329
Net current assets		161,620,809	162,012,071
Total assets less current liabilities		190,143,173	189,908,686
Equity			
Share capital	43	8,696,526	8,696,526
Other equity instruments	44	15,000,000	15,000,000
Capital reserves		40,366,971	40,346,871
Investment revaluation reserve of financial assets at fair value through other comprehensive income	45	53,774	(180,630)
Translation reserve		418,656	238,056
General reserves	46	22,297,568	22,278,999
Retained profits		31,322,279	28,794,773
Equity attributable to shareholders of the Company		118,155,774	115,174,595
Non-controlling interests		85,105	82,488

Condensed Consolidated Statement of Financial Position (Continued)

As at June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	As at June 30, 2023	As at December 31, 2022
		(Unaudited)	(Audited, restated)
Total equity		118,240,879	115,257,083
Non-current liabilities			
Accrued staff costs	36	—	97,490
Deferred tax liabilities	21	589,514	481,909
Financial liabilities at fair value through profit or loss	38	1,420,432	1,372,080
Deferred income		111,349	112,947
Lease liabilities	40	919,381	912,500
Long-term borrowings	42	1,014,178	267,981
Bonds payables	48	67,847,440	71,406,696
Total non-current liabilities		71,902,294	74,651,603
Total equity and non-current liabilities		190,143,173	189,908,686

Approved and authorized for issue by the board of directors on August 29, 2023 and are signed on its behalf by:

HUO Da*Executive Director, Chairman***WU Zongmin***Executive Director, President*

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

FOR THE SIX MONTHS ENDED JUNE 30, 2023

	Equity attributable to shareholders of the Company								Non-controlling interests	Total
	Share capital	Other equity instruments	Capital reserves	Investment revaluation reserve of financial assets at fair value through other comprehensive income	Translation reserve	General reserves	Retained profits	Sub-total		
	(note 43)	(note 44)		(note 45)		(note 46)				
At January 1, 2023 (Audited)	8,696,526	15,000,000	40,346,871	(180,630)	238,056	22,278,999	28,779,256	115,159,078	82,488	115,241,566
Effect of changes in accounting policy	—	—	—	—	—	—	15,517	15,517	—	15,517
At January 1, 2023 (Restated)	8,696,526	15,000,000	40,346,871	(180,630)	238,056	22,278,999	28,794,773	115,174,595	82,488	115,257,083
Profit for the period	—	—	—	—	—	—	4,726,975	4,726,975	2,617	4,729,592
Other comprehensive income for the period	—	—	—	234,601	180,600	—	—	415,201	—	415,201
Total comprehensive income for the period	—	—	—	234,601	180,600	—	4,726,975	5,142,176	2,617	5,144,793
Appropriation to general reserves	—	—	—	—	—	18,569	(18,569)	—	—	—
Distribution to holders of other equity instruments (note 49)	—	—	—	—	—	—	(572,240)	(572,240)	—	(572,240)
Dividends recognized as distribution (note 49)	—	—	—	—	—	—	(1,608,857)	(1,608,857)	—	(1,608,857)
Transfer to retained profits for cumulative fair value change of FVTOCI upon disposal (note 45)	—	—	—	(197)	—	—	197	—	—	—
Changes in other capital reserves of associates	—	—	20,100	—	—	—	—	20,100	—	20,100
At June 30, 2023 (Unaudited)	8,696,526	15,000,000	40,366,971	53,774	418,656	22,297,568	31,322,279	118,155,774	85,105	118,240,879

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	Equity attributable to shareholders of the Company								Non-controlling interests	Total
	Share capital	Other equity instruments	Capital reserves	Investment revaluation reserve of financial assets at fair value through other comprehensive income	Translation reserve	General reserves	Retained profits	Sub-total		
	(note 43)	(note 44)		(note 45)		(note 46)				
At January 1, 2022 (Audited)	8,696,526	15,000,000	40,361,022	196,165	(227,414)	20,744,058	27,732,673	112,503,030	87,421	112,590,451
Effect of changes in accounting policy	—	—	—	—	—	—	17,592	17,592	—	17,592
At January 1, 2022 (Restated)	8,696,526	15,000,000	40,361,022	196,165	(227,414)	20,744,058	27,750,265	112,520,622	87,421	112,608,043
Profit for the period (Restated)	—	—	—	—	—	—	4,291,728	4,291,728	6,893	4,298,621
Other comprehensive (expense) income for the period	—	—	—	(133,409)	217,152	—	—	83,743	—	83,743
Total comprehensive (expense) income for the period (Restated)	—	—	—	(133,409)	217,152	—	4,291,728	4,375,471	6,893	4,382,364
Issue of perpetual bonds (note 44)	—	14,985,849	—	—	—	—	—	14,985,849	—	14,985,849
Redemption of perpetual bonds (note 44)	—	(15,000,000)	—	—	—	—	—	(15,000,000)	—	(15,000,000)
Appropriation to general reserves	—	—	—	—	—	24,385	(24,385)	—	—	—
Distribution to holders of other equity instruments (note 49)	—	—	—	—	—	—	(782,134)	(782,134)	—	(782,134)
Dividends recognized as distribution (note 49)	—	—	—	—	—	—	(4,696,124)	(4,696,124)	—	(4,696,124)
Transfer to retained profits for cumulative fair value change of FVTOCI upon disposal (note 45)	—	—	—	7,635	—	—	(7,635)	—	—	—
At June 30, 2022 (Unaudited, restated)	8,696,526	14,985,849	40,361,022	70,391	(10,262)	20,768,443	26,531,715	111,403,684	94,314	111,497,998

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Operating activities		
Profit before income tax	5,210,202	4,755,145
Adjustments for:		
Interest expenses	4,489,749	4,840,104
Share of results of associates	(769,709)	(856,522)
Depreciation and amortization	376,281	340,632
Impairment losses under expected credit loss model, net of reversal and other impairment losses, net	147,068	212,440
Gains on disposal of property and equipment, other intangible assets and other non-current assets, net	(829)	(983)
Foreign exchange losses, net	169,675	155,299
Gains on disposal of interests in an associate	(1,066)	—
Net realized (gains) losses from disposal of financial assets at fair value through other comprehensive income	(28,620)	186,364
Net realized losses from derecognition of financial liabilities measured at amortised cost	338	5,197
Dividend income and interest income on financial assets at fair value through other comprehensive income and debt instrument at amortized cost	(780,760)	(686,401)
Unrealized fair value changes in financial instruments at fair value through profit or loss	(1,461,308)	72,494
Unrealized fair value changes in derivative financial instruments	(260,732)	1,095,406
Operating cash flows before movements in working capital	7,090,289	10,119,175
(Increase) Decrease in advances to customers	(873,689)	13,809,130
Increase in other current assets	(1,118,127)	(865,789)
Decrease in financial assets held under resale agreements	12,111,966	7,775,937
(Increase) Decrease in financial instruments at fair value through profit or loss, net	(30,166,356)	22,488,921
(Increase) Decrease in deposits with exchanges and non-bank financial institutions	(702,125)	1,183,879
Decrease in pledged and restricted bank deposits	760,166	169,897
Decrease in clearing settlement funds	441,796	3,284,616
Increase in cash held on behalf of customers	(7,726,497)	(16,703,318)
Increase in accounts payables to brokerage clients	7,274,096	10,644,633
Increase (Decrease) in accrued staff costs	405,899	(380,691)
Increase (Decrease) in other current liabilities	9,500,020	(3,173,339)
Increase in financial assets sold under repurchase agreements	14,815,079	3,916,336
Increase (Decrease) in placements from other financial institutions	2,222,115	(4,827,316)
Net cash from operations	14,034,632	47,442,071
Income taxes paid	(261,837)	(624,463)
Interest paid	(2,081,846)	(1,920,773)
Net cash from operating activities	11,690,949	44,896,835

Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Investing activities		
Dividends and interest received from investments	1,381,405	1,288,891
Purchases of property and equipment, other intangible assets and other non-current assets	(150,008)	(149,812)
Proceeds from disposals of property and equipment, other intangible assets and other non-current assets	221	1,015
Proceeds on disposal of interest in an associate	3,466	—
Net purchase or proceeds from disposals or purchases of financial instruments at fair value through other comprehensive income	147,455	(16,064,365)
Net purchase or proceeds from purchases or disposals of debt instruments at amortized cost	(57,755)	632,610
Net cash from (used in) investing activities	1,324,784	(14,291,661)
Financing activities		
Dividends paid to shareholders and other equity instruments holders	(572,240)	(802,090)
Interest payment of bonds and short-term debt instruments	(3,532,985)	(3,455,269)
Interest payment of borrowings	(152,912)	(42,855)
Interest payment of lease liabilities	(21,418)	(24,224)
Repayment of bonds and short-term debt instruments	(52,591,071)	(41,463,421)
Repayment of lease liabilities	(169,699)	(146,687)
Repayment of perpetual bonds	—	(15,000,000)
Proceeds from bonds and short-term debt instruments	41,636,480	24,724,683
Net repayment of short-term borrowings	(5,161,074)	(1,042,785)
Proceeds from long-term borrowings, net of repayment	726,100	—
Proceeds from perpetual bonds	—	15,000,000
Net cash used in financing activities	(19,838,819)	(22,252,648)
Net (decrease) increase in cash and cash equivalents	(6,823,086)	8,352,526
Cash and cash equivalents at the beginning of the period	30,226,988	14,597,238
Effect of foreign exchange rate changes	352,951	43,350
Cash and cash equivalents at the end of the period	23,756,853	22,993,114
Net cash flows from operating activities including: interest received	4,572,549	4,393,335

Notes to the Condensed Consolidated Financial Information

For the period ended June 30, 2023
(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 June 30, 2023, the Company’s registered capital was RMB8,696,526,806 and the Company has a total of 8,696,526,806 issued shares of RMB1 each.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

1. CORPORATE INFORMATION (Continued)

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

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of new International Financial Reporting Standards ("IFRSs") and amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

Application of new IFRSs and amendments to IFRSs

In the current interim period, the Group has applied the following new IFRSs and amendments to IFRSs issued by International Accounting Standards Board, for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements.

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impacts and changes in accounting policies on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

3.1.1 Accounting policies

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

3.1.2 Transition and summary of effects

The Group previously applied the IAS 12 requirements to assets and liabilities arising from a single transaction separately and temporary differences on initial recognition on the relevant assets and liabilities were not recognised due to application of the initial recognition exemption. In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;
- (ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The effects of the changes in accounting policy as a result of application of amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction on the condensed consolidated statement of profit or loss are as follows, the application of the amendment has had no impact on the Group's other comprehensive income.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impacts and changes in accounting policies on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)

3.1.2 Transition and summary of effects (Continued)

	For the six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Impact on profit for the period		
Net increase/(decrease) in income tax expense	861	(3,607)
Net (decrease)/increase in profit for the period	(861)	3,607
(Decrease)/increase in profit for the period attributable to:		
Shareholders of the Company	(861)	3,607
Non-controlling interests	—	—
	(861)	3,607

For the six months ended June 30, 2023 and 2022, there were no material impact on earnings per share.

