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

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

(Stock Code: 6099)

Executive Directors:

Mr. HUO Da (*Chairman of the Board*)

Mr. XIONG Jiantao (*President*)

Non-executive Directors:

Ms. SU Min

Mr. SU Jian

Mr. XIONG Xianliang

Ms. PENG Lei

Mr. HUANG Jian

Mr. WANG Daxiong

Mr. CHEN Zhigang

Independent Non-executive Directors:

Mr. XIANG Hua

Mr. XIAO Houfa

Mr. XIONG Wei

Mr. HU Honggao

Mr. WONG Ti

Registered Office:

No. 111, Fuhuayuan Road

Futian District

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PRC

Principal Place of Business

in Hong Kong:

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8 Connaught Place

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Hong Kong

EXPLANATORY STATEMENT ON A SHARE REPURCHASE

To the Shareholders

Dear Sir or Madam,

INTRODUCTION

Set out below is an explanatory statement in compliance with Rule 10.06(1)(b) of the Rules (the “**Hong Kong Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (as amended by Rules 19A.24

IMPORTANT

and 19A.25 of Hong Kong Listing Rules), for the purpose of providing Shareholders with all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the special resolutions as set out in items 1 and 2 of the Notice of 2019 First Extraordinary General Meeting (the “EGM”) of China Merchants Securities Co., Ltd. (the “Company”) and the Notice of 2019 First H Shareholders Class Meeting of the Company dated April 3, 2019 to approve the proposed repurchase of A Shares by means of centralized bidding transactions and related authorizations.

1. NUMBER OF PROPOSED REPURCHASE OF A SHARES

As at the Latest Practicable Date (i.e. April 3, 2019), the total number of issued Shares was 6,699,409,329, including 5,719,008,149 A Shares and 980,401,180 H Shares.

Conditional upon the special resolutions on the proposed A Shares repurchase being passed and assuming the maximum price of RMB26.35 per A Share for the repurchase was adopted, approximately 49.3359 million A Shares can be repurchased by the Company with the maximum amount of funds for the repurchase (i.e. RMB1.3 billion), and approximately 24.6679 million A Shares can be repurchased by the Company with the minimum amount of funds for the repurchase (i.e. RMB650 million), representing approximately 0.74% and 0.37%, respectively, of the total issued share capital of the Company as at the Latest Practicable Date. The exact number of A Shares to be repurchased and the proportion of those shares in the total share capital of the Company shall be based on the actual number of A Shares to be repurchased by the Company and the proportion of those shares in the total share capital of the Company upon expiration of the repurchase period or completion of the repurchase.

2. REASON FOR THE REPURCHASE OF A SHARES

The directors of the Company (the “Director”) intends to repurchase A Shares for use and as source of equity incentives (restricted shares) or employee shareholding scheme in order to respond to the policies of the national government and regulatory authorities for stabilizing the capital market, enhancing investors’ confidence in the investment of the Company, promoting the share’s market price to conform with the Company’s long-term intrinsic value and, at the same time, to optimize the employee’s long-term incentive mechanism and to promote shareholder value.

Since the Company is a state-controlled listed securities company, the implementation of equity incentives or employee shareholding scheme should fulfil the approval or filing requirement of the relevant state-owned assets supervision authority(ies). The Company is communicating with relevant departments and expects to ascertain the final purpose of the A Share(s) to be repurchased before April 15, 2019 and will make relevant announcement accordingly.

IMPORTANT

3. SOURCE OF FUNDS

In repurchasing A Shares, the Company shall only apply funds legally available for such purpose in accordance with the Articles of Association, the Stock Listing Rules of the Shanghai Stock Exchange (the “SSE”), the Hong Kong Listing Rules and applicable PRC laws and regulations (as the case may be).

The Directors purpose that if the A Share Repurchase Plan is implemented, appropriate funds will be disbursed from the Company’s internal resources at the time of implementation.

