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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 RENEWAL OF THE SECURITIES AND
FINANCIAL PRODUCTS, TRANSACTIONS AND
SERVICES FRAMEWORK AGREEMENT**

THE 2019 FRAMEWORK AGREEMENT

References are made to the prospectus for the global offering of H Shares dated September 27, 2016, in which the 2016 Framework Agreement entered into between the Company and China Merchants Group and the announcement of the Company dated February 15, 2019 in relation to the 2019 Half Year Agreement.

The validity of the 2019 Half Year Agreement will expire on June 30, 2019. As the Group and China Merchants Group and/or its associates expect to provide securities and financial products and transactions to each other, and the Group expects to provide financial services to China Merchants Group and/or its associates thereafter in their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates, the Company entered into the 2019 Framework Agreement with China Merchants Group on May 21, 2019, pursuant to which the Company and China Merchants Group and/or its associates shall offer to each other securities and financial products and transactions, and the Group shall also provide financial services to China Merchants Group and/or its associates. The term of the 2019 Framework Agreement shall take effect upon obtaining the approval from the Independent Shareholders, and shall expire on 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. Accordingly, the transactions contemplated under the 2019 Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the transactions contemplated under the 2019 Framework Agreement exceed 5%, the transactions contemplated under the 2019 Framework Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will obtain the Independent Shareholders' approval for the transactions contemplated under the 2019 Framework Agreement at the general meeting of the Company. China Merchants Group and its associates will abstain from voting on the relevant resolutions.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the 2019 Framework Agreement and to advise the Independent Shareholders on the transactions contemplated under the 2019 Framework Agreement. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the 2019 Framework Agreement are fair and reasonable; the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

GENERAL

Pursuant to Chapter 14A of the Listing Rules, the Company is required to prepare a circular containing, amongst others, further details of the 2019 Framework Agreement, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders and a letter from the Independent Board Committee to the Independent Shareholders on the same and its recommendation on voting, on the terms of the 2019 Framework Agreement and the Proposed Annual Caps. Since the Company requires additional time to prepare the circular, it is expected that the circular will be despatched to the Shareholders on or before June 13, 2019.

References are made to the prospectus for the global offering of H Shares dated September 27, 2016, in which the 2016 Framework Agreement entered into between the Company and China Merchants Group and the announcement of the Company dated February 15, 2019 in relation to the 2019 Half Year Agreement.

The 2016 Framework Agreement covered the transactions between the Group and China Merchants Bank. However, as at the date of this announcement, China Merchants Bank is not a connected person of the Company. Accordingly, similar to the 2019 Half Year Agreement, transactions that were or might be carried out between the Group and China Merchants Bank were not taken into consideration when determining the Proposed Annual Caps under the 2019 Framework Agreement.

The validity of the 2019 Half Year Agreement will expire on June 30, 2019. As the Group and China Merchants Group and/or its associates expect to provide securities and financial products and transactions to each other, and the Group expects to provide financial services to China Merchants Group and/or its associates thereafter in their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates, the Company entered into the 2019 Framework Agreement with China Merchants Group on May 21, 2019, pursuant to which the Company and China Merchants Group and/or its associates shall offer to each other securities and financial products and transactions, and the Group shall also provide financial services to China Merchants Group and/or its associates. The term of the 2019 Framework Agreement shall take effect upon obtaining the approval from the Independent Shareholders, and shall expire on December 31, 2021.

The principal terms of the 2019 Framework Agreement are set out as follows:

THE 2019 FRAMEWORK AGREEMENT

Date

May 21, 2019

Parties

1. The Company; and
2. China Merchants Group

Term

The 2019 Framework Agreement shall be effective upon obtaining the approval from the Independent Shareholders to December 31, 2021.

Scope of the Transactions and Services

1. Securities and financial products and transactions

All the securities and financial products and transactions between the Group and China Merchants Group and/or its associates have been provided to each other and conducted in the usual course of business pursuant to normal commercial terms. Such securities and financial products and transactions are related to securities and financial products and transactions conducted in the inter-bank bond markets, exchange bond markets, securities markets and the over-the-counter markets. The securities and financial transactions between the Group and China Merchants Group and/or its associates and the securities and financial products to be provided to each other include (but are not limited to) fixed income products, derivative products associated with fixed income products, equity products, financing transactions and such other securities and financial products and transactions as permitted by regulatory authorities. The subscription prices for transactions where the Group subscribes for the securities and financial products offered by China Merchants Group and/or its associates or where China Merchants Group and/or its associates subscribe for the securities and financial products offered by the Group shall be the same as the subscription prices available to other investors. Such subscription prices shall be determined by financial institutions offering relevant securities and financial products after taking into account the general conditions of the assets or business invested in.

