

## THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this prospectus or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your H Shares (as defined herein) in China Merchants Securities Co., Ltd., you should at once hand this prospectus and the accompanying Provisional Allotment Letter (as defined herein) and Excess Application Form (as defined herein) to the purchaser or other transferee or to the bank manager, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of this prospectus, together with copies of the Provisional Allotment Letter and the Excess Application Form and (where applicable) the documents specified in the paragraph "Statutory and General Information — Documents Delivered to the Registrar of Companies" in Appendix III to this prospectus have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong, The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission take no responsibility as to the contents of any of the Prospectus Documents (as defined herein) or any other documents referred to above.

Dealings in the securities of China Merchants Securities Co., Ltd. and the H Rights Shares (as defined herein) and Nil-paid H Rights (as defined herein), may be settled through CCASS (as defined herein) and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of and permission to deal in the H Rights Shares and Nil-paid H Rights on the Stock Exchange (as defined herein) and subject to compliance with the stock admission requirements of HKSCC (as defined herein), the H Rights Shares and Nil-paid H Rights will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the H Rights Shares and Nil-paid H Rights on the Stock Exchange or such other date(s) as determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Hong Kong Exchanges and Clearing Limited, Hong Kong Securities Clearing Company Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, 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 document.

This prospectus is for information purposes only and shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale or purchase of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The securities have not been registered under the U.S. Securities Act of 1933, as amended, (the "U.S. Securities Act") or the laws of any state in the United States, and may not be offered or sold within the United States, absent registration or an exemption from the registration requirements of the U.S. Securities Act and applicable state laws. There is no intention to register any portion of the rights issue or any securities described herein in the United States or to conduct a public offering of securities in the United States.

This prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, any securities (including the Shares and the Rights Shares (in their nil-paid or fully-paid forms)) or to take up any entitlements to the H Rights Shares (in their nil-paid or fully-paid forms) in any jurisdiction in which such an offer, solicitation or sale is unlawful. Neither this prospectus nor anything in this prospectus forms the basis of any contract of commitment whatsoever.



**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)**

**PROPOSED H SHARE RIGHTS ISSUE OF 294,120,354 H SHARES ON THE BASIS OF  
THREE (3) H RIGHTS SHARES FOR EVERY TEN (10) EXISTING H SHARES  
AT HK\$8.185 PER H RIGHTS SHARE PAYABLE IN FULL ON ACCEPTANCE**

**PROPOSED A SHARE RIGHTS ISSUE OF 1,715,702,444 A SHARES ON THE BASIS OF  
THREE (3) A RIGHTS SHARES FOR EVERY TEN (10) EXISTING A SHARES  
AT RMB7.46 PER A RIGHTS SHARE PAYABLE IN FULL ON ACCEPTANCE**

**Sole Financial Advisor to the Company**

**CMS  招商證券國際**

**Joint Global Coordinators and Underwriters of the H Share Rights Issue**

**CMS  招商證券國際**

** CITIC  
SECURITIES**

Existing H Shares have been dealt in on an ex-rights basis from Friday, July 17, 2020. Dealings in the H Rights Shares in nil-paid form will take place from Thursday, July 30, 2020 to Thursday, August 6, 2020 (both days inclusive).

The latest time for acceptance of and payment for H Rights Shares and application and payment for of excess H Rights Shares is at 4:00 p.m. on Tuesday, August 11, 2020. Further details on the expected timetable for the H Share Rights Issue are set out in the section headed "Expected Timetable" in this prospectus.

The procedure for acceptance or transfer of H Rights Shares is set out in the "Letter From the Board" on pages 60 to 68 of this prospectus.

The H Share Rights Issue will proceed on a fully-underwritten basis. The Underwriting Agreement contains provisions entitling the Joint Global Coordinators by notice in writing to terminate the Underwriting Agreement on the occurrence of certain events, including force majeure, as set out in the paragraph headed "Letter from the Board — Termination of the Underwriting Agreement" on pages 80 to 82 of this prospectus. If the Underwriting Agreement does not become unconditional or if it is terminated in accordance with the terms thereof, the H Share Rights Issue may not proceed. Any person dealing in the H Shares and/or Nil-paid H Rights up to the time when all conditions to which the H Share Rights Issue is subject are fulfilled (which is expected to be 5:00 p.m. on Wednesday, August 12, 2020) will bear the risk that the H Share Rights Issue may not become unconditional and may not proceed. Shareholders' and potential investors' attention is also drawn to the paragraph headed "Letter from the Board — Warning of the Risks of Dealing in the H Shares and Nil-paid H Rights" in this prospectus. Any person who is in any doubt about his position is recommended to consult his professional adviser.