The effects of the changes in accounting policy as a result of application of amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction on the condensed consolidated statement of financial position as at the end of the immediately preceding financial year, i.e. 31 December 2022, are as follows:

	As at December 31, 2022	Adjustments	As at December 31, 2022
	(Audited)		(Restated)
Deferred tax assets	1,832,205	15,133	1,847,338
Deferred tax liabilities	482,293	(384)	481,909
Total effects on net assets	1,349,912	15,517	1,365,429
Retained profits	28,779,256	15,517	28,794,773
Total effects on equity	28,779,256	15,517	28,794,773

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impacts and changes in accounting policies on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)

3.1.2 Transition and summary of effects (Continued)

The effect of the changes in accounting policy as a result of application of amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction on the condensed consolidated statement of financial position as at the beginning of the comparative period, i.e. 1 January 2022, is as follows:

	As at 1 January, 2022	Adjustments	As at 1 January, 2022
	(Audited)		(Restated)
Deferred tax assets	1,561,415	16,974	1,578,389
Deferred tax liabilities	491,857	(618)	491,239
Total effects on net assets	1,069,558	17,592	1,087,150
Retained profits	27,732,673	17,592	27,750,265
Total effects on equity	27,732,673	17,592	27,750,265

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

The condensed consolidated financial statements do not include all the information required for a full set of financial statements prepared in accordance with IFRSs. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial report as at and for the year ended 31 December 2022.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

4. FEE AND COMMISSION INCOME

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Securities and futures brokerage business	4,013,331	4,525,197
Underwriting and sponsorship business	432,704	765,267
Asset management and fund management business	373,300	430,580
Financial advisory business	65,425	66,838
Investment advisory business	22,225	27,974
Other business	362,109	424,000
	5,269,094	6,239,856

5. INTEREST INCOME

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Advances to customers and securities lending	2,647,333	2,820,754
Exchanges and financial institutions balances, deposits and clearing settlement funds	1,473,149	1,056,827
Debt instruments at fair value through other comprehensive income ("FVTOCI")	738,928	663,431
Financial assets held under securities back-lending resale agreements	359,812	398,780
Other financial assets held under resale agreements	192,180	242,412
Debt instruments at amortized cost	11,975	22,970
	5,423,377	5,205,174

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

6. INVESTMENT GAINS OR LOSSES, NET

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Dividend and interest income from financial assets at FVTPL	2,904,923	2,814,438
Net gains (losses) from financial assets at FVTPL	2,873,922	(763,808)
Dividend from financial assets at FVTOCI	29,857	14,377
Net gains (losses) from disposals of debt instruments measured at FVTOCI	28,620	(186,364)
Net gains on disposal of interests in an associate	1,066	—
Net losses on derecognition of debt instruments at amortized cost	(338)	(5,197)
Net (losses) gains from derivative financial instruments	(734,601)	987,121
Net (losses) gains from financial liabilities at FVTPL	(1,185,261)	199,282
	3,918,188	3,059,849

7. OTHER INCOME AND GAINS OR LOSSES, NET

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Income from commodity trading	860,637	1,321,093
Refund from tax withholding and remittance	58,949	81,419
Government grants	30,673	73,889
Rental income	7,275	8,525
Foreign exchange losses, net	(14,966)	(155,299)
Others	100,324	42,400
	1,042,892	1,372,027

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

8. DEPRECIATION AND AMORTIZATION

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Depreciation of right-of-use assets	176,503	171,702
Depreciation of property and equipment	100,072	92,358
Amortization of other non-current assets	93,435	73,996
Amortization of other intangible assets	6,271	2,576
	376,281	340,632

9. STAFF COSTS

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Salaries, bonus and allowances	2,530,443	2,457,951
Contributions to retirement benefits	364,569	294,745
Other social welfare	258,711	207,215
Others	72,174	65,548
	3,225,897	3,025,459

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

10. FEE AND COMMISSION EXPENSES

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Securities and futures brokerage business	1,080,449	1,240,085
Underwriting and sponsorship business	44,590	18,551
Financial advisory business	6,800	9,645
Asset management and fund management business	1,383	1,956
Investment advisory business	4,541	694
	1,137,763	1,270,931

11. INTEREST EXPENSES

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Bonds payables	2,141,495	2,745,044
Financial assets sold under repurchase agreements	1,188,457	1,132,998
Placements from banks and other financial institutions	405,293	295,357
Accounts payables to brokerage clients	348,145	175,154
Short-term debt instruments	202,692	333,103
Borrowings	164,275	66,900
Lease liabilities	21,418	19,573
Others	17,974	71,975
	4,489,749	4,840,104

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

12. OTHER OPERATING EXPENSES

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Cost of commodity trading	860,767	1,325,223
Electronic equipment operation expenses	200,417	184,259
Member fees of stock exchange	134,967	183,576
Clearing fee	116,223	63,472
Business promotion expenses	107,575	127,916
Postal and communications expenses	98,171	93,291
Business travel expenses	55,750	30,020
Rental and property management expenses	41,413	36,489
Securities and futures investor protection funds	39,416	41,078
General and administrative expenses	23,254	21,109
Others	105,029	111,589
	1,782,982	2,218,022

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

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Impairment loss on financial assets held under resale agreements (note 20)	150,508	131,549
Impairment loss on debt instruments at amortized cost (note 19)	6,050	58,666
Impairment loss on accounts and other receivables	53	19,493
(Reversal of) Impairment loss on advances to customers (note 23)	(9,068)	10,083
Reversal of impairment loss on debt instruments at FVTOCI (note 25)	(475)	(14,266)
	147,068	205,525

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

14. INCOME TAX EXPENSES

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited, restated)
Current tax:		
— PRC Enterprise Income Tax	264,494	131,307
— Hong Kong Profits Tax	167	1,694
	264,661	133,001
Under(over) provision in respect of prior periods:		
— PRC Enterprise Income Tax	22,574	(43,741)
— Hong Kong Profits Tax	—	(22)
	22,574	(43,763)
Deferred taxation:		
— Origination and reversal of temporary differences (note 21)	193,375	367,286
	480,610	456,524

15. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited, restated)
Earnings for the purpose of basic earnings per share:		
Profit attributable to shareholders of the Company	4,726,975	4,291,728
Less: Profit attributable to holders of perpetual subordinated bonds	(283,768)	(323,357)
	4,443,207	3,968,371
Number of shares:		
Weighted average number of ordinary shares	8,696,526	8,696,526
Earnings per share:		
Earnings per share (in RMB yuan)	0.51	0.46

Note: For the six months ended June 30, 2023 and 2022, there were no dilutive shares.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

16. PROPERTY AND EQUIPMENT

	Leasehold land and buildings	Motor vehicles	Electronic and communication equipment	Office equipment	Construction in progress	Total
Unaudited						
Cost						
As at January 1, 2023	1,277,180	60,688	1,154,429	66,373	32,650	2,591,320
Additions	—	—	72,050	388	16,537	88,975
Disposals	—	—	(847)	(1,334)	—	(2,181)
Transfer	—	—	—	—	(20,442)	(20,442)
Exchange differences	—	40	1,631	1,043	451	3,165
As at June 30, 2023	1,277,180	60,728	1,227,263	66,470	29,196	2,660,837
Accumulated depreciation and impairment						
As at January 1, 2023	342,923	51,527	598,716	49,111	—	1,042,277
Charge for the period	15,998	1,246	77,571	5,257	—	100,072
Disposals	—	—	(822)	(1,323)	—	(2,145)
Exchange differences	—	40	1,240	879	—	2,159
As at June 30, 2023	358,921	52,813	676,705	53,924	—	1,142,363
Carrying values						
As at June 30, 2023	918,259	7,915	550,558	12,546	29,196	1,518,474
Audited						
Cost						
As at January 1, 2022	1,277,180	60,431	964,112	63,934	30,900	2,396,557
Additions	—	3,183	247,375	1,549	66,354	318,461
Disposals	—	(3,031)	(60,941)	(1,902)	—	(65,874)
Transfer to other non-current assets	—	—	—	—	(65,816)	(65,816)
Exchange differences	—	105	3,883	2,792	1,212	7,992
As at December 31, 2022	1,277,180	60,688	1,154,429	66,373	32,650	2,591,320
Accumulated depreciation and impairment						
As at January 1, 2022	310,909	51,643	515,446	38,053	—	916,051
Charge for the year	32,014	2,659	138,050	10,815	—	183,538
Disposals	—	(2,880)	(57,840)	(1,801)	—	(62,521)
Exchange differences	—	105	3,060	2,044	—	5,209
As at December 31, 2022	342,923	51,527	598,716	49,111	—	1,042,277
Carrying values						
As at December 31, 2022	934,257	9,161	555,713	17,262	32,650	1,549,043

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

17. RIGHT-OF-USE ASSETS

	Land and buildings	Leasehold land	Total
Unaudited			
Cost			
As at January 1, 2023	2,653,881	432,600	3,086,481
Additions	200,782	—	200,782
Disposals	(99,555)	—	(99,555)
Exchange differences	7,278	—	7,278
As at June 30, 2023	2,762,386	432,600	3,194,986
Accumulated depreciation			
As at January 1, 2023	1,485,020	44,815	1,529,835
Charge for the period	171,016	5,487	176,503
Disposals	(86,675)	—	(86,675)
Exchange differences	4,702	—	4,702
As at June 30, 2023	1,574,063	50,302	1,624,365
Carrying values			
As at June 30, 2023	1,188,323	382,298	1,570,621
Audited			
Cost			
As at January 1, 2022	2,426,752	432,600	2,859,352
Additions	254,788	—	254,788
Disposals	(46,820)	—	(46,820)
Exchange differences	19,161	—	19,161
As at December 31, 2022	2,653,881	432,600	3,086,481
Accumulated depreciation			
As at January 1, 2022	1,181,861	33,840	1,215,701
Charge for the year	338,582	10,975	349,557
Disposals	(45,799)	—	(45,799)
Exchange differences	10,376	—	10,376
As at December 31, 2022	1,485,020	44,815	1,529,835
Carrying values			
As at December 31, 2022	1,168,861	387,785	1,556,646

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

18. INTERESTS IN ASSOCIATES

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Cost of unlisted investments in associates	4,576,535	4,578,935
Share of post-acquisition profits and other comprehensive income, net of dividends received	7,078,035	6,836,064
Sub-total	11,654,570	11,414,999
Impairment loss	(669,150)	(669,150)
	10,985,420	10,745,849

The following list contains only the particulars of material associates using the equity method in the condensed consolidated financial statements:

Name of associate	Place and date of incorporation/ establishment	Equity interest held by the Group		Principal Activities
		As at June 30, 2023	As at December 31, 2022	
Bosera Asset Management Co., Ltd.	PRC July 13, 1998	49%	49%	Fund management
China Merchants Fund Management Limited	PRC December 27, 2002	45%	45%	Fund management
Guangdong Equity Exchange Center Co., Ltd. ⁽ⁱ⁾	PRC July 6, 2018	12%	12%	Transaction settlement services
Hunan Linhou Enterprise Management Consulting Co., Ltd.* ⁽ⁱⁱ⁾	PRC March 13, 2008	N/A	40%	Investment management
Twenty-first Century Technology Investment Co., Ltd.* ⁽ⁱⁱⁱ⁾	PRC June 19, 2000	23%	23%	Investment

* English name translation is for identification purpose only.

(i) Guangdong Equity Exchange Center Co., Ltd. was recognized as an associate as the Group has rights to participate in its financial and operational decision making.

(ii) Hunan Linhou Enterprise Management Consulting Co., Ltd. used to be named Hunan China Merchants Xiangjiang Industry Management Co., Ltd. As at June 30, 2023, the Group has fully disposed the share of Hunan Linhou Enterprise Management Consulting Co., Ltd.

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

19. DEBT INSTRUMENTS AT AMORTIZED COST

(1) Analyzed by nature

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Non-current		
Bonds	10,236	20,422
Less: Expected credit losses	(5)	(11)
	10,231	20,411
Current		
Bonds	720,164	622,751
Less: Expected credit losses	(92,441)	(83,602)
	627,723	539,149

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

19. DEBT INSTRUMENTS AT AMORTIZED COST (Continued)

(2) Movements of expected credit losses are as follows

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
At the beginning of the period/year	83,613	24,284
Expected credit losses recognized	6,050	54,686
Exchange differences	2,783	4,643
At the end of the period/year	92,446	83,613

	As at June 30, 2023 (Unaudited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	619,350	—	111,050	730,400
Expected credit losses	127	—	92,319	92,446

	As at December 31, 2022 (Audited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	536,144	—	107,029	643,173
Expected credit losses	346	—	83,267	83,613

For the year ended June 30, 2023, there was no transfer between the stages of expected credit losses. (2022: The stage 3 expected credit losses on debt instruments at amortized cost was entirely transferred from the stage 2 carrying balance as of December 31, 2021.)

