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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)

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE ADMINISTRATIVE PROCUREMENT
FRAMEWORK AGREEMENT AND THE PROPERTY LEASING
FRAMEWORK AGREEMENT**

**THE ADMINISTRATIVE PROCUREMENT FRAMEWORK AGREEMENT AND
THE PROPERTY LEASING FRAMEWORK AGREEMENT**

The Board is pleased to announce that, on May 21, 2019, the Company and China Merchants Group entered into:

- (1) the Administrative Procurement Framework Agreement, pursuant to which, the Group will procure various types of administrative and office supplies and comprehensive administrative services related to its daily operating activities from China Merchants Group and/or its associates in the ordinary course of business; and
- (2) the Property Leasing Framework Agreement, pursuant to which, China Merchants Group and/or its associates will lease properties to the Group in the ordinary course of business.

The terms of the Administrative Procurement Framework Agreement and the Property Leasing Framework Agreement are from May 21, 2019 to December 31, 2021.

IMPLICATIONS UNDER THE LISTING RULES

China Merchants Group is a controlling shareholder of the Company. As at the date of this announcement, China Merchants Group indirectly holds approximately 44.09% in aggregate of the equity interest of the Company. Accordingly, China Merchants Group and its associates are connected persons of the Company under the Listing Rules, and each of the transactions contemplated under the Administrative Procurement Framework Agreement and the Property Leasing Framework Agreement respectively constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Administrative Procurement Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Administrative Procurement Framework Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Property Leasing Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Property Leasing Framework Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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- (2) the Property Leasing Framework Agreement, pursuant to which, China Merchants Group and/or its associates will lease properties to the Group in the ordinary course of business.

The principal terms of the Administrative Procurement Framework Agreement and the Property Leasing Framework Agreement are set out as follows:

THE ADMINISTRATIVE PROCUREMENT FRAMEWORK AGREEMENT

Date

May 21, 2019

Parties

1. The Company; and
2. China Merchants Group

Term

May 21, 2019 to December 31, 2021

Scope

Pursuant to the Administrative Procurement Framework Agreement, the Group will procure various types of administrative and office supplies and comprehensive administrative services related to its daily operating activities from China Merchants Group and/or its associates, including (but not limited to):

- (1) the Group will procure various types of administrative and office supplies from China Merchants Group and/or its associates; and
- (2) the Group will commission China Merchants Group and/or its associates to provide comprehensive administrative services such as reception service, conference service, daily inspection service in offices, and supervision on services provided by outsourcing companies designated by the Group.

Pricing Basis

1. Procurement of administrative and office supplies

The procurement prices shall be determined based on the prevailing market prices, or with reference to general market prices normally adopted for the transactions with independent third parties in respect of similar products for the time being.

2. Comprehensive administrative services

The labour costs, start-up fees, administrative and office fees, management remuneration, tax and other fees shall be determined based on the prevailing market prices and relevant laws and regulations, if any.

Historical Figures

The approximate historical figures of administrative procurement fees between the Group and China Merchants Group and/or its associates for the three years ended December 31, 2018 were nil, nil and RMB10.6051 million respectively.

Proposed Annual Caps

The proposed annual caps of the administrative procurement fees charged by China Merchants Group and/or its associates under the Administrative Procurement Framework Agreement for the three years ending December 31, 2021 are as follows:

	Annual caps (RMB 0'000)		
	For the year ending December 31, 2019	For the year ending December 31, 2020	For the year ending December 31, 2021
Administrative procurement fees	2,300	2,500	2,700

In determining the proposed annual caps, the Board has taken into account the following major factors, including but not limited to:

- the historical figures of the administrative procurement fees for the year ended December 31, 2018;
- the future demands of the Group for procurement of administrative and office supplies and comprehensive administrative services;
- the trend of market prices for the relevant administrative and office supplies and comprehensive administrative services; and
- buffer required for higher transaction amounts due to, among others, inflation, potential business expansion and the advancement and replacement of equipment from time to time.

THE PROPERTY LEASING FRAMEWORK AGREEMENT

Date

May 21, 2019

Parties

1. The Company; and
2. China Merchants Group

Term

May 21, 2019 to December 31, 2021

Scope

- China Merchants Group and/or its associates agree to lease properties legally owned by them to the Group pursuant to the terms and conditions under the Property Leasing Framework Agreement, and the Group is willing to pay relevant considerations to China Merchants Group and/or its associates for the leasing of their properties pursuant to the terms of the Property Leasing Framework Agreement. Both parties agree that, the Group may, based on reasonable needs for operation management and business, increase or reduce the property units leased from China Merchants Group and/or its associates within the agreed leasing scope mentioned above, during the leasing period as agreed under the Property Leasing Framework Agreement. China Merchants Group and/or its associates will procure its subsidiaries and/or their associates which own the leased properties to enter into specific leasing contracts with the Group in respect of those properties strictly according to the terms and conditions provided under the Property Leasing Framework Agreement, which shall be signed pursuant to the leasing principles under the same. If the Property Leasing Framework Agreement is suspended or terminated based on its terms, all specific leasing contracts will be suspended or terminated simultaneously.
- China Merchants Group and/or its associates or a qualified property management firm engaged by them will provide comprehensive property management services to the Group.