July 28, 2020

## NOTICE

The H Share Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated. Furthermore, if any of the conditions of the H Share Rights Issue set out under the paragraph headed “Letter from the Board — Conditions of the H Share Rights Issue” are not fulfilled, the H Share Rights Issue will not proceed, in which case a further announcement will be made by the Company at the relevant time. Shareholders’ and potential investors’ attention is drawn to the paragraph headed “Letter from the Board — Warning of the Risks of Dealing in the H Shares and Nil-paid H Rights”. It should also be noted that the H Shares have been dealt in on an ex-rights basis from Friday, July 17, 2020 and that dealings in the Nil-paid H Rights will take place from 9:00 a.m., Thursday, July 30, 2020 to 4:00 p.m., Thursday, August 6, 2020 (both days inclusive). Such dealings will take place when the conditions of the H Share Rights Issue remain unfulfilled, and the Underwriting Agreement does not become unconditional or is subject to termination in accordance with the terms thereof. Any person dealing in the securities of the Company up to the date on which such condition is fulfilled or waived and up to the Latest Time for Termination (as defined herein) and any person dealing in the Nil-paid H Rights from 9:00 a.m., Thursday, July 30, 2020 to 4:00 p.m., Thursday, August 6, 2020 (being the first and last day of dealings in the Nil-paid H Rights, respectively) will accordingly bear the risk that the H Share Rights Issue may not become unconditional and may not proceed. Any person dealing in or contemplating any dealing in the securities of the Company, the Nil-paid H Rights and/or the H Rights Shares during this period, who is in any doubt about his, her or its position, is recommended to consult his, her or its own professional adviser.

EXCEPT AS OTHERWISE SET OUT HEREIN, THE H SHARE RIGHTS ISSUE DESCRIBED IN THIS PROSPECTUS IS NOT BEING MADE TO H SHAREHOLDERS, BENEFICIAL H SHAREHOLDERS OR INVESTORS WITH REGISTERED ADDRESSES IN THE SPECIFIED TERRITORIES. This prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the Nil-paid H Rights or the H Rights Shares or to take up any entitlements to the Nil-paid H Rights or the H Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. None of the Nil-paid H Rights, the H Rights Shares, this prospectus, the Provisional Allotment Letter or the Excess Application Form will be registered under the securities laws of any of the Specified Territories and none of the Nil-paid H Rights, the H Rights Shares, this prospectus, the Provisional Allotment Letter and the Excess Application Form will qualify for distribution under any of the relevant securities laws of any of the Specified Territories (other than pursuant to any applicable exceptions as agreed by the Company). Accordingly, the Nil-paid H Rights and the H Rights Shares may not be offered, sold, pledged, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, into or within any Specified Territories other than Hong Kong absent registration or qualification under the respective securities laws of such Specified Territories, or absent exemption from the registration or qualification requirements under applicable rules of such Specified Territories.

## NOTICE

No action has been taken to permit a public offering of the Nil-paid H Rights and/or H Rights Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of and does not constitute an offer or invitation in any jurisdiction or in any circumstances, in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Nil-paid H Rights and/or H Rights Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

Each person acquiring the Nil-paid H Rights and/or H Rights Shares under the H Share Rights Issue will be required to confirm, or be deemed by his acquisition of the Nil-paid H Rights and/or H Rights Shares to confirm, that he is aware of the restrictions on offers and sales of the Nil-paid H Rights and/or H Rights Shares described in this prospectus.

For a description of certain restrictions regarding the take-up of the Nil-paid H Rights for, and the offering and sale of, the H Rights Shares, see the notices below.