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

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

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Non-current		
Analyzed by collateral type:		
Listed equity investments ⁽ⁱ⁾	456,764	125,224
Analyzed by market:		
Stock exchanges	456,764	125,224
Less: Expected credit losses	(1,500)	(25)
	455,264	125,199
Current		
Analyzed by collateral type:		
Listed equity investments ⁽ⁱ⁾	16,388,424	14,145,765
Bonds	21,501,443	36,195,898
Sub-total	37,889,867	50,341,663
Analyzed by market:		
Stock exchanges	21,134,140	29,404,870
Interbank bond market	16,755,727	20,936,793
Sub-total	37,889,867	50,341,663
Less: Expected credit losses	(1,035,150)	(886,117)
	36,854,717	49,455,546

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

As at June 30, 2023, the Group received collateral amounted to RMB69,469 million (2022: RMB83,900 million) in connection with its reverse resale agreements and securities back-lending.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (Continued)

(2) Movements of allowances for expected credit losses are as follows

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
At the beginning of the period/year	886,142	740,577
Expected credit losses recognized	150,508	145,565
At the end of the period/year	1,036,650	886,142

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

	As at June 30, 2023 (Unaudited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	15,639,379	—	1,205,809	16,845,188
Expected credit losses	19,691	—	1,016,959	1,036,650
Collateral	45,453,361	—	254,400	45,707,761

	As at December 31, 2022 (Audited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	12,934,277	122,016	1,214,696	14,270,989
Expected credit losses	13,905	2,400	869,837	886,142
Collateral	38,335,574	652,280	435,027	39,422,881

21. DEFERRED TAX ASSETS (LIABILITIES)

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

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited, restated)
Deferred tax assets	1,682,822	1,847,338
Deferred tax liabilities	(589,514)	(481,909)

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

21. DEFERRED TAX ASSETS (LIABILITIES) (Continued)

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

	Financial instruments at fair value through profit and loss/ derivatives	Accrued staff costs	Deferred income	Impairment allowances	Financial instruments at fair value through other comprehensive income	Property and equipment	Others	Total
At December 31, 2021 (Audited)	(745,937)	1,553,391	29,036	212,250	(60,102)	(2,815)	83,735	1,069,558
Effect of changes in accounting policy	—	—	—	—	—	—	17,592	17,592
At January 1, 2022 (Restated)	(745,937)	1,553,391	29,036	212,250	(60,102)	(2,815)	101,327	1,087,150
Charge (credit) to profit or loss (Restated)	228,317	(111,973)	(799)	31,067	—	862	6,149	153,623
Credit to other comprehensive income	—	—	—	—	124,288	—	—	124,288
Exchange differences	—	—	—	—	113	—	255	368
At December 31, 2022 (Restated)	(517,620)	1,441,418	28,237	243,317	64,299	(1,953)	107,731	1,365,429
At January 1, 2023 (Restated)	(517,620)	1,441,418	28,237	243,317	64,299	(1,953)	107,731	1,365,429
Charge to profit or loss	(182,550)	(3,221)	(400)	36,167	—	(991)	(42,380)	(193,375)
Credit to other comprehensive income	—	—	—	—	(78,737)	—	—	(78,737)
Exchange differences	—	—	—	—	549	—	(558)	(9)
At June 30, 2023 (Unaudited)	(700,170)	1,438,197	27,837	279,484	(13,889)	(2,944)	64,793	1,093,308

22. OTHER NON-CURRENT ASSETS

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Leasehold improvements and deferred expenses	512,608	593,169
	512,608	593,169

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

23. ADVANCES TO CUSTOMERS

(1) Analyzed by nature

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Advances to customers	82,852,036	81,785,847
Less: Expected credit losses	(236,896)	(244,731)
	82,615,140	81,541,116

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 the underlying pledged securities and cash collateral 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 up the balance.

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

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Collateral measured at fair value:		
Cash	4,620,607	8,360,104
Bonds	584,914	781,082
Equity securities	220,780,898	205,593,006
Funds	9,356,723	3,489,182
	235,343,142	218,223,374

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

23. ADVANCES TO CUSTOMERS (Continued)

(3) Movements of expected credit losses are as follows

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
At the beginning of the period/year	244,731	145,787
Expected credit losses recognized	—	96,471
Reversal of expected credit losses	(9,068)	—
Exchange differences	1,233	2,473
At the end of the period/year	236,896	244,731

	As at June 30, 2023 (Unaudited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	82,394,867	185,639	271,530	82,852,036
Expected credit losses	85,192	412	151,292	236,896

	As at December 31, 2022 (Audited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Principal and interest	81,396,880	82,991	305,976	81,785,847
Expected credit losses	101,599	86	143,046	244,731

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

24. ACCOUNTS AND OTHER RECEIVABLES

(1) Analyzed by nature

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Accounts and other receivables from/related to:		
Clearing houses, brokers and dealers	2,481,342	2,614,256
Fee and commission income	799,481	868,168
Other receivables	126,199	113,456
Deposits of OTC derivative business	3,242,706	1,945,603
Dividends receivable	8,663	21,148
Others	311,632	317,530
Sub-total	6,970,023	5,880,161
Less: Expected credit losses of accounts and other receivables	(60,023)	(59,748)
	6,910,000	5,820,413

(2) Analyzed by ageing

As at the end of the period/year, the ageing analysis based on transaction dates of accounts and other receivables, is as follows:

	As at June 30, 2023 (Unaudited)		As at December 31, 2022 (Audited)	
	Amount	Expected credit losses	Amount	Expected credit losses
Within 1 year	6,433,826	(131)	5,545,410	(177)
Between 1 and 2 years	255,531	(897)	163,235	(11,835)
Between 2 and 3 years	134,293	(18,803)	50,409	(12,236)
Over 3 years	146,373	(40,192)	121,107	(35,500)
	6,970,023	(60,023)	5,880,161	(59,748)

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

25. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(1) Analyzed by type

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Current		
Government bonds	39,587,037	42,024,156
Bonds issued by policy banks	1,529,565	1,514,649
Bonds issued by commercial banks and other financial institutions	12,825,499	5,427,777
Others	7,069,213	11,921,946
	61,011,314	60,888,528

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

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

(2) Movements of allowances for expected credit losses are as follows

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
At the beginning of the period/year	7,592	21,840
Reversal of expected credit losses	(475)	(15,180)
Exchange differences	49	932
At the end of the period/year	7,166	7,592

	As at June 30, 2023 (Unaudited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Book values	61,011,314	—	—	61,011,314
Expected credit losses	7,166	—	—	7,166

	As at December 31, 2022 (Audited)			
	12 months (stage 1)	Life time (stage 2)	Life time (stage 3)	Total
Book values	60,888,528	—	—	60,888,528
Expected credit losses	7,592	—	—	7,592

During the six months ended June 30, 2023 and the year ended December 31, 2022, there was no material transfer between the stages of expected credit losses.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Current		
Debt securities	175,412,402	148,400,039
Funds	35,747,406	50,079,136
Equity investments ⁽ⁱ⁾	34,614,822	23,239,597
Others ⁽ⁱⁱ⁾	9,587,209	10,278,876
Sub-total	255,361,839	231,997,648
Non-current		
Equity investments ⁽ⁱ⁾	3,285,716	3,355,941
Others ⁽ⁱⁱ⁾	6,689,546	6,422,401
Sub-total	9,975,262	9,778,342

- (i) Equity investments comprise of unlisted equity investments.
- (ii) Others mainly represent investments in collective asset management schemes, wealth management products, trusts and investments in limited partnerships.

Fair value of the Group's financial assets at fair value through profit or loss are determined as described in note 55.

As at June 30, 2023, debt securities of RMB4,153,324 thousand (December 31, 2022: RMB2,048,692 thousand), RMB16,791,607 thousand (December 31, 2022: RMB27,053,174 thousand) and RMB108,235,493 thousand (December 31, 2022: RMB85,337,913 thousand) classified as FVTPL were pledged as collateral for certain derivative transactions and securities borrowing and financial assets sold under repurchase agreements, respectively.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

27. DERIVATIVE FINANCIAL INSTRUMENTS

	As at June 30, 2023			As at December 31, 2022		
	Non-hedging instruments			Non-hedging instruments		
	Notional Principal amounts	Fair Value		Notional Principal amounts	Fair Value	
		Assets	Liabilities		Assets	Liabilities
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Interest derivative instrument	1,484,791,568	37,987	11,483	1,288,145,882	27,929	12,314
Equity derivative instrument	179,500,924	4,546,617	3,655,490	140,435,636	3,328,149	2,697,403
Currency derivative instrument	31,466,536	103,907	93,067	25,913,288	213,901	35,947
Credit derivative instrument	1,067,228	16,733	96	997,806	8,047	144
Other derivative instrument	88,980,090	34,130	61,234	60,578,529	86,660	129,231
	1,785,806,346	4,739,374	3,821,370	1,516,071,141	3,664,686	2,875,039

Under a daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in the PRC futures contracts, interest rate swap contracts and bond forward contracts traded in the National Interbank Funding Center and foreign exchange contracts traded in the China Foreign Exchange Trade System are settled daily and the corresponding receipts and payments are included in "clearing settlement funds". Accordingly, these contracts are presented after netting of their settlements at the end of the reporting period.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

28. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Deposits with stock exchanges and clearing houses:		
Shanghai Clearing House	862,034	668,000
China Securities Depository and Clearing Corporation Limited	676,355	848,929
Hong Kong Exchanges and Clearing Limited	105,581	111,092
Deposits with futures and commodity exchanges and financial institutions:		
China Financial Futures Exchange	5,207,478	5,391,792
Dalian Commodity Exchange	1,675,930	2,056,337
Shanghai Futures Exchange	1,323,515	1,228,495
Others	3,071,749	1,908,579
	12,922,642	12,213,224

29. CLEARING SETTLEMENT FUNDS

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Clearing settlement funds held with clearing houses for:		
House accounts	9,845,303	7,875,448
Clients	15,487,662	15,929,458
	25,332,965	23,804,906

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

30. CASH AND BANK BALANCES

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Bank balances — house accounts	15,045,006	24,248,926
House accounts	14,080,891	22,524,645
Pledged and restricted bank deposits		
— Restricted bank deposit for purchase of bond, stock and as risk reserve and credit (note 31)	964,115	1,724,281
Cash held on behalf of customers	97,076,937	89,128,338
	112,121,943	113,377,264

31. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the followings:

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Bank balances — house accounts	14,876,044	24,076,253
Clearing settlement funds — house accounts	9,844,924	7,875,016
Less: Pledged and restricted bank deposits (note 30)	(964,115)	(1,724,281)
	23,756,853	30,226,988

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

32. SHORT-TERM BORROWINGS

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Current		
Secured bank borrowings ⁽ⁱ⁾	—	30,675
Unsecured bank borrowings ⁽ⁱⁱ⁾	5,675,356	10,543,978
Interests accrued	12,139	34,249
	5,687,495	10,608,902

- (i) As at June 30, 2023, the Group had no secured bank borrowings (December 31, 2022: the Group's secured bank borrowings were funds that the Group had financed from banks by discounting outstanding bills receivable at a discount rate of 1.70%).
- (ii) As at June 30, 2023, the floating interest rates of Group's short-term unsecured bank borrowings ranged from 2.02%-6.9575% (December 31, 2022: 1.85%-6.10%) per annum while the Group had no unsecured bank borrowings bear fixed interest rates (December 31, 2022: Nil) per annum.

33. SHORT-TERM DEBT INSTRUMENTS

	Coupon rate as at June 30, 2023	As at January 1, 2023	Issuance/ Other Transfer	Redemption/ Exchange difference	As at June 30, 2023
	(Unaudited)				(Unaudited)
Short-term bond payables	2.07%-2.35%	—	13,000,000	—	13,000,000
Short-term financing bills payables	1.82%-2.00%	24,000,000	—	16,000,000	8,000,000
Principals of income certificates	0.50%-7.70%/ Floated rates	991,631	4,338,749	4,071,074	1,259,306
Interest accrued		156,368	191,970	191,991	156,347
		25,147,999	17,530,719	20,263,065	22,415,653

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

33. SHORT-TERM DEBT INSTRUMENTS (Continued)

	Coupon rate as at December 31, 2022	As at January 1, 2022	Issuance/ Other Transfer	Redemption/ Exchange difference	As at December 31, 2022
	(Audited)				(Audited)
Short-term bond payables	1.88%-3.25%	4,200,000	6,600,000	10,800,000	—
Short-term financing bills payables	1.82%-2.75%	1,800,000	35,000,000	12,800,000	24,000,000
Principals of income certificates	0.05%-7.18%/ Floated rates	20,609,046	10,757,092	30,374,507	991,631
Interest accrued		326,793	581,453	751,878	156,368
		26,935,839	52,938,545	54,726,385	25,147,999

34. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Placement from banks ⁽ⁱ⁾	11,602,580	10,800,000
Placement from other financial institutions ⁽ⁱⁱ⁾	380,000	—
Gold leasing ⁽ⁱⁱⁱ⁾	1,039,535	—
Interest accrued	15,330	2,438
	13,037,445	10,802,438

(i) As at June 30, 2023, the interest rates due to banks ranged from 0.64%-3.35% (December 31, 2022: 1.96%-3.45%) per annum.

