

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONNECTED TRANSACTION PROPOSED FORMATION OF JOINT VENTURE

PROPOSED FORMATION OF JOINT VENTURE

The Board is pleased to announce that on May 20, 2020 (after trading hours), CMS Investment, a wholly-owned subsidiary of the Company, has entered into the Joint Venture Agreement with CMPD in relation to the proposed formation of the Joint Venture. The total registered share capital of the Joint Venture will be RMB1.02 billion, of which CMS Investment will make a capital contribution of RMB499.8 million and CMPD will make a capital contribution of RMB520.2 million accounting for 49% and 51% of the total registered capital of the Joint Venture respectively.

Upon formation of the Joint Venture, it will be owned as to 49% by CMS Investment and 51% by CMPD, and will not be a subsidiary of the Company.

TERMS OF THE JOINT VENTURE AGREEMENT

The principal terms of the Joint Venture Agreement are as follows:

Date: May 20, 2020 (after trading hours)

Parties: (1) CMPD; and
(2) CMS Investment

Capital contribution:

Parties	Capital Contribution (RMB million)	Shareholding Percentage
CMS Investment	499.8	49%
CMPD	520.2	51%
Total	1,020	100%

The registered capital of the Joint Venture will be RMB1.02 billion. Each of CMS Investment and CMPD shall pay their respective capital contribution in accordance with the shareholding percentage in cash after the formation of the Joint Venture and in accordance with the project investment progress and the applicable laws and regulations. The shares in the Joint Venture will rank *pari passu* in all respects amongst themselves.

The amount of the capital contributions RMB1.02 billion under the Joint Venture Agreement was determined after arm's length negotiations among the parties, taking into account various factors, including the nature of the business, the demand for working capital and future development plans of the Joint Venture. CMS Investment's share of the total investment is approximately RMB499.8 million, which shall be funded by the internal resources of CMS Investment.

Purpose: Based on the principles of equality and mutual benefit, mutual cooperation, mutual support and mutual development, CMS Investment and CMPD agreed to establish the Joint Venture for the purpose of fully participating in the development, construction and sale of two land projects located at East District of Beijing Economic and Technological Development Zone Road (the "Project").

Conditions precedent:	The Joint Venture Agreement will take effect from the later date of when CMS Investment and CMPD affix their official seals, and the date when the internal approvals of CM Shekou and the Company are obtained.
Scope of business of the Joint Venture:	Subject to the approval by the relevant market supervision and administration authority, the scope of business of the Joint Venture shall principally be, including but not limited to, business management consulting, self-owned property leasing, property management, and project management services.
Registered office of the Joint Venture:	No. 338, 301, 3rd Floor, Building 1, No. 5 Fuyi Street, Fengtai District, Beijing, the PRC
Composition of the board of directors of the Joint Venture:	The board of directors of the Joint Venture shall comprise three directors. CMS Investment and CMPD are entitled to appoint one director and two directors respectively. The chairman of the board of directors shall be assumed by the director appointed by CMPD.
Profit distribution arrangement:	Pursuant to the Joint Venture Agreement, the JV Partners shall share the profits of the Joint Venture in proportion to their respective shareholdings in the Joint Venture.

REASONS FOR AND BENEFITS OF FORMATION OF JOINT VENTURE

The entering into of the Joint Venture Agreement and the formation of the Joint Venture thereunder for the purposes of participating in the development and construction of the Project will facilitate the coordination of resources within the China Merchants Group and its subsidiaries, optimise the asset structure and improve the efficiency of use of capital.