### Notice to investors in Australia

#### *Exempt Australian investors*

This prospectus does not constitute a disclosure document under Chapter 6D of the Corporations Act 2001 of the Commonwealth of Australia ("**Australian Corporations Act**"). It has not been, and will not be, lodged with the Australian Securities and Investments Commission ("**ASIC**") as a disclosure document for the purposes of the Australian Corporations Act.

No offer of securities is being made in Australia, and the distribution or receipt of this prospectus in Australia does not constitute an offer of securities capable of acceptance by any person in Australia, except in the limited circumstances described below relying on ASIC relief or on certain exemptions in the Australian Corporations Act.

ASIC Corporations (Foreign Rights Issues) Instrument 2015/356 ("**ASIC Instrument**") grants conditional relief from Pts 6D.2 and 6D.3 of the Australian Corporations Act to foreign companies conducting renounceable or non-renounceable rights issues of securities of the same class as those held by their Australian shareholders. The ASIC Instrument also exempts shortfall offers. These are offers of the securities that were not taken up under a pro-rata offer and which are offered to holders (to whom offers were made under the pro-rata offer) within two months after the first offer is made under the pro-rata offer.

If the ASIC Instrument does not apply, then this prospectus may only be provided in Australia to select investors who are able to demonstrate that they fall within one or more of the following categories ("**Exempt Investors**"):

- "**sophisticated investors**" who meet the criteria set out in section 708(8) of the Australian Corporations Act; or
- "**professional investors**" who meet the criteria set out in section 708(11) and as defined in section 9 of the Australian Corporations Act.

## NOTICE

ASIC has not reviewed this prospectus or commented on the merits of investing in the securities nor has any other Australian regulator.

The provisions of the Australian Corporations Act that define these categories of Exempt Investors are complex, and if you are in any doubt as to whether you fall within one of these categories, you should seek appropriate professional advice regarding these provisions.

### *Australian selling restrictions*

Unless the ASIC Instrument applies, the securities may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the securities may be issued, and no draft or definitive offer memorandum, advertisement or other offer material relating to any of the securities may be distributed in Australia except where disclosure to investors is not required under Chapter 6D of the Australian Corporations Act, or is otherwise in compliance with all applicable Australian laws and regulations.

As any offer of securities under this prospectus will be made without disclosure in Australia under Chapter 6D of the Australian Corporations Act, the offer of those securities for resale in Australia within 12 months may, under section 707 of the Australian Corporations Act, require disclosure to investors under Chapter 6D of the Australian Corporations Act if the ASIC Instrument does not apply or if none of the exemptions in section 708 apply to that resale. Accordingly, any person who acquires securities pursuant to this prospectus should not, within 12 months of acquisition of the securities, offer, transfer, assign or otherwise alienate those securities to investors in Australia except in circumstances where disclosure to investors is not required under Chapter 6D of the Australian Corporations Act, unless a compliant disclosure document is prepared and lodged with ASIC.

### *General information only*

This prospectus is intended to provide general information only and has been prepared without taking into account any particular person's objectives, financial situation or needs. Investors should, before acting on this information, consider the appropriateness of this information having regard to their personal objectives, financial situation and needs. Investors should review and consider the contents of this prospectus and obtain financial advice specific to their situation before making any decision to make an application for securities.

### **Notice to investors in Bermuda**

The offer of the H Rights Shares under the Prospectus Documents is private and is not intended for the public. The prospectus and/or other Prospectus Documents have not been approved by the Bermuda Monetary Authority or the Registrar of Companies in Bermuda. Any representation to the contrary, explicit or implicit, is prohibited.

### **Notice to investors in British Virgin Islands ("BVI")**

No invitation has been made or will be made, directly or indirectly, to the public in the BVI to purchase the H Rights Shares, and the H Rights Shares are not being offered or sold and may not be offered or sold, directly or indirectly, in the BVI, except as otherwise permitted by the BVI laws.