(ii) As at June 30, 2023, the interest rates due to other financial institutions was 2.51%-2.65% (December 31, 2022: Nil) per annum.

(iii) As at June 30, 2023, the interest rates due to other financial institutions was 2.61%-2.75% (December 31, 2022: Nil) per annum.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

35. ACCOUNTS PAYABLES TO BROKERAGE CLIENTS

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Clients' deposits for margin financing and securities lending	8,131,209	8,360,104
Clients' deposits for other brokerage business	105,515,149	98,017,550
	113,646,358	106,377,654

Accounts payables 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 payables 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 payables 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.

36. ACCRUED STAFF COSTS

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Non-current		
Salaries, bonus and allowances	—	97,490
Current		
Salaries, bonus and allowances	6,857,092	6,355,091
Short-term social welfare	52,054	52,054
Defined contribution plans	947	911
Others	58,207	53,325
	6,968,300	6,461,381

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

37. OTHER PAYABLES AND ACCRUED CHARGES

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Settlement payables to brokers and clearing houses	6,843,614	5,389,622
Dividends payables to holders of ordinary shares and other equity instruments	2,181,097	574,515
Deposits of equity return swaps ⁽ⁱ⁾	28,213,123	19,405,427
Other tax payables	458,278	530,156
Commission and handling fee payables	164,317	145,738
Futures risk reserve	150,066	138,519
Notes payables	196,000	942,000
Others	567,426	412,494
	38,773,921	27,538,471

- (i) As at June 30, 2023 and December 31, 2022, the balance mainly represents deposits received from investors on equity return swaps and over-the-counter options 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.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

38. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Non-current		
Financial liabilities designated at fair value through profit or loss		
— Structured entities ⁽ⁱ⁾	1,420,432	1,372,080
Current		
Financial liabilities held for trading		
— Equity securities	1,400,308	1,437,918
— Debt securities	34,943,632	41,818,085
— Structured notes	1,528,788	1,483,752
— Others	234,500	215,462
	38,107,228	44,955,217
Financial liabilities designated at fair value through profit or loss		
— Structured entities ⁽ⁱ⁾	149,970	1,416,723
	38,257,198	46,371,940

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

39. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Current		
Analyzed by collateral type:		
Bonds	133,845,121	111,543,173
Gold	1,734,312	9,262,300
	135,579,433	120,805,473
Analyzed by market:		
Stock exchanges	24,163,006	16,064,354
Interbank bond market	108,325,998	100,886,752
Over-the-counter	3,090,429	3,854,367
	135,579,433	120,805,473

40. LEASE LIABILITIES

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Within 1 year	343,350	330,846
Within a period of more than 1 year but not more than 2 years	257,582	263,269
Within a period of more than 2 years but not more than 5 years	420,101	415,927
Within a period of more than 5 years	241,698	233,304
	1,262,731	1,243,346
Less: Amount due for settlement within 12 months shown under current liabilities	(343,350)	(330,846)
Amount due for settlement after 12 months shown under non-current liabilities	919,381	912,500

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

41. LONG-TERM BORROWINGS DUE WITHIN ONE YEAR

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Unsecured bank borrowings	921,576	892,436
Interest accrued	4,394	2,724
	925,970	895,160

As at June 30, 2023, the Group's long-term borrowings due within one year bore interest rates ranging from 5.870% to 5.970% (December 31, 2022: 5.419%-6.266%) per annum.

42. LONG-TERM BORROWINGS

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Unsecured bank borrowings	1,014,178	267,981

As at June 30, 2023, the Group's long-term borrowings bore floating interest rates ranging from 5.859% to 6.246% (December 31, 2022: 5.619%-5.663%) per annum.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

43. SHARE CAPITAL

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

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Registered, issued and fully paid ordinary shares of RMB1 each:		
At the beginning of the period/year		
— Domestic shares	7,422,006	7,422,006
— Foreign invested shares	1,274,520	1,274,520
	8,696,526	8,696,526
At the end of the period/year		
— Domestic shares	7,422,006	7,422,006
— Foreign invested shares	1,274,520	1,274,520
	8,696,526	8,696,526

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

44. OTHER EQUITY INSTRUMENTS

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Perpetual subordinated bonds	15,000,000	15,000,000

The 2019 Annual General Meeting of Shareholders convened by the Company on 19 May 2020 passed the Proposal on the General Authorization of the Company's Debt Financing Instruments, and approved the Bond Issuance Plan and related matters at the 35th General Meeting of Presidents' Office held on October 25, 2021 within the scope of the authorization of the General Meeting of Shareholders and the Board of Directors.

On 26 January 2022, the China Securities Regulatory Commission issued the Approval of China Merchants Securities Co., Ltd. to Publicly Issue Perpetual Subordinated Corporate Bonds Registration to Professional Investors (CSRC Permit [2022] No. 222), agreeing to the Company's application for publicly issuing perpetual subordinate corporate bonds with a total face value of not more than RMB 15 billion to professional investors.

On March 24, April 19, April 26 and June 8, 2022, the Company completed the issuance of the first tranche of 2022 RMB4,300,000,000, the second tranche of RMB 4,700,000,000, the third tranche of RMB 4,000,000,000 and the fourth tranche of RMB 2,000,000,000, respectively, with a cumulative issuance amount of RMB 15 billion. And the interest rates of above perpetual subordinated bonds ranged from 3.72%-3.95%.

The Company shall have the right of redemption attached to the above bonds, and on the 5th and subsequent coupon payment days of the above bonds, the Company shall be entitled to redeem the above bonds at par value plus interest payable; the Company also has the option to defer interest payments, except in the event of mandatory interest payments, so that at each interest payment date, the Company may choose to defer the interest payment to the next payment date for the current year as well as all interest and accreted interest already deferred, without being subject to any limitation with respect to the number of deferrals. Of which, mandatory interest payment events are limited to dividend distributions to ordinary shareholders of the Company from the issuer and reductions of registered capital.

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
At the beginning of the period/year	(180,630)	196,165
Debt instruments at FVTOCI		
Net changes in fair value for the period/year	270,646	(376,209)
Reclassification to profit or loss	(28,620)	172,275
Income tax impact	(65,105)	52,309
Expected credit losses of debt instruments at FVTOCI		
Net changes in profit or loss for ECL reclassification adjustment	(475)	(15,180)
Income tax impact	(548)	(111)
Equity instruments at FVTOCI		
Net changes in fair value for the period/year	63,884	(296,999)
Transfer to retained profits	(197)	12,537
Income tax impact	(13,084)	72,090
Share of other comprehensive income of associates		
Share of other comprehensive income that will be reclassified subsequently to profit or loss	7,903	2,493
At the end of the period/year	53,774	(180,630)

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

46. GENERAL RESERVES

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

In accordance with the Company Law of the PRC and the Articles of Association, 10% of the net profit of the Company is required to be allocated to the statutory reserve until the statutory reserve has reached 50% of the share capital of the Company. As of June 30, 2023, the accumulated surplus reserve has reached 50% of the Company's registered capital and therefore no further allocation is required for this period.

In accordance with the "Financial Rules for Financial Enterprises" (Order of the Ministry of Finance [2006] No. 42) and the application guidance of Financial Rules for Financial Enterprises (Cai Jin [2007] No. 23) issued by the Ministry of Finance People's Republic of China ("MOF"), the Company, China Merchants Securities Asset Management Co., Ltd. and China Merchants Futures Co., Ltd. are required to appropriate 10% of net profit derived in accordance with the People's Republic of China Generally Accepted Accounting Principles ("PRC GAAP") before distribution to shareholders as general risk reserve from retained profits.

In accordance with the "Interim Measures for the Supervision and Administration of Risk Reserves of Publicly Offered Securities Investment Funds (CSRC Order No. 94)" and the requirements of the guidance of CSRC about regulating financial institutions in the asset management business for collective asset management business of securities (CSRC Announcement [2018] No. 39), the Company is required to appropriate 10% of its management fees earned from public offering products and large-size collective assets management business as general risk reserve. Moreover, no further general risk reserve is required when reserve balance reach 1% of the net asset value of the asset management plan at the end of last quarter.

The Company and China Merchants Securities Asset Management Co., Ltd. appropriate 10% of net profit derived in accordance with PRC GAAP before distribution to shareholders as transaction risk reserve from retained profits and cannot be distributed or transferred to share capital.

The movements of the general reserves are presented in these condensed consolidated statement of changes in equity for the six months ended June 30, 2023.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

47. BONDS PAYABLES DUE WITHIN ONE YEAR

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Non-convertible bonds ⁽¹⁾	31,594,351	30,482,178
Subordinated bonds ⁽²⁾	22,860,987	13,194,316
Income certificates	1,087,554	16,421,328
Interest accrued	1,958,323	3,123,224
	57,501,215	63,221,046

(1) The details of non-convertible bonds as at June 30, 2023 are as follows:

Name	Currency	Issue amount	Issue date	Maturity date	Coupon rate
20CMG1	CNY	3,000,000	2020/07/22	2023/07/22	3.55%
20CMG3	CNY	3,000,000	2020/08/13	2023/08/13	3.50%
20CMG5	CNY	2,900,000	2020/09/21	2023/09/21	3.78%
20CMG7	CNY	1,000,000	2020/10/26	2023/10/26	3.63%
21CMG2	CNY	4,500,000	2021/01/18	2024/01/18	3.53%
21CMG3	CNY	1,400,000	2021/01/28	2024/01/28	3.58%
21CMF2	CNY	7,500,000	2021/02/26	2023/08/26	3.85%
21CMG4	CNY	2,000,000	2021/07/12	2023/07/12	3.00%
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%

(2) The details of subordinated bonds as at June 30, 2023 are as follows:

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

48. BONDS PAYABLES

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Non-convertible bonds ⁽¹⁾	50,031,144	47,110,378
Subordinated bonds ⁽²⁾	15,688,375	21,783,914
Income certificates	2,127,921	2,512,404
	67,847,440	71,406,696

(1) The details of non-convertible bonds as at June 30, 2023 are as follows:

Name	Currency	Issue amount	Issue date	Maturity date	Coupon rate
14CM bond	CNY	5,500,000	2015/05/26	2025/05/26	5.08%
21CMG5	CNY	4,000,000	2021/07/12	2024/07/12	3.22%
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%
22CMG1	CNY	5,000,000	2022/01/17	2025/01/17	2.89%
22CMG2	CNY	4,000,000	2022/07/26	2025/07/26	2.70%
22CMG3	CNY	3,000,000	2022/08/11	2025/02/12	2.54%
22CMG4	CNY	5,000,000	2022/08/11	2025/08/11	2.59%
23CMG1	CNY	4,000,000	2023/04/17	2025/04/17	2.89%
23CMG2	CNY	4,000,000	2023/04/17	2026/04/17	3.03%
23CMG3	CNY	2,800,000	2023/04/25	2026/05/14	3.03%
23CMG4	CNY	2,200,000	2023/04/25	2028/04/25	3.17%

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

48. BONDS PAYABLES (Continued)

(2) The details of subordinated bonds as at June 30, 2023 are as follows:

Name	Currency	Issue amount	Issue date	Maturity date	Coupon rate
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%
23CMC1	CNY	1,400,000	2023/03/01	2025/09/11	3.45%
23CMC2	CNY	800,000	2023/03/01	2026/03/01	3.55%
23CMC3	CNY	1,500,000	2023/03/17	2025/03/17	3.25%
23CMC4	CNY	1,700,000	2023/03/17	2026/03/17	3.40%
23CMC6	CNY	3,300,000	2023/04/19	2026/04/19	3.30%
23CMC7	CNY	1,000,000	2023/05/22	2026/05/22	3.13%
23CMC8	CNY	1,000,000	2023/05/22	2028/05/22	3.39%

49. DIVIDENDS

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Dividends recognized as distribution	1,608,857	4,696,124
Distribution to holders of other equity instruments	572,240	782,134

Pursuant to a resolution of the shareholder's meeting held on June 30, 2023, the Company declared cash dividends of RMB1.85 for every 10 shares (tax included) based on 8,696,526,806 shares held and the aggregate amount was RMB1,608,857 thousand for the year ended December 31, 2022.