Pursuant to the 2019 Framework Agreement, the securities and financial transactions between the Group and China Merchants Group and/or its associates and the securities and financial products to be provided to each other include (but are not limited to):

- (1) fixed income products or transactions – including bonds, funds with fixed income features, trust, wealth management products, asset management products, asset securitization products, convertible bonds, structured products, interest rates and credit risk derivative products and other fixed income products or transactions;
- (2) equity products or transactions – including stocks, equity, equity funds, trust, wealth management products, asset management products and equity derivative products or transactions;

- (3) financing transactions – capital financing between financial institutions with or without guarantees, including capital lending, repurchase, transfer of income right, asset securitization, pledged loans, reciprocal holding of debt certificates including but not limited to short-term financing bills, beneficiary certificates, subordinated bonds, corporate bonds, etc.; and
- (4) other related securities and financial products and derivative products – including swaps, futures, forward contracts, commodities and foreign exchange.

2. *Financial services*

The Group provides various financial services to its clients, which include China Merchants Group and/or its associates, in its ordinary course of business. Due to the expertise and professional capabilities of the Group, the Group has been engaged by China Merchants Group and/or its associates to provide financial services including but not limited to underwriting and sponsoring services and financial products agency sale services, etc. from time to time.

Pursuant to the 2019 Framework Agreement, the financial services to be provided by the Group to China Merchants Group and/or its associates include (but are not limited to):

- (1) underwriting and sponsoring services – including the underwriting and sponsoring of equity and bonds. The Group shall receive underwriting commissions and sponsoring fees for such services;
- (2) other investment banking services – including financial advisory services for, among others, mergers and acquisitions and restructuring. The Group shall receive financial advisory fees and/or other fees for such services;
- (3) financial products agency sale services – including provision of agency services. The Group shall receive service fees and/or other fees for such services;
- (4) targeted and specialized asset management services – for targeted asset management services, the Group manages the assets of clients through a designated account pursuant to the specific terms of the contracts between the clients and the Group. For specialized asset management services, the Group manages certain assets for customers for a specific purpose. The Group shall receive service fees for such services;
- (5) leasing of trading seats – the Group leases trading seats to institutional clients and shall receive trading commissions and/or other fees for such services; and
- (6) other financial services.

Pricing Basis

1. *Securities and financial products and transactions*

The commission rates and fees for the securities and financial products and transactions shall be determined by the prevailing market price or the market price normally applicable to independent third parties for similar types of products and transactions at the time of the transaction. To ensure that the above transactions with China Merchants Group and/or its associates are on normal commercial terms and to safeguard the interests of the Shareholders as a whole, including the minority Shareholders, the Group

has put in place internal approval and monitoring procedures relating to the connected transactions, the details of which are set out in the section headed “Internal Control Measures of Continuing Connected Transactions” below.

2. *Financial services*

The pricing basis for the financial services to be provided by the Group to China Merchants Group and/or its associates is as follows:

- (1) underwriting and sponsoring services – underwriting commissions and sponsoring fees shall be determined by arm’s length negotiation after taking into account numerous factors including the prevailing market conditions, size of the proposed issue and commission rates of recent issues of similar nature and size in the market generally as well as the rates that the Group charges from independent third parties;
- (2) other investment banking services – financial advisory fees and other services fees shall be determined after taking into account factors including the transaction nature and size, and the prevailing market conditions;
- (3) financial products agency sale services – service fees shall be determined based on factors including market prices, industry practice and the total amount of financial products under the agency sale arrangements with reference to the service fee rate charged by the Group for the agency sale service of similar financial products provided to independent clients;
- (4) targeted and specialized asset management services – asset management service fees shall be determined based on factors including market rates, market practices, scale of the assets under management and the management terms of the asset management schemes. For targeted asset management services, the management fees to be charged by the Group shall be a certain percentage of the assets under management based on the standard fee rate for each asset management scheme. For specialized asset management services, the management fee rates of the Group shall be determined based on the purpose of the asset management scheme and the relevant industries; and
- (5) leasing of trading seats – the commission to be charged by the Group shall be calculated as a percentage of the trading volume in each trade conducted through trading seats, where such percentage shall be determined based on the prevailing market prices and industry practice.