## NOTICE

### Notice to investors in Canada

Neither the nil-paid Rights Shares nor the fully-paid Rights Shares may be distributed, directly or indirectly, in any province or territory of Canada or to or for the benefit of any resident of any province or territory of Canada except pursuant to an exemption from the requirement to file a prospectus or rights offering circular with regulatory bodies in the province or territory of Canada in which the offer or sale is made. Any resale of the nil-paid Rights Shares and/or the fully-paid Rights Shares by a resident of Canada or to a resident of Canada must be made in accordance with applicable Canadian securities laws. Purchasers are advised to seek legal advice prior to any resale of the nil-paid Rights Shares and/or the fully-paid Rights Shares to a Canadian resident.

### Notice to investors in Germany

This prospectus does not constitute a prospectus in accordance with the European Regulation on prospectuses (Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017) (the “**EU Prospectus Regulation**”). This prospectus has not been, and will not be, submitted to any competent supervisory authority in any member state of the European Economic Area (“**EEA**”) for inspection, review and/or approval. This prospectus and the H Share Rights Issue have not been, and will not be, subject to notification, registration, approval or permission procedures within the EEA, nor have any such procedures been applied or induced for or been granted. No offer to the public of the H Rights Shares has been or will be made in the EEA, other than as permitted pursuant to exceptions available under Article 1(4) of the EU Prospectus Regulation. This prospectus and the H Share Rights Issue are addressed within the EEA solely to qualified investors within the meaning of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments.

### Notice to investors in Japan

The Nil-paid H Rights or H Rights Shares have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948 as amended, “**FIEA**”) and disclosure under the FIEA has not been, and will not be, made with respect to any such securities. Accordingly, neither the Company nor the Underwriters (or any dealer, seller or underwriter appointed by any of them) will offer or sell the Nil-paid H Rights or H Rights Shares, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person, or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines promulgated by the relevant Japanese governmental and regulatory authorities. For the purposes of this paragraph, “Japanese Person” shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

## NOTICE

### Notice to investors in Liechtenstein

This document is provided to you specifically in the course of the H Share Rights Issue. The H Rights Shares are only offered to you as part of the H Share Rights Issue. The H Rights Shares may not be offered or sold, directly or indirectly, to the public in Liechtenstein. No public advertising or promotion was, is or may be carried out with respect to the H Rights Shares within the EEA. The H Rights Shares are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any investor in Liechtenstein that does not to qualify as professional client within the meaning of Annex II of Directive 2014/65/EU on Markets in Financial Instruments.

**This document does not constitute a prospectus under Regulation (EU) no 2017/1129 (the “EU Prospectus Regulation”) and has not been filed with or approved by the Liechtenstein Financial Market Authority.**

The inclusion of this legend in respect of Liechtenstein does not imply that an offering of the H Rights Shares has been or will be made to or with investors domiciled or with a registered office in Liechtenstein; any such offering will be made only where: (i) this is permitted under national law; and (ii) any involved party elects to comply with all relevant procedural and substantive obligations relating to the offering of the H Rights Shares.

### Notice to investors in Luxembourg

This prospectus has not been submitted to the Luxembourg Financial Services Authority (CSSF or *Commission de Surveillance du Secteur Financier*) for clearance and will not be subject to formal review or clearance by the CSSF.

The H Shares may not be offered, sold or delivered, directly or indirectly, in Luxembourg or to a Luxembourg resident and neither this prospectus nor any other circular, form of application, advertisement or other materiel may be distributed, or otherwise made available in or from, or published in, Luxembourg, unless such offer, sale or delivery of H Shares or distribution of copies of the prospectus is:

- (a) made only to ‘qualified investors’, provided that such Luxembourg qualified investors will act in their capacity and not as depositaries or nominees for other shareholders or third parties; or
- (b) in other circumstances which are exempt from the rules on public offers pursuant to article 1(4) Regulation (EU) No 2017/1129 of June 14, 2017 (the “**Prospectus Regulation**”) and article 4(1) of the Luxembourg act of July 16, 2019 on prospectuses for securities and implementing the Prospectus Regulation (the “**Prospectus Act**”).



## NOTICE

Any such offer, sale or delivery of the H Shares or distribution of copies of the prospectus or any other document must be in compliance with the selling restrictions under (a) and (b) above, in accordance with all Luxembourg securities, tax, exchange control and other applicable laws and regulations, and must be made:

- (i) by authorized persons (including investment firms, banks or financial intermediaries) to the extent duly authorized to engage in the placement and/or underwriting and/or purchase of financial instruments in Luxembourg; and
- (ii) in compliance with any other applicable requirements or limitations which may be, from time to time, imposed by the CSSF.