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

50. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

Structured entities consolidated by the Group include asset management schemes, limited partnership and investment funds where the Group involves as a manager or as an investor. The Group assesses whether, as a whole, investments it holds together with its remuneration creates exposure to variability of returns from the activities of the structured entities to a level of such significance that it indicates that the Group is a principal.

As at June 30, 2023, the Group consolidated 50 structured entities (December 31, 2022: 56). The total assets of the consolidated structured entities were RMB22,086,164 thousand (December 31, 2022: RMB22,473,686 thousand).

51. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

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

(1) Structured entities sponsored by the Group

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

As at June 30, 2023, total assets of these unconsolidated structured entities managed by the Group amounted to RMB300,431,459 thousand (December 31, 2022: RMB343,388,410 thousand).

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

51. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

(2) Structured entities sponsored by third party institutions

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

The carrying amount of these structured entities held by the Group in the condensed consolidated statement of financial position is the maximum exposure to the Group as at June 30, 2023 and December 31, 2022, which are listed below:

	As at	As at
	June 30,	December 31,
	2023	2022
	(Unaudited)	(Audited)
	Financial assets at fair value through profit or loss	
Funds	35,747,406	50,079,136
Trust schemes	392,538	232,395
Wealth management products	220,130	998,231
Others	17,404,829	18,549,994
	53,764,903	69,859,756

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

52. SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) Relationship of related parties

a. Major shareholders

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

Share percentage in the Company:

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
China Merchants Finance Investment Holdings Co., Ltd.	23.55%	23.55%
Shenzhen Jisheng Investment Development Co., Ltd.	19.59%	19.59%
China Ocean Transportation Co., Ltd.	6.26%	6.26%

b. 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 Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

52. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(1) Relationship of related parties (Continued)

b. Other related parties (Continued)

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

Significant related legal entities	The relationship with the Group
China Merchants Bank Co., Ltd.	Significant influence by the de facto controller
Shenzhen Merchants Property Management Co., Ltd.*	Fellow subsidiary of the de facto controller
Shenzhen Merchants Daojiahui Technology Co., Ltd.*	Fellow subsidiary of the de facto controller
China Merchants (Shanghai) Investment Co., Ltd.*	Fellow subsidiary of the de facto controller
China Merchants Property Management Co., Ltd.	Fellow subsidiary of the de facto controller
Liaoning Port Co., Ltd.	Fellow subsidiary of the de facto controller
Shenzhen Expressway Corporation Limited	Significant influence by the de facto controller
Wuxi Ruishang Real Estate Co. Ltd.*	Fellow subsidiary of the de facto controller
Shanghai Rural Commercial Bank Co., Ltd.	The significant influence from the de facto controller of the enterprise where the directors work for

* English name translated is for identification purpose only.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

52. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Related parties transaction and balances

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

Transactions between the Group and an associate:

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Fee and commission income		
— Funds managed by Bosera Asset Management Co., Ltd. and China Merchants Fund Management Limited	119,358	104,629

Balance between the Group and the associates:

	As at	As at
	June 30,	December 31,
	2023	2022
	(Unaudited)	(Audited)
Accounts and other receivables		
— Funds managed by Bosera Asset Management Co., Ltd. and China Merchants Fund Management Limited	41,040	50,411

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

52. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Related parties transaction and balances (Continued)

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

Transactions between the Group and other related parties:

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Fee and commission income		
— China Merchants Bank Co., Ltd.	7,110	25,227
— China Merchants Property Management Co.,Ltd.	—	5,187
— Liaoning Port Co., Ltd.	—	3,019
Interest income		
— China Merchants Bank Co., Ltd.	263,365	244,657
Investment gains or losses, net		
— Wuxi Ruishang Real Estate Co. Ltd.*	24,500	—
— China Merchants Bank Co., Ltd.	987	7,712
Other income and gains or losses, net		
— Shenzhen Expressway Corporation Limited	5,685	5,273
Fee and commission expenses		
— China Merchants Bank Co., Ltd.	29,460	27,210
Interest expenses of placement and borrowings from banks		
— China Merchants Bank Co., Ltd.	14,219	8,565
Other operating expenses		
— Shenzhen Merchants Property Management Co., Ltd.*	11,689	16,994
Purchase of office supplies		
— Shenzhen Merchants Daojiahui Technology Co., Ltd.*	8,361	7,069
Interest expenses of lease liabilities		
— China Merchants Bank Co., Ltd.	10,654	8,355
Interest expenses of repurchase agreements business		
— China Merchants Bank Co., Ltd.	2,059	36,852
— Shanghai Rural Commercial Bank Co., Ltd.	6,133	10,535

* English name translated is for identification purpose only.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

52. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(2) Related parties transaction and balances (Continued)

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

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

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Cash and bank balances		
— China Merchants Bank Co., Ltd.	26,325,241	26,094,986
Structured deposits and certificates of deposit		
— China Merchants Bank Co., Ltd.	—	80,000
Short-term borrowings		
— China Merchants Bank Co., Ltd.	462,056	408,842
Placements from banks		
— China Merchants Bank Co., Ltd.	1,900,546	2,000,411
Lease liabilities		
— China Merchants Bank Co., Ltd.	488,007	482,570
— China Merchants (Shanghai) Investment Co., Ltd.*	30,558	35,080

* English name translated is for identification purpose only.

(3) Key management personnel

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

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Short-term benefits		
— Salaries, bonus and allowances	9,548	5,720
Post-employment benefits		
— Contribution to retirement schemes	1,001	1,277
	10,549	6,997

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

53. SEGMENT INFORMATION

(1) Business segment

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

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

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

53. SEGMENT INFORMATION (Continued)

(1) Business segment (Continued)

The operating and reportable segment information provided to the chief operating decision makers (hereinafter refer as "CODM") for the six months ended June 30, 2023 and 2022 is as follows:

	Wealth management and institutional business	Investment banking	Investment management	Investment and trading	Others	Elimination	Total
Unaudited							
For the six months ended June 30, 2023							
Segment revenue and results							
Segment revenue	8,519,065	492,187	581,265	4,697,318	354,750	(33,926)	14,610,659
Segment other income and gains or losses, net	5,688	—	4,799	3,336	1,029,069	—	1,042,892
Segment total revenue, other income and gains	8,524,753	492,187	586,064	4,700,654	1,383,819	(33,926)	15,653,551
Segment expenses	(6,189,954)	(265,753)	(188,385)	(3,125,731)	(1,477,161)	33,926	(11,213,058)
Segment result	2,334,799	226,434	397,679	1,574,923	(93,342)	—	4,440,493
Share of results of associates	—	—	13	—	769,696	—	769,709
Profit before income tax	2,334,799	226,434	397,692	1,574,923	676,354	—	5,210,202
Unaudited							
As at June 30, 2023							
Segment assets and liabilities							
Segment assets	230,074,506	976,644	9,971,969	365,837,848	28,272,491	(7,579,386)	627,554,072
Segment liabilities	(195,459,033)	(929,121)	(3,576,005)	(299,880,383)	(17,048,037)	7,579,386	(509,313,193)
For the six months ended June 30, 2023							
Other segment information							
Amounts included in the segment profit or loss or segment assets:							
Interest income	4,121,400	—	28,109	952,855	354,750	(33,737)	5,423,377
Interest expenses	(2,196,794)	(7,248)	(32,272)	(2,263,069)	(24,103)	33,737	(4,489,749)
Capital expenditure	(86,897)	(6,658)	(314)	(5,207)	(50,932)	—	(150,008)
Depreciation and amortization	(206,828)	(27,662)	(8,025)	(15,225)	(118,541)	—	(376,281)
Impairment losses, net of reversal	(141,493)	—	—	(5,575)	—	—	(147,068)

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

53. SEGMENT INFORMATION (Continued)

(1) Business segment (Continued)

	Wealth management and institutional business	Investment banking	Investment management	Investment and trading	Others	Elimination	Total
Unaudited							
For the six months ended June 30, 2022							
Segment revenue and results							
Segment revenue	9,073,886	827,567	650,596	3,804,373	176,561	(28,104)	14,504,879
Segment other income and gains or losses, net	36,099	—	29,422	132	1,306,374	—	1,372,027
Segment total revenue, other income and gains	9,109,985	827,567	680,018	3,804,505	1,482,935	(28,104)	15,876,906
Segment expenses	(6,427,915)	(380,056)	(253,371)	(3,116,057)	(1,828,988)	28,104	(11,978,283)
Segment result	2,682,070	447,511	426,647	688,448	(346,053)	—	3,898,623
Share of results of associates	—	—	175	—	856,347	—	856,522
Profit before income tax	2,682,070	447,511	426,822	688,448	510,294	—	4,755,145
Restated							
As at December 31, 2022							
Segment assets and liabilities							
Segment assets	216,531,043	956,908	10,055,831	352,766,068	36,938,039	(5,570,874)	611,677,015
Segment liabilities	(173,228,687)	(922,669)	(4,431,658)	(308,698,823)	(14,708,969)	5,570,874	(496,419,932)
Unaudited							
For the six months ended June 30, 2022							
Other segment information							
Amounts included in the segment profit or loss or segment assets:							
Interest income	4,096,717	—	25,512	934,490	176,559	(28,104)	5,205,174
Interest expenses	(2,197,329)	(29,857)	(22,997)	(2,610,744)	(7,281)	28,104	(4,840,104)
Capital expenditure	(72,538)	(5,812)	(347)	(5,421)	(65,694)	—	(149,812)
Depreciation and amortization	(191,985)	(25,717)	(7,144)	(13,887)	(101,899)	—	(340,632)
Impairment losses, net of reversal	(80,240)	—	(80,885)	(44,400)	(6,915)	—	(212,440)

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

53. SEGMENT INFORMATION (Continued)

(2) Geographical information

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

	Mainland China	Outside Mainland China	Total
For the six months ended June 30, 2023 (Unaudited)			
Segment revenue and results			
Revenue	13,714,808	895,851	14,610,659
Other income and gains or losses, net	1,074,032	(31,140)	1,042,892
	14,788,840	864,711	15,653,551
For the six months ended June 30, 2022 (Unaudited)			
Segment revenue and results			
Revenue	14,332,024	172,855	14,504,879
Other income and gains or losses, net	1,454,304	(82,277)	1,372,027
	15,786,328	90,578	15,876,906

Specified non-current assets

	Mainland China	Outside Mainland China	Total
As at June 30, 2023 (Unaudited)			
Specified non-current assets	14,499,969	199,284	14,699,253
As at December 31, 2022 (Audited)			
Specified non-current assets	14,318,866	178,123	14,496,989

(3) Information about major customers

There were no customers for each of the six months period ended June 30, 2023 and 2022 contributed over 10% of the total revenue of the Group.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT

(1) Risk management structure

Since its establishment, the Group has been developing an all-around, innovative and forward-looking risk management system, which can be aligned with its operational strategy and focuses on its frontier departments at business unit level. The structure of the risk management of the Group consists of five levels including the strategical arrangement by the Board of Directors, supervision and scrutiny by the Supervisory Committee, 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:

- ① the Board of Directors and the Risk Management Committee are responsible for considering and approving the Company's risk appetite, risk tolerance and various risk limit indicators. They are also responsible for convening quarterly meetings, reviewing quarterly risk reports and reviewing the Company's overall risk management.
- ② the Supervisory Committee of the Group is responsible for supervising and examining the operations of the comprehensive risk management system of the Company.
- ③ the senior management is responsible for the risk management of business operations, determining risk control measures and formulating risk limit indicators on a regular basis by reference to the risk evaluation reports. The Risk Management Committee set up by the senior management is the ultimate risk decision-making body at operation level. The Chief Risk Officer of the Company is responsible for establishing comprehensive risk management system, monitoring, evaluating and reporting the overall risk level of the Group and providing risk management suggestion on business decisions. The Risk Management Committee consists of the Securities Investment Decision Committee, the Credit Risk Committee, the Valuation Committee, the Capital Commitment Committee and the Investment Banking Business Risk Policy Committee. Within the scope of their authorization, experts shall review and collectively make decisions on the risks of securities investment, credit risk, securities valuation, capital commitment and investment banking business. The Company integrates the risk management of subsidiaries into an overall risk management system and carries out vertical management. The person in charge of the risk management of the subsidiary shall be nominated, appointed, removed and assessed by the chief risk officer of the Group.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(1) Risk management structure (Continued)

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

- ④ 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 the compliance director in 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 the internal control system at least once a year.
- ⑤ All departments of the Company, branches and wholly-owned subsidiaries of the Company are responsible for directly managing and supervising risks of their own businesses and management scopes.