Pricing Basis

1. Rental of the properties

The rental of the properties shall be determined based on the market rental rate or guidance prices issued by the government for properties with identical location, building standards and approximate leasing area for the time being.

2. Comprehensive property management fees

The comprehensive property management fees shall be fixed according to the monthly market prices per square metre of the gross floor areas.

Historical Figures

The approximate historical figures of rental charges and comprehensive property management fees between the Group and China Merchants Group and/or its associates for the three years ended December 31, 2018 were as follows:

	Historical figures (RMB 0'000)		
	For the year ended December 31, 2016	For the year ended December 31, 2017	For the year ended December 31, 2018
Rental and management fees	284.45	842.16	1,540.22

Proposed Annual Caps

The proposed annual caps of the rental charges and comprehensive property management fees charged by China Merchants Group and/or its associates under the Property Leasing Framework Agreement for the three years ending December 31, 2021 are as follows:

	Annual caps (RMB 0'000)		
	For the year ending December 31, 2019	For the year ending December 31, 2020	For the year ending December 31, 2021
Rental and management fees	2,100	2,200	2,300

In determining the proposed annual caps, the Board has taken into account the following major factors, including but not limited to:

- the historical figures of rental charges and comprehensive property management fees for the three years ended December 31, 2018;
- the expected renewals of existing leases, location, leasing area, building standards, place, business usage and the increasing trend of the market rate of property management fees, for such office premises;
- the expected rental increase of office premises under renewed and additional leases for the three years ending December 31, 2021; and

- it is expected that, with the development of the capital market, the Group may expand its business and further lease office premises from China Merchants Group and/or its associates or their subsidiaries and/or associates of the subsidiaries for the period from 2019 to 2021.

MISCELLANEOUS

The Company and China Merchants Group agreed that pursuant to Rule 14A.53 of the Listing Rules, if at any time during the term of the Administrative Procurement Framework Agreement or the Property Leasing Framework Agreement, the total transaction amount may or is expected to exceed the proposed annual caps, the Group shall fulfil all applicable and necessary regulatory obligations under the Listing Rules as soon as possible. Before the fulfilment of all relevant regulatory requirements, both parties agreed to use their best efforts to prevent the aggregated transaction amount for such year from exceeding the relevant monetary cap. Otherwise, the execution of relevant transactions under the Administrative Procurement Framework Agreement or the Property Leasing Framework Agreement shall be suspended.

INTERNAL CONTROL MEASURES OF CONTINUING CONNECTED TRANSACTIONS

To safeguard the interests of the Shareholders as a whole, including minority Shareholders, the Group has implemented internal approval and monitoring procedures for its connected transactions, which include but are not limited to the following:

- in order to ensure that the prices for the goods and services to be procured under the Administrative Procurement Framework Agreement are more favourable to the Group than those quoted by independent suppliers, such procurement prices will be determined pursuant to the requirements set out in the management measures for procurement and invitation to tender of the Group.
- before considering placing a purchase order with China Merchants Group and/or its associates, the Group will select suppliers and determine the relevant terms of the procurements through inquiry, tender and bidding and other procedures, determine qualified suppliers based on the categories of the services or products to be procured, the monetary amount involved and the specific nature of the procurement and carry out the procurement through public tender, invitation to tender, inquiry and other means. The procurement management department and procurement evaluation team of the Group will review and assess the price and other terms offered by the candidates with a view to ensure the quality, reliability, and service standards of the relevant administrative and office supplies and comprehensive administrative services and that the fees in connection with the administrative and office supplies and comprehensive administrative services payable by the Group to China Merchants Group and/or its associates are fair and reasonable and comparable to those offered by independent third party suppliers. In any event, any offer from China Merchants Group and/or its associates has to pass such selection process before they could be selected and accepted as the Group's supplier.

- in order to ensure that the rental and management fees under the Property Leasing Framework Agreement are more favourable to the Group than those quoted by the independent third parties, such rental and management fees will be negotiated on arm's length basis and with reference to the prevailing market rental and management fees of comparable office premises with similar location, leasing area, building standards, place and business usage before the expiry of the existing lease.
- the Group has internal guidelines which provide additional approval procedures, including prior assessment and approval by independent Directors before the matter is submitted for consideration by the Board for transactions exceeding certain monetary amounts.