In accordance with 5 of the Prospectus Regulation, the subsequent resale on the secondary market in Luxembourg of the H Shares (which were part of an offer made pursuant to an exemption from the obligation to publish a prospectus) constitutes a distinct and autonomous offer. This offer must be made in compliance with the public offer and prospectus requirement rules provided under the Prospectus Regulation and the Prospectus Act, unless an exemption applies. Failure to comply with such rules may result in the subsequent resale of such H Shares being declared null and void and in the liability of the intermediary transferring the shares for any damage suffered by the investors.

### **Notice to investors in Mexico**

The content and disclosure of this prospectus or the Prospectus Documents have not been authorized by the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*) or any other competent authority in Mexico, and the H Rights Shares have not been and will not be registered within the Mexican National Securities Registry (*Registro Nacional de Valores*) pursuant to the Mexican Stock Market Law (*Ley del Mercado de Valores*) or any other applicable laws or regulations. The Company is strictly responsible for the information contained herein in and in the Prospectus Documents and same has not been reviewed or authorized by the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*). The extension of the H Share Rights Issue does not imply a certification regarding the quality of the H Rights Shares, the solvency of the Company or the truthfulness and accuracy of the information contained herein and in the Prospectus Documents. Any activity deemed to be made in Mexican territory with respect to the H Share Rights Issue shall be deemed a private offering of securities as provided for in Article 8 of the Mexican Stock Market Law (*Ley del Mercado de Valores*). The delivery of this prospectus and any other Prospectus Document shall not be construed as an advice of any type being rendered and each shareholder shall seek its own financial, legal and tax advice.

## NOTICE

### Notice to investors in the Netherlands

This prospectus does not constitute a prospectus in accordance with the European Regulation on prospectuses (Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017) including any relevant delegated regulations (the “**EU Prospectus Regulation**”). This prospectus has not been, and will not be, submitted to a competent supervisory authority in any member state of the European Economic Area (“**EEA**”) for inspection, review and/or approval. This prospectus and the H Share Rights Issue have not been, and will not be, subject to notification, registration, approval or permission procedures within the EEA other than as permitted pursuant to exceptions available under Article 1(4) of the EU Prospectus Regulation. This prospectus and the H Share Rights Issue are addressed within the EEA solely to qualified investors within the meaning of the Prospectus Regulation (as defined in article 2 (e) of the Prospectus Regulation, being, inter alia, persons or entities that are listed in points (1) to (4) of Section 1 of Annex II to Directive 2014/65 EU of the European Parliament and of the Council of 15 May 2014 of markets in financial instruments).

Each person in the Netherlands who acquires any rights in the H Share Rights Issue or to whom any offer of H Shares is made, will be deemed to have represented, acknowledged and agreed to and with the Company, the Joint Global Coordinators and the Underwriters of the H Share Rights Issue that it is a qualified investor within the meaning of the Prospectus Regulation.

In the case of any H Shares being offered to a financial intermediary as that term is used in Article 5(1) of the Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed to and with the Company, the Joint Global Coordinators and the Underwriters of the H Share Rights Issue that the H Shares acquired by it in the offer, have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer to the public other than their offer or resale in the Netherlands to qualified investors, in circumstances in which the prior consent of the Joint Global Coordinators and the Underwriters of the H Share Rights Issue has been obtained to each such proposed offer or resale.

The Company, the Joint Global Coordinators and the Underwriters of the H Share Rights Issue and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements. For the purposes of this provision, the expression an offer to the public in relation to any H Shares in the Netherlands, means the communication in any form and by any means of sufficient information on the terms of the H Share Rights Offer and any H Shares to be offered so as to enable an investor to decide to purchase, or subscribe for, any H Shares.

### Notice to investors in New Zealand

This document and the information contained in or accompanying this document:

- are not, and are under no circumstances to be construed as, an offer of shares to any person who requires disclosure under Part 3 of the Financial Markets Conduct Act 2013 (the “**FMC Act**”); and
- are not a product disclosure statement under the FMC Act and do not contain all the information that a product disclosure statement is required to contain under New Zealand law.