The terms, including pricing terms, between China Merchants Group and/or its associates and the Group to be entered into in respect of the provision of financial services above to be provided by the Group shall be comparable to those offered to the Group’s other institutional clients of a similar size and with similar transaction volume who are independent third parties, and shall be subject to the same internal approval and monitoring procedures and pricing policies applicable to independent third party clients. For more details, please refer to the section headed “Internal Control Measures of Continuing Connected Transactions” below.

Condition Precedent

The 2019 Framework Agreement is conditional upon the obtaining of the approval from the Independent Shareholders.

Miscellaneous

The Company and China Merchants Group agreed that under Rule 14A.53 of the Listing Rules, if at any time during the term of the 2019 Framework Agreement, the total transaction amount may or is expected to exceed the Proposed Annual Caps and thus requires re-approval from the Independent Shareholders, 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 amount for the relevant transaction in such year from exceeding the relevant monetary cap. Otherwise, the execution of relevant transactions under the 2019 Framework Agreement shall be suspended.

HISTORICAL FIGURES

1. Securities and financial products and transactions

The approximate historical figures of securities and financial products and transactions between the Group and China Merchants Group and/or its associates for the three years ended December 31, 2018 were as follows:

| | Historical figures ⁽³⁾ (RMB million) | | |
|---|---|---|---|
| | For the year ended December 31, 2016 | For the year ended December 31, 2017 | For the year ended December 31, 2018 |
| Securities and financial products and transactions | | | |
| Inflow ⁽¹⁾ | 6,975.56 | 2,610.49 | 1,215.26 |
| Outflow ⁽²⁾ | 4,309.00 | 1,429.80 | 3,951.36 |

Notes:

- (1) “Inflow” refers to the Group’s total cash inflow arising from the sale of fixed income products and equity products to, transactions of derivative products with, and/or borrowing/repurchase from financing transactions with, China Merchants Group and/or its associates.
- (2) “Outflow” refers to the Group’s total cash outflow arising from the purchase of fixed income products and equity products from, transactions of derivative products with, and/or lending/resale from financing transactions with, China Merchants Group and/or its associates.
- (3) The approximate historical figures do not include the figures concerning the transactions between the Group and China Merchants Bank.

2. Financial services

The approximate historical figures of financial services provided by the Group to China Merchants Group and/or its associates for the three years ended December 31, 2018 were as follows:

| | Historical figures ⁽¹⁾ (RMB million) | | |
|---|---|---|---|
| | For the year ended December 31, 2016 | For the year ended December 31, 2017 | For the year ended December 31, 2018 |
| Financial services | | | |
| <i>Revenue generated by the Group</i> | | | |
| Underwriting and sponsoring services | 0 | 2.68 | 2.69 |
| Other investment banking services | 2.62 | 26.83 | 54.33 |
| Financial products agency sale services | 1.04 | 1.33 | 6.44 |
| Targeted and specialized asset management services | 0 | 0 | 0 |
| Leasing of trading seats | 25.65 | 23.46 | 20.77 |
| Total | 29.31 | 54.30 | 84.23 |

Note:

- (1) The approximate historical figures do not include the figures concerning the transactions between the Group and China Merchants Bank.

PROPOSED ANNUAL CAPS

In setting the proposed annual caps under the 2016 Framework Agreement, it was assumed that China Merchants Bank would become a connected person of the Company. As at the date of this announcement, as China Merchants Group holds approximately 29.97% in aggregate of the equity interests in China Merchants Bank, China Merchants Bank is not a connected person of the Company. Accordingly, similar to the 2019 Half Year Agreement, the transactions (including deposit services, customer depository services, custodian, lending services and other services) that were or might be carried out between the Group and China Merchants Bank were not taken into consideration when determining the Proposed Annual Caps since the above-mentioned transactions are not connected transactions of the Company. The Company will make further announcement(s) as and when appropriate to provide updates to the Shareholders about the relationship between China Merchants Bank and the Group.