4. IMPACT ON THE WORKING CAPITAL

In the opinion of the Directors, there will not be a material adverse impact on the working capital or gearing position of the Company as compared with the financial position of the Company as at 31 December 2018 (being the date to which the latest audited accounts of the Company have been made up) in the event that the A Share Repurchase Plan is to be carried out in full within the term of the A Share Repurchase Plan.

5. MARKET PRICES OF SHARES

The highest and lowest prices at which A Shares have been traded on the SSE during each of the previous twelve months and up to the Latest Practicable Date were as follows:

	A Shares	
	Lowest	Highest
	<i>RMB</i>	<i>RMB</i>
2018		
April	16.23	17.87
May	15.60	17.41
June	12.91	16.06
July	12.65	14.15
August	12.52	13.70
September	12.27	13.16
October	11.13	13.64
November	13.31	15.06
December	12.40	14.46
2019		
January	12.99	14.77
February	14.50	19.99
March	16.21	19.83
April (up to the Latest Practicable Date)	17.32	18.55

6. GENERAL

Considering that the capital market is changing rapidly with fleeting opportunities, in order to accurately grasp the timing to ensure smooth implementation of the A Share Repurchase Plan and related matters, it is proposed to the EGM to authorize the Board of the Company to take full charge of related matters regarding the A Share Repurchase Plan. Such authorization shall take effect from the approval date at the EGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting for a period of 12 months, unless there is earlier expiration.

To the knowledge of the Directors after having made all the reasonable enquiries, the Directors and their close associates, supervisors, senior management, controlling shareholders, de facto controllers, core connected persons (as defined in the Hong Kong Listing Rules) of the Company and China COSCO Shipping Corporation Limited (as the Shareholder holding more than 5% of the Shares in the Company) have no plan to reduce the shareholding in the Company in the next 3 months and 6 months.

7. DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to repurchase A Shares pursuant to the special resolutions in accordance with the Hong Kong Listing Rules and the PRC laws and regulations.

8. CORE CONNECTED PERSONS

No core connected persons have notified the Company that they have a present intention to sell A Shares to the Company nor have they undertaken not to sell any of A Shares held by them to the Company in the event that the special resolutions are approved by the Shareholders.

9. TAKEOVERS CODE

If as a result of a repurchase of A Shares made by the Directors pursuant to the approved special resolutions to exercise the power of the Company, the proportionate interest of a Shareholder or a group of Shareholders acting in concert (within the meaning under the Codes on Takeovers and Mergers and Share Buy-backs (the “**Takeovers Code**”)) in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Takeovers Code; and if such increase results in any change in the shareholding, it may give rise to an obligation to make a mandatory offer of Shares under Rule 26 of the Takeovers Code under certain circumstances.

IMPORTANT

As at the Latest Practicable Date and so far as is known to the Directors, China Merchants Group Limited (as the de facto controller) was indirectly interested in 2,953,733,621 Shares (comprised of 2,886,027,221 A Shares and 67,706,400 H Shares), representing approximately 50.46% of the Company's A Shares, approximately 6.91% of the Company's H Shares and approximately 44.09% of the Company's total number of Shares. In the event that A Share Repurchase Plan is approved to be fully implemented, based on the maximum price of RMB26.35 per A Share for the repurchase and the maximum amount of funds for the repurchase (i.e. RMB1.3 billion), approximately 49.3359 million A Shares can be repurchased by the Company, representing approximately 0.74% of the total issued share capital of the Company as at the Latest Practicable Date, and accordingly, the equity interest held by China Merchants Group Limited in the Company will increase to approximately 44.42%. Directors are of the view that such increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code.

Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code and/or any similar applicable laws known to the Directors as a consequence of A Shares repurchase under any special resolution.

10. SHARE REPURCHASE MADE BY THE COMPANY

No share repurchase had been made by the Company (whether on the Stock Exchange or otherwise) during the six months immediately prior to the Latest Practicable Date.

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

Shenzhen, the PRC
April 3, 2019