## NOTICE

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the FMC Act. The shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- in other circumstances where there is no contravention of the disclosure requirements of the FMC Act.

### Notice to investors in Norway

This prospectus does not constitute a prospectus in accordance with the European Regulation on prospectuses (Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017) (the “**EU Prospectus Regulation**”). This prospectus has not been, and will not be, submitted to competent supervisory authority in any member state of the European Economic Area (EEA) for inspection, review and/or approval. This prospectus and the H Share Rights Issue have not been, and will not be, subject to notification, registration, approval or permission procedures within the EEA, nor have any such procedures been applied or induced for or been granted. No offer to the public of the H Rights Shares has been or will be made in the EEA other than as permitted pursuant to exceptions available under Article 1(4) of EU Prospectus Regulation.

### Notice to investors in Portugal

The prospectus and any other materials regarding the offer have not been and will not be approved by the Portuguese Securities Market Commission (“**Comissão do Mercado de Valores Mobiliários**”) and therefore the H Share Rights Issue is not addressed to Portuguese resident investors and cannot be made to the public in Portugal or under circumstances which are deemed to be a public offer under the Prospectus Regulation, Portuguese Securities Code and other securities legislation and regulations applicable in Portugal. In addition, the prospectus and other Prospectus Documents are only being publicly distributed in Hong Kong where it is lawful to do so and may not be publicly distributed in Portugal, nor may any publicity or marketing activities related to the H Share Rights Issue be conducted in Portugal.

The H Share Rights Issue is not addressed to holders of China Merchants Securities Co., Ltd. resident and/or located in Portugal, and no tenders from holders of China Merchants Securities Co., Ltd. will be accepted, except if those holders are all professional investors (“**investidores profissionais**”) as defined in Article 30 of the Portuguese Securities Code, and/or 150 or fewer non-qualified investors, in which case the H Share Rights Issue can be made through a private placement (“**oferta particular**”), in accordance with the relevant provisions of the Portuguese Securities Code.

## NOTICE

### Notice to investors in the PRC

If a Shareholder resident in the PRC and/or any other PRC resident (including both individuals and companies) wishes to invest in Nil-paid H Rights or fully-paid H Rights Shares, he/she/it shall be responsible for complying with relevant laws of the PRC. The Company will not be responsible for verifying the PRC legal qualification of such Shareholder and/or resident and thus, should the Company suffer any losses and damages due to non-compliance with the relevant laws of the PRC by any such Shareholder and/or resident, the Shareholder and/or resident shall be responsible to compensate the Company for the same. The Company shall not be obliged to issue the Nil-paid H Rights or fully-paid H Rights Shares to any such Shareholder and/or resident, if issuing the Nil-paid H Rights or fully-paid H Rights Shares to them does not comply with the relevant laws of the PRC.

For the avoidance of doubt, the PRC Southbound Trading Investors can participate in the H Share Rights Issue through China Clear. China Clear will provide nominee services for the PRC Southbound Trading Investors to (i) sell (in full or in part) their Nil-paid H Rights on the Stock Exchange under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect; and/or (ii) subscribe (in full or in part) for their pro-rata entitlement in respect of Shares held on the H Share Record Date at the Subscription Price under the H Share Rights Issue in accordance with the relevant laws and regulations.

**However, China Clear will not support applications by such PRC Southbound Trading Investors for excess Rights Shares under the Rights Issue through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.** The PRC Southbound Trading Investors (or the relevant China Clear participants as the case may be) whose stock accounts in the China Clear are credited with nil-paid Rights Shares can only sell those nil-paid Rights Shares on the Stock Exchange via China Clear under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and can neither purchase any Nil-paid H Rights nor transfer such Nil-paid H Rights to other PRC Southbound Trading Investors. In order to ensure the timeliness of the clearing and currency exchange of payment for H Share Rights Issue, the long stop date for the reporting of H Share Rights Issue set by China Clear is three (3) SSE/SZSE business days earlier than that set by HKSCC.