The Proposed Annual Caps for the transaction amounts under the 2019 Framework Agreement are as follows:

1. Securities and financial products and transactions

The Company considers that it is impracticable and extremely difficult to set a separate cap for each category of the securities and financial products and transactions for the following main reasons: (i) the securities and financial products and transactions are frequently conducted at the prevailing market prices in the ordinary and usual course of business of the Group. Such transactions are market-driven and are entered into depending on various factors including the bidding price and timing; (ii) most of these transactions are conducted within a very short timeframe and are very sensitive to market prices; (iii) as the variety and characteristics of products are experiencing rapid innovations in the ever-changing securities and financial market, it is difficult to precisely estimate when new products will be launched, however, once new securities and financial products and transactions are launched, it is expected that the total inflow and outflow of securities and financial products and transactions between China Merchants Group and/or its associates and the Group will increase; and (iv) all such transactions will continue to be entered into at the prevailing market prices in the ordinary and usual course of business of the Group. In light of the above, the Company considers that it is more practicable to set a cap for the total inflow and outflow of all the securities and financial products and transactions under the 2019 Framework Agreement, instead of a separate cap for each category of those products and transactions.

The proposed annual caps of expected total inflow⁽¹⁾ amount and total outflow⁽²⁾ amount of the securities and financial products and transactions under the 2019 Framework Agreement for its effective period are as follows:

| | The proposed annual caps (RMB million) | | |
|---|--|--|--|
| | For the year ending December 31, 2019 | For the year ending December 31, 2020 | For the year ending December 31, 2021 |
| Securities and financial products and transactions | | | |
| Inflow ⁽¹⁾ | 10,290 | 10,890 | 11,110 |
| Outflow ⁽²⁾ | 8,440 | 10,840 | 14,940 |

Notes:

- (1) “Inflow” refers to the Group’s total cash inflow arising from the sale of fixed income products and equity products to, transactions of derivative products with, and/or borrowing/repurchase from financing transactions with, China Merchants Group and/or its associates.
- (2) “Outflow” refers to the Group’s total cash outflow arising from the purchase of fixed income products and equity products from, transactions of derivative products with, and/or lending/resale from financing transactions with, China Merchants Group and/or its associates.

In estimating the proposed annual caps of the total inflow amount and total outflow amount of the securities and financial products and transactions between the Group and China Merchants Group and/or its associates for the effective period of the 2019 Framework Agreement, the Group has considered, among other things, the following key factors:

- approximate historical figures of the total inflow amount and total outflow amount of those securities and financial products and transactions between the Group and China Merchants Group and/or its associates for the three years ended December 31, 2018;
- the expected amounts of securities and financial products and transactions to be conducted between the Group and China Merchants Group and/or its associates;
- it is expected that there will be an increase in the total inflow amount and total outflow amount for the three years ending December 31, 2021 taking into account the volume of products, such as money-market products, which the Group may purchase for liquidity management, the new types of securities and financial products that the Group may offer (including equity, fixed income, hybrid, commodity and other types), the further increase of asset management products and financing products to be provided to each other between the Group and China Merchants Group and/or its associates and the growing and diversifying business of China Merchants Group and/or its associates, which will create more opportunities for the Group to conduct securities and financial transactions and provide securities and financial products to each other with China Merchants Group and/or its associates; and
- the inherent nature of the securities and financial products and transactions described above, including their market-sensitivity and timeliness, and the Group's limited control over the counterparties in those transactions, as well as the volatility and unpredictability of the financial market in general. An adequate buffer should be provided to cope with the changes to the products and transactions brought about due to the market factors to prevent undue restriction on the future business operations of the Group.

2. Financial services

The proposed annual caps of the revenue to be generated by the Group from the financial services transactions under the 2019 Framework Agreement for each of the three years ending December 31, 2021 are RMB230.11 million, RMB231.22 million and RMB232.39 million respectively.