The Company's independent non-executive Directors and auditors will conduct annual review on the continuing connected transactions of the Group (including the rates offered by China Merchants Group and/or its associates) and provide annual confirmations in accordance with the Listing Rules, that the relevant transactions are conducted in the ordinary and usual course of business of the Group and in accordance with their corresponding agreement, the terms of which are fair and reasonable and in the interests of the Shareholders as a whole, on normal commercial terms or better and in accordance with the pricing policy of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

The Directors (including independent non-executive Directors) believe that: (i) entering into the Administrative Procurement Framework Agreement and the Property Leasing Framework Agreement can help the Group manage, in a more effective manner, various types of administrative and office supplies, comprehensive administrative services and properties leasing matters provided by China Merchants Group and/or its associates; (ii) due to the historical and long-term cooperation relationship between the Group and China Merchants Group as well as the wide scope of industries and geographical areas in which China Merchants Group operates, the services described in the scope of the Administrative Procurement Framework Agreement and the Property Leasing Framework Agreement required during the ordinary course of business and operation of the Group, could be provided to the Group by China Merchants Group and/or its associates; (iii) such transactions will create synergy by integrating the strengths of the Group and China Merchants Group and/or its associates, which will reduce the overall operating costs and daily expenses and in turn improve the profitability and enhance the Company's leading position in the securities industry; and (iv) such transactions will provide China Merchants Group and/or its associates with opportunities to better understand the operations of the Group, which in turn will enable China Merchants Group and/or its associates to render more expedient and efficient service and/or provide better products to the Group when compared to those services and/or products provided by independent third parties.

BOARD CONFIRMATION

The Board (including the independent non-executive Directors) is of the view that each of the Administrative Procurement Framework Agreement and the Property Leasing Framework Agreement was: (i) entered into in the ordinary and usual course of business of the Company; (ii) on normal commercial terms (in accordance with the terms determined after arm's length negotiation or no less favourable than those offered by the Company to independent third parties); and (iii) its terms and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to Rule 14A.68(8) of the Listing Rules, as HUO Da, SU Min, SU Jian, XIONG Xianliang, XIONG Jiantao and PENG Lei are Directors connected to China Merchants Group, they have abstained from voting on the board resolutions in respect of the entering into of the Administrative Procurement Framework Agreement or the Property Leasing Framework Agreement and the transactions contemplated thereunder (including each of the proposed annual caps). The relevant resolutions were voted and approved by Directors who are not connected to the transactions contemplated under the Administrative Procurement Framework Agreement or the Property Leasing Framework Agreement.

GENERAL INFORMATION OF THE COMPANY AND CHINA MERCHANTS GROUP

The Company is a joint stock company incorporated in the PRC with limited liability, the domestic shares of which are listed on the Shanghai Stock Exchange and the H Shares of which are listed on the Main Board of the Stock Exchange. The Group mainly engages in brokerage and wealth management business, investment banking business, investment management business, and investment and trading business.

China Merchants Group is a state-owned enterprise incorporated in the PRC and directly administered by State-owned Assets Supervision and Administration Commission of the State Council and is a controlling shareholder of the Company. Its business focuses on three areas, namely transportation (harbor and related services, toll roads, shipping, logistics, ocean engineering and trading), finance (banking, securities, funds and insurance) and real estate development.

IMPLICATIONS UNDER THE LISTING RULES

China Merchants Group is a controlling shareholder of the Company. As at the date of this announcement, China Merchants Group indirectly holds approximately 44.09% in aggregate of the equity interest of the Company. Accordingly, China Merchants Group and its associates are connected persons of the Company under the Listing Rules, and each of the transactions contemplated under the Administrative Procurement Framework Agreement and the Property Leasing Framework Agreement respectively constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Administrative Procurement Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Administrative Procurement Framework Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Property Leasing Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Property Leasing Framework Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following terms and expressions shall have the following meanings:

“Administrative Procurement Framework Agreement”	the administrative procurement framework agreement entered into between the Company and China Merchants Group on May 21, 2019
“associate(s)”	has the meaning ascribed to this term under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of the Company
“China Merchants Group”	China Merchants Group Limited (招商局集團有限公司), a state-owned enterprise established in the PRC in October 1986, which is directly administered by State-owned Assets Supervision and Administration Commission of the State Council and is a controlling shareholder of the Company
“Company”	China Merchants Securities Co., Ltd., a joint stock company incorporated in the PRC with limited liability, the H Shares and domestic shares of which are listed on the Main Board of the Stock Exchange (stock code: 6099) and on the Shanghai Stock Exchange (stock code: 600999), respectively
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to this term under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“H Shares”	overseas-listed foreign shares in the share capital of the Company with nominal value of RMB1.00 each
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purposes of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Property Leasing Framework Agreement”	the property leasing framework agreement entered into between the Company and China Merchants Group on May 21, 2019
“%”	per cent.

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

Shenzhen, the PRC
May 21, 2019

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