(2) Credit risk

The Group's exposure to credit risk represents the economic loss that may arise from the failure of a debtor or counterparty to meet its obligation according to their contractual commitment. The Group is primarily exposed to four types of credit risk: (a) risk arising from default of customers to repay debts in businesses of margin financing and securities lending, securities-backed lending or stock repurchases; (b) risk of losses of principal and interest for investments in debt securities, trust products and other credit products due to default of the issuers or borrowers; (c) risk arising from default of a counterparty to meet its payment obligation arising from trading of over the counter ("OTC") derivatives such as equity swaps, interest rate swap, OTC futures, forward contracts, or spot market transactions; (d) risk arising from the default of customers in brokerage business in respect of trading of securities, futures and other financial products, when there was shortfall of funds after liquidation of client's accounts on settlement dates.

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(2) Credit risk (Continued)

For debt security investments, trust products and other credit products business, the Group implements entry management for investable bonds by establishing a bond pool. The entry of bonds into the pool needs to be evaluated by professional credit evaluators and 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.

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.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(2) Credit risk (Continued)

Expected credit loss (ECL) measurement (Continued)

- If the financial instrument is credit-impaired at first, the financial instrument is moved to “Stage 3” and its impairment loss allowance is measured at an amount equivalent to the expected credit loss of the financial instrument over its lifetime. The increase in or reversal of the impairment loss allowance thus formed is included in the profit and loss as impairment losses under expected credit loss model, net of reversal.

The criteria for the three-stage classification of ECL of the principal financial assets are as follows:

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(2) Credit risk (Continued)

Measuring ECL — inputs, assumptions and estimation techniques

On the basis of credit rating of counterparties, credit assessment on borrowers and the quantitative management of collaterals, the Group fully considers the customer portfolio of each credit related transaction, the amount of a single debt, the term of borrowing, the margin maintenance ratio and the degree of collateral concentration, etc., and ensure the above factors are reflected in parameters such as the probability of default (“PD”), loss given default (“LGD”) and maturity of borrowers. Then stress tests and sensitivity analyses are performed as supplementary measurement for monitoring credit risks.

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

For credit business, based on the borrowers’ credit quality, contract maturity date, the information of related collateral securities, which including the sectors, liquidity discount factor, 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% (2022: 0.00% to 1.25%), the loss rates on financial assets under resale agreements range from 0.00% to 3.78% (2022: 0.00% to 3.78%).

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(2) Credit risk (Continued)

SICR

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

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

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

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

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

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

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(2) Credit risk (Continued)

Forward looking information

For credit business, when calculating expected credit losses, the Group takes into account forward-looking information that can be obtained without unnecessary additional costs or efforts, such as macroeconomic factors, industry policies and industry environment, overall risk characteristics of the securities market, stock market volatility cycles, etc. By constructing the relationship between these specific indicators and the loss rate, forward-looking adjustments are made to the expected credit loss of credit business.

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

For the current interim period, the weighted average forecasted (weighted average of optimistic, neutral and pessimistic scenarios) growth rate of the Gross Domestic Product made by the Group was 5.00% (2022: 5.00%).

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(2) Credit risk (Continued)

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

a. Maximum credit risk exposure

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Financial assets at FVTPL ⁽ⁱ⁾	176,986,346	149,179,179
Derivative financial assets	4,739,374	3,664,686
Advances to customers	82,615,140	81,541,116
Financial assets held under resale agreements	37,309,981	49,580,745
Accounts and other receivables	6,910,000	5,820,413
Deposits with exchanges and non-bank financial institutions	12,922,642	12,213,224
Clearing settlement funds	25,332,965	23,804,906
Cash and bank balances	112,121,943	113,377,264
Debt instruments at amortized cost	637,954	559,560
Debt instruments at FVTOCI	61,011,314	60,888,528
Equity instruments at FVTOCI ⁽ⁱⁱ⁾	317,830	658,107
Other current assets	105,060	1,893
Maximum credit risk exposure	521,010,549	501,289,621

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(2) Credit risk (Continued)

b. Risk concentration

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

As at June 30, 2023 (Unaudited)

	Mainland China	Outside Mainland China	Total (Unaudited)
Financial assets at FVTPL	174,029,623	2,956,723	176,986,346
Derivative financial assets	3,244,913	1,494,461	4,739,374
Advances to customers	80,044,548	2,570,592	82,615,140
Financial assets held under resale agreements	37,309,981	—	37,309,981
Accounts and other receivables	4,363,019	2,546,981	6,910,000
Deposits with exchanges and non-bank financial institutions	12,743,811	178,831	12,922,642
Clearing settlement funds	24,982,235	350,730	25,332,965
Cash and bank balances	101,506,030	10,615,913	112,121,943
Debt instruments at amortized cost	51,300	586,654	637,954
Debt instruments at FVTOCI	59,298,285	1,713,029	61,011,314
Equity instruments at FVTOCI	317,830	—	317,830
Other current assets	105,060	—	105,060
Maximum credit risk exposure	497,996,635	23,013,914	521,010,549

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(2) Credit risk (Continued)

b. Risk concentration (Continued)

As at December 31, 2022 (Audited)

	Mainland China	Outside Mainland China	Total (Audited)
Financial assets at FVTPL	146,959,153	2,220,026	149,179,179
Derivative financial assets	2,852,126	812,560	3,664,686
Advances to customers	78,659,209	2,881,907	81,541,116
Financial assets held under resale agreements	49,580,745	—	49,580,745
Accounts and other receivables	3,321,071	2,499,342	5,820,413
Deposits with exchanges and non-bank financial institutions	11,932,628	280,596	12,213,224
Clearing settlement funds	23,350,778	454,128	23,804,906
Cash and bank balances	94,476,129	18,901,135	113,377,264
Debt instruments at amortized cost	118,008	441,552	559,560
Debt instruments at FVTOCI	58,935,508	1,953,020	60,888,528
Equity instruments at FVTOCI	658,107	—	658,107
Other current assets	1,893	—	1,893
Maximum credit risk exposure	470,845,355	30,444,266	501,289,621

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(2) Credit risk (Continued)

c. Credit rating analysis of financial assets

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

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Rating		
Issuers in Mainland China		
— PRC sovereign bonds ⁽ⁱ⁾	139,542,541	136,071,387
— AAA	88,750,420	64,844,355
— AA+	2,539,416	2,693,403
— AA	894,865	707,350
— AA-	—	1,353
— AA- below	307,469	352,432
— A-1	152,489	—
— Non-rated	412,753	1,037,743
Sub-total	232,599,953	205,708,023
Issuers in Hong Kong and other regions ⁽ⁱⁱ⁾		
— PRC sovereign bonds ⁽ⁱ⁾	1,813	4,534
— A	3,761,018	3,093,458
— B	671,411	970,064
— Non-rated	27,475	72,048
Sub-total	4,461,717	4,140,104
	237,061,670	209,848,127

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(2) Credit risk (Continued)

c. Credit rating analysis of financial assets (Continued)

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

(3) Liquidity risk

a. Origin and management of liquidity risk

The Group's exposure to liquidity risk mainly arises from failure to obtain sufficient funds at reasonable costs and in a timely manner to repay due debts, perform other payment obligations and satisfy funding needs for normal business operation. If there is material and adverse changes in the operating condition of the Group in the future and the Group is not able to maintain their gearing ratio at a reasonable level, 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. 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 Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

b. Undiscounted cash flows by contractual maturities

At June 30, 2023 (Unaudited)

	Carrying amount	On demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
Non-derivative financial liabilities								
Borrowings	7,627,643	—	4,776,953	230,648	1,731,809	1,064,533	—	7,803,943
Short-term debt instruments	22,415,653	—	362,685	16,338,774	5,821,348	—	—	22,522,807
Placements from banks and other financial institutions	13,037,445	—	11,886,326	308,865	877,189	—	—	13,072,380
Bonds payables	125,348,655	—	5,663,463	14,209,102	39,499,096	71,290,392	—	130,662,053
Financial assets sold under repurchase agreements	135,579,433	—	134,302,734	341,247	1,009,753	—	—	135,653,734
Financial liabilities at fair value through profit or loss	39,677,630	3,298,480	34,958,718	—	—	—	1,420,432	39,677,630
Accounts payables to brokerage clients	113,646,358	113,646,358	—	—	—	—	—	113,646,358
Other payables and accrued charges	37,998,444	37,763,002	39,442	—	196,000	—	—	37,998,444
Lease liabilities	1,262,731	—	46,324	44,618	255,031	727,823	296,100	1,369,896
Proceeds from underwriting securities received on behalf of customers	239,892	—	239,892	—	—	—	—	239,892
Sub-total	496,833,884	154,707,840	192,276,537	31,473,254	49,390,226	73,082,748	1,716,532	502,647,137
Derivative financial liabilities — net settlement	3,821,370	1,062,568	170,510	575,490	1,783,398	225,227	4,177	3,821,370
Total	500,655,254	155,770,408	192,447,047	32,048,744	51,173,624	73,307,975	1,720,709	506,468,507

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(3) Liquidity risk (Continued)

b. Undiscounted cash flows by contractual maturities (Continued)

At December 31, 2022 (Audited)

	Carrying amount	On demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total
Non-derivative financial liabilities								
Borrowings	11,772,043	—	10,150,569	453,914	988,356	286,806	—	11,879,645
Short-term debt instruments	25,147,999	—	124,409	4,235,693	20,984,043	—	—	25,344,145
Placements from banks and other financial institutions	10,802,438	—	10,804,877	—	—	—	—	10,804,877
Bonds payables	134,627,742	—	4,205,775	19,679,020	41,097,713	74,448,867	—	139,431,375
Financial assets sold under repurchase agreements	120,805,473	—	109,071,728	6,971,077	4,896,673	—	—	120,939,478
Financial liabilities at fair value through profit or loss	47,744,020	2,870,917	41,975,848	76,097	1,449,078	—	1,372,080	47,744,020
Accounts payables to brokerage clients	106,377,654	106,377,654	—	—	—	—	—	106,377,654
Other payables and accrued charges	26,881,017	25,903,870	35,147	100,000	842,000	—	—	26,881,017
Lease liabilities	1,243,346	—	42,837	42,736	250,492	732,529	291,081	1,359,675
Sub-total	485,401,732	135,152,441	176,411,190	31,558,537	70,508,355	75,468,202	1,663,161	490,761,886
Derivative financial liabilities — net settlement	2,875,039	800,641	120,396	571,809	1,227,795	154,398	—	2,875,039
Total	488,276,771	135,953,082	176,531,586	32,130,346	71,736,150	75,622,600	1,663,161	493,636,925

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(4) Market risk

a. *Origin and management of market risk*

Market risks of the Group refer to the risks of loss resulting from adverse changes in the market. Securities portfolio held by the Group are derived from the proprietary investments, market-making business and other investment activities. Movements in securities holding primarily arise from the relevant strategies of proprietary investments and needs of market-making. The securities of the Group are measured at fair values which fluctuates daily according to the market factors and change in the portfolios of the securities. Market risks of the Group primarily include: (i) equity price risk, which represents the exposures arise from fluctuation in the spot price, future price and volatility of indices such as stocks, equity portfolio, commodities and stock index futures; (ii) interest rate risk, which primarily represents the exposures arise from movements in the yield curve of fixed income investment, fluctuation in interest rates and credit spreads; and (iii) commodity risk, which represents exposures arise from changes in the spot price, future price and the relevant volatility; and (iv) exchange rate risk, which represents the exposures arise from changes in the spot rate, future rate and volatility of foreign currency exchange rates.