In estimating the proposed annual caps of the revenue to be generated by the Group from the provision of financial services to China Merchants Group and/or its associates for the effective period of the 2019 Framework Agreement, the Group has considered, among other things, the following key factors:

- historical amounts of the revenue the Group generated from providing financial services to China Merchants Group and/or its associates for the three years ended December 31, 2018, including the different service rates and fees the Group charged for the provision of different types of financial services, and considering, in particular, that the Group's provision of financial services to China Merchants Group and/or its associates is mainly market-driven. Therefore, the proposed annual caps shall include an adequate buffer to cover any market volatility and changes. Otherwise, an annual cap that is too restrictive might cause undue disruption to the operations of the Group and hamper its ability to respond quickly to changes in the highly volatile financial market;
- the revenue generated by the Group from the provision of financial services to China Merchants Group and/or its associates in each year from 2019 to 2021 is expected to be higher than that in 2018. The development initiatives within China Merchants Group, including "Collaboration between Industrial Companies and Financial Companies" (產融結合) and "Collaboration between Financial Companies" (融融結合), will facilitate the growth of business in the finance segment of China Merchants Group and/or its associates. The growing and diversifying business of China Merchants Group and/or its associates as well as the Group's plan to enhance collaboration between the operations of the Group and other members of China Merchants Group, will create more opportunities for the Group to provide financial services to China Merchants Group and/or its associates. Accordingly, building on the revenue recorded in 2018, it is expected that the revenue to be generated by the Group from the provision of financial services to China Merchants Group and/or its associates in each year from 2019 to 2021 will show a higher growth;

- it is expected that there will be an increase in underwriting commissions, sponsoring fees and other service fees to be received by the Group associated with the growth in the issuance of equity and debt financing instruments of China Merchants Group and/or its associates in the three years ending December 31, 2021. Considering (i) the ongoing transactions which the Group is providing underwriting or sponsoring services to China Merchants Group and/or its associates, and the potential transactions for which the Group may provide such services; (ii) the efforts the Group will make to improve the core capabilities of investment banking business to implement the “customer-oriented” customer service system and increase the comprehensive value contributions of corporate clients in order to realize the value guiding effect of investment banking business; and (iii) the various initiatives and reforms in the PRC market, which the Group anticipates, will create more demand and business opportunities for the underwriting and sponsoring business of the Group;
- it is expected that there will be an increase in advisory fees and other investment banking service fees to be received by the Group for providing services to China Merchants Group and/or its associates in areas such as merger and acquisition and restructuring as a result of their expansion of such business in the three years ending December 31, 2021. Taking into account the ongoing transactions which the Group is providing advisory or other investment banking services to China Merchants Group and/or its associates, and the potential transactions for which the Group may provide such services, and given that merger and acquisition and restructuring are among the strategic goals of China Merchants Group, coupled with the Group’s plan to strengthen its merger and acquisition advisory business, it is expected that there will be more opportunities for the Group to provide financial advisory services to China Merchants Group and/or its associates, and that the revenue of the Group derived from such services is expected to continue to grow for the three years ending December 31, 2021;
- it is expected that there will be an increase in the Group’s commissions and other fees from leasing of trading seats to China Merchants Group and/or its associates in the three years ending December 31, 2021, taking into account, among other things, the expected growth in scale and trading volume of China Merchants Fund Management Co., Ltd;
- it is expected that there will be a high growth rate to the asset management service income after taking into account that after China Merchants Group and/or its associates obtains their investment license(s), they will be able to invest in the asset management plans issued by the Group;
- the securities market in the PRC is expected to further develop alongside the economic growth, market reforms and increasingly diversified products and service offerings; and
- the Group’s leading position in the relevant markets which would enable the Group to better seize the opportunities to provide financial services to China Merchants Group and/or its associates.

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 our connected transactions, which include the following:

- the Group has formulated and established internal guidance and policies for various securities and financial products and transactions and financial services, as well as internal procedures and system for the approval and monitoring of such transactions. Such policies and guidance set forth requirements regarding pre-transaction inquiry, applicable price, pricing procedures, approving body and procedures, record retention, supervision and review procedures. Relevant departments of the Group are responsible for reviewing the actual transaction amount and determining whether the Proposed Annual Caps have been exceeded. The connected transaction management department will remind relevant business departments when the actual transaction amount is approaching the Proposed Annual Caps;
- the connected transaction management department will regularly or irregularly collect data from all business departments, to ensure the Proposed Annual Caps will not be exceeded and will remind relevant business departments to control such connected transactions. Legal and compliance department will also review such transactions and grant approval when and as appropriate;
- while offering or selling the same batch of securities and financial products and transactions and financial services to customers (including both connected persons and independent third parties), the Group will offer the same pricing terms to all the customers and no preferential terms shall be provided to the customers who are the Group's connected persons; and
- the Group has formulated internal guidelines requiring additional approval procedures, including prior assessment and approval by independent Directors before the matter is submitted for consideration by the Board for transactions that exceed certain monetary amounts.