The Directors (including the independent non-executive Directors) consider that the terms of the Joint Venture Agreement are fair and reasonable and on normal commercial terms, and the proposed formation of the Joint Venture thereunder, although not conducted in the ordinary and usual course of the business of the Company, is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, China Merchants Group is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. CMPD, a wholly owned subsidiary of CM Shekou which is in turn held by China Merchants Group as to 63.99% as of March 31, 2020, is therefore an associate of China Merchants Group and a connected person of the Company under the Listing Rules. Accordingly, the proposed formation of the Joint Venture will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable ratio (as defined in the Listing Rules) for the transaction contemplated under the proposed Joint Venture Agreement exceeds 0.1% but less than 5%, the entering into of the Joint Venture Agreement is subject to the reporting and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

APPROVALS FOR FORMATION OF JOINT VENTURE

The proposed formation of the Joint Venture is set out under the sub-resolution "contemplated ordinary related party transactions with China Merchants Group Limited and its associates" of the "resolution on contemplated ordinary related party transactions of the Company for 2020". Such sub-resolution has been considered and approved at the 29th meeting of the sixth session of the Board held on March 27, 2020 and the 2019 annual general meeting of the Company held on May 19, 2020 (the "AGM"). When such sub-resolution was considered at the meeting of the Board, the related Directors, namely Mr. HUO Da, the chairman of the Board, and Ms. SU Min, Mr. SU Jian, Mr. XIONG Xianliang, Mr. XIONG Jiantao, Ms. PENG Lei and Mr. GAO Hong, abstained from voting and did not vote on behalf of any other Director. The non-related Directors unanimously approved such resolution. When such sub-resolution was considered at the AGM, the related Shareholders, namely China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司), Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司) and Best Winner Investment Limited, abstained from voting. The non-related Shareholders approved such resolution.

GENERAL INFORMATION

CMS Investment is a wholly-owned subsidiary of the Company and is principally engaged in alternative investment business.

The Company mainly engages in wealth management and institutional business, investment banking business, investment management business, and investment and trading business.

The principal scope of business of CMPD includes but not limited to real estate development, retail of self-developed commercial properties, sports project management (excluding chess and card games), conference services, rental of commercial properties, motor vehicle public parking services, sales of trees, financial consultation (excluding businesses that require special approvals such as auditing, capital verification, checking of account, evaluation, accounting consulting, agent bookkeeping and cannot issue the corresponding written materials such as auditing reports, capital verification reports, account-checking reports and evaluation reports), business management consulting, and catering services (limited to the branch's operations).

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“Board”	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 the State-owned Assets Supervision and Administration Committee of the State Counsel of the PRC and is the controlling shareholder of the Company
“CMPD”	China Merchants Property Development (Beijing) Co., Ltd. (招商局地產(北京)有限公司), a company incorporated in the PRC and is a wholly-owned subsidiary of CM Shekou
“CMS Investment”	China Merchants Securities Investment Co., Ltd. (招商證券投資有限公司), a company incorporated in the PRC and is a wholly-owned subsidiary of the Company
“CM Shekou”	China Merchants Shekou Industrial Zone Holdings Co., Ltd. (招商局蛇口工業區控股股份有限公司), a company incorporated in the PRC and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 001979)

“Company”	China Merchants Securities Co., Ltd. (招商證券股份有限公司), a joint stock limited company incorporated in the PRC under the laws of the PRC in August 1993; the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6099) and the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 600999)
“Director(s)”	the director(s) of the Company
“Joint Venture Agreement”	the joint venture agreement entered into between CMS Investment and CMPD on May 20, 2020 in relation to the proposed formation of the Joint Venture, details of which are disclosed in the announcement
“Joint Venture”	the joint venture to be formed pursuant to the Joint Venture Agreement, the name of which is subject to the approval by the relevant authority for industry and commerce
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent.

By order of the Board of Directors

HUO Da

Chairman

Shenzhen, the PRC

May 21, 2020

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 of the Company are Ms. SU Min, Mr. SU Jian, Mr. XIONG Xianliang, Ms. PENG Lei, Mr. GAO Hong, Mr. HUANG Jian, Mr. WANG Daxiong and Mr. WANG Wen; and the independent non-executive directors of the Company are Mr. XIANG Hua, Mr. XIAO Houfa, Mr. XIONG Wei, Mr. HU Honggao and Mr. WONG Ti.