The Group collectively allocates economic capital in accordance with the risk preference and risk tolerance indicators set by the directors of the Group. By considering the risks associated with each type of investments and their interrelationship, the Group allocates the overall risk limits to different business departments/business lines. The front-office business departments are responsible for market risk management at the frontiers. The person in charge and investment manager shall utilize their extensive experience and in-depth knowledge of the markets and products to conduct risk management in trading transactions within their authorities and dynamically manages risk exposures to the securities held in open position by taking initiative measures to mitigate or hedging these risks. Risk Management Department is independent from other business departments and reports to Chief Risk Officer. By applying professional risk management tools and methods, Risk Management Department aims to independently monitor, measure and manage market risk at different levels, including investment strategies, business units/lines and the entire Group. Reports of evaluation and risk analysis are generated and delivered to the responsible officers of the business departments/business lines and management of the Group on a daily, monthly or quarterly basis to facilitate decision making. When risk level is approaching or exceeds the threshold values, Risk Management Department will warn against relevant management officers promptly, and the respective business departments/business lines will implement measures according to the resolutions of the relevant committees.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(4) Market risk (Continued)

b. Price risk

Value at Risk ("VaR")

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

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

Final	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Market risk of equity price	81,352	129,344
Market risk of interest rate	86,655	81,904
Market risk of commodity price	12,820	23,101
Market risk of foreign exchange	1,128	640
Total portfolio	121,479	183,279

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(4) Market risk (Continued)

c. Interest rate risk

The tables below summarize the Group's interest-bearing financial assets and liabilities as at year end and by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

	At June 30, 2023 (Unaudited)						
	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	Non-interest bearing	Total
Financial assets							
Equity instruments at fair value through other comprehensive income	—	—	—	—	—	1,699,532	1,699,532
Debt instruments at fair value through other comprehensive income	577,000	1,878,494	17,751,269	40,103,589	700,962	—	61,011,314
Financial assets at fair value through profit or loss	3,045,504	9,542,634	48,352,895	87,039,615	27,064,677	90,291,776	265,337,101
Derivative financial assets	—	41,928	—	—	—	4,697,446	4,739,374
Advances to customers	8,761,102	16,579,778	57,274,260	—	—	—	82,615,140
Financial assets held under resale agreements	21,801,430	2,401,823	12,651,464	455,264	—	—	37,309,981
Debt instruments at amortized cost	49,717	36,686	263,011	9,994	—	278,546	637,954
Accounts and other receivables	—	—	—	—	—	6,910,000	6,910,000
Deposits with exchanges and non-bank financial institutions	8,218,121	—	—	—	—	4,704,521	12,922,642
Clearing settlement funds	25,332,965	—	—	—	—	—	25,332,965
Cash and bank balances	108,899,779	3,124,164	98,000	—	—	—	112,121,943
Sub-total	176,685,618	33,605,507	136,390,899	127,608,462	27,765,639	108,581,821	610,637,946

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(4) Market risk (Continued)

c. Interest rate risk (Continued)

	At June 30, 2023 (Unaudited)						
	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	Non- interest bearing	Total
Financial liabilities							
Borrowings	6,963,629	661,883	2,131	—	—	—	7,627,643
Short-term debt instruments	353,199	16,157,881	5,294,450	—	—	610,123	22,415,653
Placements from banks and other financial institutions	11,880,053	306,407	850,985	—	—	—	13,037,445
Bonds payables	5,562,172	14,068,483	36,846,126	65,723,669	—	3,148,205	125,348,655
Financial assets sold under repurchase agreements	134,250,436	339,920	989,077	—	—	—	135,579,433
Derivative financial liabilities	—	4,937	—	—	—	3,816,433	3,821,370
Financial liabilities at fair value through profit or loss	34,943,631	—	—	—	—	4,733,999	39,677,630
Accounts payables to brokerage clients	98,725,213	—	—	—	—	14,921,145	113,646,358
Other payables and accrued charges	—	—	196,000	—	—	37,802,444	37,998,444
Lease liabilities	46,322	44,604	252,424	677,683	241,698	—	1,262,731
Proceeds from underwriting securities received on behalf of customers	239,892	—	—	—	—	—	239,892
Sub-total	292,964,547	31,584,115	44,431,193	66,401,352	241,698	65,032,349	500,655,254
Net position	(116,278,929)	2,021,392	91,959,706	61,207,110	27,523,941	43,549,472	109,982,692

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(4) Market risk (Continued)

c. Interest rate risk (Continued)

	At December 31, 2022 (Audited)						
	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	Non-interest bearing	Total
Financial assets							
Equity instruments at fair value through other comprehensive income	—	—	—	—	—	1,628,336	1,628,336
Debt instruments at fair value through other comprehensive income	733,186	2,238,306	17,863,347	39,146,643	907,046	—	60,888,528
Financial assets at fair value through profit or loss	2,495,634	5,236,448	48,240,283	72,142,519	19,314,663	94,346,443	241,775,990
Derivative financial assets	—	24,700	—	—	—	3,639,986	3,664,686
Advances to customers	9,458,728	17,842,239	54,240,149	—	—	—	81,541,116
Financial assets held under resale agreements	37,451,464	1,769,257	10,234,825	125,199	—	—	49,580,745
Debt instruments at amortized cost	1,672	467,713	46,402	20,011	—	23,762	559,560
Accounts and other receivables	—	—	30,674	—	—	5,789,739	5,820,413
Deposits with exchanges and non-bank financial institutions	8,115,682	—	—	—	—	4,097,542	12,213,224
Clearing settlement funds	23,804,906	—	—	—	—	—	23,804,906
Cash and bank balances	106,626,158	5,633,426	1,117,680	—	—	—	113,377,264
Sub-total	188,687,430	33,212,089	131,773,360	111,434,372	20,221,709	109,525,808	594,854,768

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(4) Market risk (Continued)

c. Interest rate risk (Continued)

	At December 31, 2022 (Audited)						
	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	Non- interest bearing	Total
Financial liabilities							
Borrowings	10,840,847	886,067	45,129	—	—	—	11,772,043
Short-term debt instruments	124,190	4,216,159	20,183,285	—	—	624,365	25,147,999
Placements from banks and other financial institutions	10,802,438	—	—	—	—	—	10,802,438
Bonds payables	4,171,736	19,447,013	38,780,223	68,894,292	—	3,334,478	134,627,742
Financial assets sold under repurchase agreements	109,042,933	6,932,843	4,829,697	—	—	—	120,805,473
Derivative financial liabilities	3,311	699	—	—	—	2,871,029	2,875,039
Financial liabilities at fair value through profit or loss	41,818,086	—	—	—	—	5,925,934	47,744,020
Accounts payables to brokerage clients	93,159,725	—	—	—	—	13,217,929	106,377,654
Other payables and accrued charges	—	100,000	842,000	—	—	25,939,017	26,881,017
Lease liabilities	42,718	42,452	245,676	679,197	233,303	—	1,243,346
Sub-total	270,005,984	31,625,233	64,926,010	69,573,489	233,303	51,912,752	488,276,771
Net position	(81,318,554)	1,586,856	66,847,350	41,860,883	19,988,406	57,613,056	106,577,997

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(4) Market risk (Continued)

c. Interest rate risk (Continued)

Sensitivity analysis

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

Sensitivity to profit

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Change in basis points		
Increase by 100bps	(2,167,048)	(369,098)
Decrease by 100bps	2,157,000	227,578

Sensitivity to equity

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Change in basis points		
Increase by 100bps	(3,322,243)	(1,462,917)
Decrease by 100bps	3,347,925	1,356,811

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(4) Market risk (Continued)

d. Foreign currency rate risk

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

Sensitivity analysis of exchange rate

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Change in exchange rate		
Depreciation of USD by 3%	(759)	42,481
Depreciation of HKD by 3%	(147,933)	(112,390)

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. For the exchange rate risk of foreign currency investment, the entity has set the exchange rate exposure limits and other limits for the net foreign currency investment. The entity manages the exposures through hedging tools such as foreign currency lending and foreign exchange forward swaps, and controls the maturity mismatch, therefore the overall exchange rate risk is low.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

54. FINANCIAL RISK MANAGEMENT (Continued)

(5) Operational risk

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

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

55. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis (including financial liabilities included in the condensed consolidated statement of financial position of the Group at amortized cost) approximate their fair values as at June 30, 2023 and December 31, 2022.

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

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

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

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

Financial assets/financial liabilities	Fair value as at June 30, 2023	Fair value as at December 31, 2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
1) Financial assets at fair value through profit or loss						
Debt securities						
— Traded on stock exchanges	2,028,793	1,860,311	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Traded on stock exchange or interbank market	171,063,374	144,396,485	Level 2	Discounted cash flow method. Estimated cash flows discounted at observable yield curve reflecting credit risk of counterparties.	N/A	N/A
— Bonds with no active market	2,320,235	2,143,243	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.
Equity investments						
— Traded on stock exchanges	30,788,513	20,966,001	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Traded on stock exchanges (inactive)	60,313	24,828	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)	3,473,198	2,165,229	Level 3	Market prices adjusted by option pricing model for liquidity.	Liquidity discount.	The higher the discount, the lower the fair value.
— Traded on National Equities Exchange and Quotations	185,075	158,448	Level 2	Bid prices quoted by market dealers.	N/A	N/A
— Traded on National Equities Exchange and Quotations	6,283	7,500	Level 2	Bid prices or negotiated prices.	N/A	N/A

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/financial liabilities	Fair value as at June 30, 2023	Fair value as at December 31, 2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
1) Financial assets at fair value through profit or loss (Continued)						
— Unlisted Equity	2,488,826	2,440,774	Level 2	Latest observable transaction prices.	N/A	N/A
— Unlisted Equity	83,380	112,846	Level 3	Net asset value based on the fair value of the underlying investments.	The fair value of underlying assets.	The higher the underlying assets valuation, the higher the fair value.
— Unlisted Equity	751,070	635,711	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	63,880	84,201	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.
Funds						
— Traded on stock exchanges	7,540,385	13,606,150	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Traded on over-the-counter market	28,207,021	36,472,986	Level 2	Based on the net asset values of the investment, determined with reference to observable (quoted) prices of underlying investment portfolio.	N/A	N/A

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/financial liabilities	Fair value as at June 30, 2023	Fair value as at December 31, 2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
1) Financial assets at fair value through profit or loss (Continued)						
Other investments						
— Wealth management and trust products and others	44,501	253,984	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Wealth management and trust products and others	8,765,996	9,547,209	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	19,890	—	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	392,538	232,395	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	7,053,830	6,667,689	Level 3	Comparable companies valuation, adjusted by liquidity discount.	Valuation multiples e.g. P/E or P/B./Liquidity discount.	The higher the valuation multiples, the higher the fair value. The higher the discount, the lower the fair value.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/financial liabilities	Fair value as at June 30, 2023	Fair value as at December 31, 2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
2) Debt instruments at fair value through other comprehensive income						
Bonds						
— Traded on stock exchanges	695,268	918,980	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Traded on stock exchange or interbank market	60,316,046	59,969,548	Level 2	Discounted cash flow method. Estimated cash flows discounted at observable yield curve reflecting credit risk of counterparties.	N/A	N/A
3) Equity instruments at fair value through other comprehensive income						
Equity investments						
— Traded on stock exchanges	1,696,015	1,621,133	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Traded on stock exchanges (inactive)	1,631	7,203	Level 2	Quoted closing prices for stocks suspended for trading adjusted by fair value changes of similar securities.	N/A	N/A
— Unlisted Equity	486	—	Level 2	Latest observable transaction prices.	N/A	N/A
— Futures membership	1,400	—	Level 2	Latest observable transaction prices.	N/A	N/A

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/financial liabilities	Fair value as at June 30, 2023	Fair value as at December 31, 2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
4) Derivative financial instruments						
— Interest rate swap — assets	33,693	23,279	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	7,223	10,490	Level 2	Discounted cash flows with future cash flows that are estimated based on contractual terms, discounted at a rate that reflects the credit risk.	N/A	N/A
— Bond futures — assets	4,294	4,650	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Bond futures — liabilities	4,260	1,824	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Equity return swaps — assets	3,175,218	2,454,820	Level 2	Calculated based on the difference between the equity return of underlying securities and the fixed income agreed in the swap agreements.	N/A	N/A
— Equity return swaps — liabilities	2,293,492	1,668,572	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	3,333	7,371	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Stock index futures — liabilities	4,735	5,088	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Options — assets	626,477	319,615	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Options — liabilities	605,188	604,811	Level 1	Quoted closing prices in an active market.	N/A	N/A