The independent non-executive Directors and auditors of the Company will conduct an annual review on the continuing connected transactions of the Group (including the rates offered by and to China Merchants Group and/or its associates) and provide their annual confirmations in accordance with the Listing Rules that, among others, the relevant transactions are conducted in the ordinary and usual course of business of the Group and in accordance with the terms of the agreement that are fair and reasonable and in the interests of the Company and 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 THE TRANSACTION

The securities and financial products and transactions and financial services under the 2019 Framework Agreement will be conducted in the ordinary course of business of the Group. Such transactions will continue to be entered into on arm's length basis and based on terms which are fair and reasonable so far as the Group is concerned. In light of the past and current cooperation relationships between the Group and China Merchants Group and its associates in relation to "Collaboration between Industrial Companies and Financial Companies" (產融結合) and "Collaboration between Financial Companies" (融融結合), and that such transactions have contributed and will continue to contribute to the overall business operation and growth of the Group, the Board (excluding the independent non-executive Directors, who will express their views after considering the advice from the independent financial adviser) considers entering into 2019 Framework Agreement with China Merchants Group is beneficial to the Group.

Such transactions will create cost synergy by integrating the strengths of the Group and China Merchants Group and/or its associates, which will in turn improve the profitability of the Group and enhance the Group's leading position in the securities industry. The Board (excluding the independent non-executive Directors, who will express their views after considering the advice from the independent financial adviser) is of the view that the 2019 Framework Agreement was: (i) entered into in the ordinary and usual course of business of the Group; (ii) on normal commercial terms (in accordance with the terms determined after arm's length negotiation or those no less favorable than the terms offered by the Group 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.

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 trade), 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. Accordingly, the transactions contemplated under the 2019 Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the transactions contemplated under the 2019 Framework Agreement exceed 5%, the transactions contemplated under the 2019 Framework Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will obtain the Independent Shareholders' approval for the transactions contemplated under the 2019 Framework Agreement at the general meeting of the Company. China Merchants Group and its associates will abstain from voting on the relevant resolutions.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the 2019 Framework Agreement and to advise the Independent Shareholders on the transactions contemplated under the 2019 Framework Agreement. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the 2019 Framework Agreement are fair and reasonable; the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

GENERAL

Pursuant to Chapter 14A of the Listing Rules, the Company is required to prepare a circular containing, amongst others, further details of the 2019 Framework Agreement, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders and a letter from the Independent Board Committee to the Independent Shareholders on the same and its recommendation on voting, on the terms of the 2019 Framework Agreement and the Proposed Annual Caps. Since the Company requires additional time to prepare the circular, it is expected that the circular will be despatched to the Shareholders on or before June 13, 2019.

DEFINITIONS

In this announcement, the following terms and expressions shall have the following meanings, unless the context otherwise requires:

| | |
|---------------------------------|---|
| “2016 Framework Agreement” | the Securities and Financial Products, Transactions and Services Framework Agreement entered into between the Company and China Merchants Group on September 21, 2016 |
| “2019 Framework Agreement” | the Securities and Financial Products, Transactions and Services Framework Agreement entered into between the Company and China Merchants Group on May 21, 2019 |
| “2019 Half Year Agreement” | the Securities and Financial Products, Transactions and Services Framework Agreement entered into between the Company and China Merchants Group on February 15, 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 Bank” | China Merchants Bank Co., Ltd. (招商銀行股份有限公司) (including its headquarters, branches and subsidiaries), a commercial bank established in the PRC in April 1987, and as at the date of this announcement, China Merchants Group, being its shareholder, holds 29.97% of its equity interest |
| “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 |
| “Independent Board Committee” | an independent committee of the Board comprising all the independent non-executive Directors |
| “Independent Shareholders” | Shareholders other than China Merchants Group and its associates |
| “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 |
| “Proposed Annual Caps” | the proposed annual caps for the transactions contemplated under the 2019 Framework Agreement |
| “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

“%”

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.