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/financial liabilities	Fair value as at June 30, 2023	Fair value as at December 31, 2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
4) Derivative financial instruments (Continued)						
— Over-the-counter option — assets	2,312	—	Level 2	Option pricing model.	N/A	N/A
— Over-the-counter option — liabilities	13,675	3,305	Level 2	Option pricing model. Key inputs mainly include the underlying price, the strike price and time to expiry.	N/A	N/A
— Over-the-counter option — assets	739,277	546,343	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	738,400	415,627	Level 3	Option pricing model.	Historical volatility of the share prices of the securities.	The higher the historical volatility, the higher the fair value.
— Foreign exchange contracts — assets	—	163,820	Level 2	Broker quoted price.	N/A	N/A
— Foreign exchange contracts — assets	9,439	19,052	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	88,581	19,897	Level 2	Discounted cash flows. Future cash flows are estimated based on forward and contractual interest rates, discounted at rates that reflects the credit risk.	N/A	N/A
— Currency futures — assets	7,961	7,002	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Currency futures — liabilities	2,244	100	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Currency futures — assets	86,507	24,027	Level 2	Calculated based on the difference between the underlying commodity market price and the reference price agreed by counterparties.	N/A	N/A

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/financial liabilities	Fair value as at June 30, 2023	Fair value as at December 31, 2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
4) Derivative financial instruments (Continued)						
— Currency futures — liabilities	2,242	15,950	Level 2	Calculated based on the difference between the underlying commodity market price and the reference price agreed by counterparties.	N/A	N/A
— Credit default swap — assets	568	511	Level 2	Discounted cash flows. Future cash flows are estimated based on forward and contractual interest rates, discounted at rates that reflects the credit risk.	N/A	N/A
— Credit default swap — assets	16,165	7,536	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	96	144	Level 3	Discounted cash flows with future cash flows that are estimated based on the difference of agreed return and expected market return.	The agreed return rate.	The higher the agreed return rate, the higher the fair value.
— Commodity futures — assets	11,293	17,145	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Commodity futures — liabilities	25,987	30,664	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Commodity swap — assets	21,770	68,177	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	25,845	85,689	Level 2	Calculated based on the difference between the underlying commodity market price and the reference price agreed by counterparties.	N/A	N/A

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/financial liabilities	Fair value as at June 30, 2023	Fair value as at December 31, 2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
4) Derivative financial instruments (Continued)						
— Commodity forward contracts — assets	1,067	1,338	Level 2	Calculated based on the difference between the underlying commodity market price and the reference price agreed by counterparties.	N/A	N/A
— Commodity forward contracts — liabilities	9,173	9,567	Level 2	Calculated based on the difference between the underlying commodity market price and the reference price agreed by counterparties.	N/A	N/A
— Bond forward contracts — liabilities	229	3,311	Level 3	Discounted cash flows with future cash flows that are calculated based on the difference between quoted closing price and the reference price agreed by counterparties.	The settlement price agreed in the agreements.	The higher the settlement price, the higher the fair value.
5) Financial liabilities at fair value through profit or loss						
— Structured entities	1,511,870	2,732,367	Level 2	Based on the net asset values of the investment, determined with reference to observable (quoted) prices of underlying investment portfolio.	N/A	N/A
— Equity securities	1,400,308	1,437,918	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Debt securities	34,943,632	41,818,085	Level 2	Discounted cash flow method. Estimated cash flows discounted at observable yield curve reflecting credit risk of counterparties.	N/A	N/A

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/financial liabilities	Fair value as at June 30, 2023	Fair value as at December 31, 2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable input to fair value
	(Unaudited)	(Audited)				
5) Financial liabilities at fair value through profit or loss (Continued)						
— Structured notes	1,528,788	1,483,752	Level 2	Based on the net asset values of the investment, determined with reference to observable (quoted) prices of underlying investment portfolio.	N/A	N/A
— Income right	—	1,008	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Income right	8,577	8,578	Level 2	Based on the net asset values of the investment, determined with reference to observable (quoted) prices of underlying investment portfolio.	N/A	N/A
— Income right	49,955	46,850	Level 3	Net asset value based on the fair value of the underlying investments.	The fair value of underlying assets.	The higher the underlying assets valuation, the higher the fair value.
— Others	72,278	17,210	Level 1	Quoted closing prices in an active market.	N/A	N/A
— Others	162,222	198,252	Level 2	Calculated based on the difference between the equity return of underlying securities and the fixed income agreed in the swap agreements.	N/A	N/A

The fair value of the financial instruments in Level 3 is not significantly sensitive to a reasonable change in these unobservable inputs.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Analysis of financial instruments, measured at fair value at the end of the current interim period and at December 31, 2022, by level in the fair value hierarchy into which the fair value measurement is categorized as follows:

	As at June 30, 2023 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss	40,402,192	210,796,778	14,138,131	265,337,101
— Debt securities	2,028,793	171,063,374	2,320,235	175,412,402
— Equity investments	30,788,513	2,740,497	4,371,528	37,900,538
— Funds	7,540,385	28,207,021	—	35,747,406
— Others	44,501	8,785,886	7,446,368	16,276,755
Derivative financial assets	653,358	3,330,574	755,442	4,739,374
Debt instruments at fair value through other comprehensive income	695,268	60,316,046	—	61,011,314
Equity instruments at fair value through other comprehensive income	1,696,015	3,517	—	1,699,532
	43,446,833	274,446,915	14,893,573	332,787,321
Financial liabilities				
Financial liabilities at fair value through profit or loss	1,472,586	38,155,089	49,955	39,677,630
Derivative financial liabilities	642,414	2,440,231	738,725	3,821,370
	2,115,000	40,595,320	788,680	43,499,000

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

	As at December 31, 2022 (Audited)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss	36,686,446	193,048,230	12,041,314	241,775,990
— Debt securities	1,860,311	144,396,485	2,143,243	148,400,039
— Equity investments	20,966,001	2,631,550	2,997,987	26,595,538
— Funds	13,606,150	36,472,986	—	50,079,136
— Others	253,984	9,547,209	6,900,084	16,701,277
Derivative financial assets	355,783	2,755,024	553,879	3,664,686
Debt instruments at fair value through other comprehensive income	918,980	59,969,548	—	60,888,528
Equity instruments at fair value through other comprehensive income	1,621,133	7,203	—	1,628,336
	39,582,342	255,780,005	12,595,193	307,957,540
Financial liabilities				
Financial liabilities at fair value through profit or loss	1,456,136	46,241,034	46,850	47,744,020
Derivative financial liabilities	642,487	1,813,470	419,082	2,875,039
	2,098,623	48,054,504	465,932	50,619,059

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Reconciliation of Level 3 fair value measurements:

	Financial assets	Financial liabilities
	(Unaudited)	(Unaudited)
As at January 1, 2023	12,595,193	465,932
Gain or losses for the period	969,730	302,176
Additions	4,571,129	213,927
Sales and settlements	(2,231,582)	(193,355)
Transfers into Level 3	—	—
Transfers out Level 3	(1,010,897)	—
As at June 30, 2023	14,893,573	788,680
Total gains or losses for the period included in profit or loss for assets/liabilities held at the end of the reporting period	1,019,614	303,268

	Financial assets	Financial liabilities
	(Audited)	(Audited)
As at January 1, 2022	14,378,243	786,381
Gain or losses for the year	(63,535)	(130,399)
Additions	4,259,761	239,177
Sales and settlements	(4,202,205)	(418,157)
Transfers into Level 3	222,334	—
Transfers out Level 3	(1,999,405)	(11,070)
As at December 31, 2022	12,595,193	465,932
Total gains or losses for the year included in profit or loss for assets/liabilities held at the end of the reporting period	542,062	(247,388)

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023

(Expressed in thousands of Renminbi, unless otherwise stated)

55. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Reconciliation of Level 3 fair value measurements: (Continued)

For the fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis, the Group reassesses the hierarchy category at the end of each reporting period, based on the lowest level input that has a significant impact on the overall fair value measurement, to determine whether there are any transfers between different levels. In both the first half year of 2023 and the year of 2022, the Group had equity investments that were transferred from Level 3 to Level 1, because the trading restrictions on these investments had been lifted and their fair values were determined based on quoted closing prices in an active market without any liquidity discounts. In addition, in the year of 2022, there were also some equity investments that were transferred between Level 3 and Level 2. The reason for transfers from Level 3 to Level 2 was that the valuation technique based on significant unobservable inputs used for these investments had changed to valuation technique based on the most recent market transaction prices, and vice versa for transfers from Level 2 to Level 3.

56. OTHER SIGNIFICANT EVENTS

Certain investors in China Security Co.,Ltd. instigated civil litigations to seek indemnities against their losses arising from misrepresentations, and lodged claims against China Security Co.,Ltd. and their directors, its subsidiary China Security & Fire Technology Co., Ltd. and intermediaries including the Company, for indemnifying their losses and the associated litigation costs, and demanded China Security & Fire Technology Co., Ltd., personnel including directors of China Security Co., Ltd. and intermediaries to undertake joint and several liabilities in respect of these indemnities.

As at June 30, 2023, the Group has received lawsuit materials and relevant notices initiated by 8,053 investors transferred by the Shanghai Financial Court and the Wuhan Intermediate People's Court. The Shanghai Financial Court and the Wuhan Intermediate People's Court had made first-instance judgments and rulings of the cases involving 7,994 investors, and according to the court judgment, the Group bears joint and several liability within a total amount of RMB286 million. As at June 30, 2023, the Group has paid compensation for the majority of the above cases. In addition, based on the loss appraisal opinions delivered by the Shanghai Financial Court and the Wuhan Financial Court, the aggregate loss of these investments for parallel cases that have not been judged was RMB1.30 million. According to the court judgement, the Company expects to be jointly and severally liable for damages within 25% of the abovementioned investment losses. The impact of the above civil litigations has been considered in the consolidated financial statements.

Notes to the Condensed Consolidated Financial Information (Continued)

For the period ended June 30, 2023
(Expressed in thousands of Renminbi, unless otherwise stated)

57. EVENTS AFTER THE REPORTING PERIOD

Bond issue

On July 12, 2023, the Company issued the fourth tranche of short-term corporate bonds to professional investors. Type I is named as “23 China Merchants Securities S7”, the aggregate principal amount of which is RMB 2 billion, its duration is 93 days, and the interest rate is 2.10% per annum. Type II is not issued.

On July 13, 2023, the Company issued the third tranche of corporate bonds to professional investors with two bond types named as “23 China Merchants Securities G5” and “23 China Merchants Securities G6”. The aggregate principal amount of “23 China Merchants Securities G5” is RMB 1.6 billion, its duration is 2 years and the interest rate is 2.58% per annum. The aggregate principal amount of “23 China Merchants Securities G6” is RMB 3.4 billion, its duration is 3 years and the interest rate is 2.72% per annum.

On July 24, 2023, the Company issued the fourth tranche of corporate bonds to professional investors. Type I is named as “23 China Merchants Securities G8”, the aggregate principal amount of which is RMB 3.5 billion, its duration is 1060 days, and the interest rate is 2.70% per annum. Type II is not issued.

On August 11, 2023, the Company issued the fifth tranche of corporate bonds to professional investors. Type II is named as “23 China Merchants Securities 10”, the aggregate principal amount of which is RMB 4 billion, its duration is 3 years, and the interest rate is 2.74% per annum. Type I is not issued.

On August 23, 2023, the Company issued the fifth tranche of the short-term corporate bonds to professional investors, named as “23 China Merchants Securities S9”, the aggregate principal amount of which is RMB 5 billion, its duration is 184 days, and the interest rate is 2.13% per annum.

Except for the above disclosures, no material events occurred during the period from June 30, 2023 to the date of this report have to be disclosed.

Chapter 10: Information Disclosure of a Securities Company

Relevant Information on the Major Administrative Approvals of the Company

No.	Issuing authority	Title	Document No.	Date of announcement
1	CSRC	Approval for the Registration of Corporate Bonds Publicly Issued by China Merchants Securities Co., Ltd. to Professional Investors (關於同意招商證券股份有限公司向專業投資者公開發行公司債券註冊的批覆)	Zheng Jian Xu Ke [2023] No. 975 (證監許可[2023]975號)	April 26, 2023
2	CSRC	Approval for the Qualification of Publicly Offered Securities Investment Fund Management of China Merchants Securities Asset Management Co., Ltd. (關於核准招商證券資產管理有限公司公開募集證券投資基金管理業務資格的批覆)	Zheng Jian Xu Ke [2023] No. 1614 (證監許可[2023]1614號)	July 24, 2023

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