### Notice to investors in Singapore

This prospectus and any other document or material issued in connection with the offer of the H Rights Shares has not been and will not be lodged with or registered as a prospectus in Singapore under the Securities and Futures Act (Chapter 289) of Singapore (“SFA”). The offer of the H Rights Shares is made in reliance on the offering exemption under section 273(1)(cd) of the SFA. This prospectus and any other document or material in connection with the offer of the H Rights Shares may not be circulated or distributed, nor may the H Rights Shares be offered or sold, whether directly or indirectly, to any person in Singapore other than to a member of the Company pursuant to section 273(1)(cd) of the SFA or otherwise pursuant to, and in accordance with the conditions of an exemption under section 274 or section 275, or where applicable, section 276 of the SFA.

## NOTICE

### **Notice to investors in South Africa**

The offer contained in this prospectus does not constitute an “offer to the public” as contemplated in section 95 of the Companies Act, No. 71 of 2008 (“**Companies Act**”), and this prospectus does not constitute a registered prospectus in terms of Chapter 4 of the Companies Act and Chapter 4 of the Companies Regulations, 2011. It will not be filed or registered with the Companies and Intellectual Property Commission.

### **Notice to investors in South Korea**

Nothing in this electronic transmission constitutes an offer of securities for sale in any jurisdiction where it is unlawful to do so.

A registration statement for the offering and sale of the securities has not been filed and will not be filed under the Financial Investment Services and Capital Markets Act of Korea. Accordingly, the securities may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined in the Foreign Exchange Transactions Act of Korea, the Enforcement Decree thereof and the regulations thereunder) except as otherwise permitted under applicable Korean laws and regulations.

Therefore, if you are in Korea or an resident of Korea or otherwise have gained access to this prospectus contrary to any of the foregoing restrictions, you are not authorized and will not be able to purchase any of the securities described herein, and please do not distribute or copy the information in this prospectus, but delete and destroy all copies of this prospectus including all attachments.

### **Notice to investors in Switzerland**

This prospectus has not been submitted to any reviewing body in Switzerland since the relevant provisions of the Swiss Financial Services Act are not yet in force.

### **Notice to investors in Taiwan**

The H Rights Shares have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan and/or any other regulatory authorities of Taiwan pursuant to relevant securities laws and regulations of Taiwan and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitute an offer or a solicitation of an offer within the meaning of the Securities and Exchange Act or relevant laws and regulations of Taiwan that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or any other regulatory authorities of Taiwan. No person or entity in Taiwan has been authorized to offer or sell the H Rights Shares in Taiwan.

### **Notice to investors in the UK**

Neither this prospectus nor the Prospectus Documents constitute, or will constitute, or forms part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for the H Rights Shares to any Shareholder with a registered address in, or who is resident of, the United Kingdom.

## NOTICE

Members of the public in the UK are not eligible to take part in the H Share Rights Issue. These terms and conditions are for information purposes only and are directed only at shareholders who are: (a) persons in member of states of the European Economic Area who are qualified shareholders as defined in section 86(7) of the Financial Services and Markets Act 2000, as amended (the “FSMA”), being persons falling within the meaning of article 2(e) of Regulation (EU) 2017/1129 including any relevant implementing directive measure in any EU State; (b) in the UK, qualified shareholders who are persons who: (i) fall within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “FPO”); (ii) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc) of the FPO; or (iii) are persons to whom it may otherwise be lawfully communicated (all such persons together being referred to as “**relevant persons**”). These terms and conditions must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which these terms and conditions relates is available only to relevant persons and will be engaged in only with relevant persons.

### Notice to investors in the U.S.

This prospectus may not be circulated, distributed, forwarded, delivered or redistributed, electronically or otherwise, to persons within the U.S., and may not be relied upon as a basis for any investment decision or for any other purpose by any person within the U.S.

These materials do not constitute or form a part of any offer or solicitation of any offer to purchase or subscribe for securities in the U.S. The H Rights Shares in their nil-paid and fully-paid forms have not been and will not be registered under the U.S. Securities Act or under any securities laws of any state or other jurisdiction of the U.S. and may not be offered, sold, pledged, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the U.S. except pursuant to an applicable exemption from the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the U.S. The H Rights Shares in both nil-paid and fully-paid forms, the Prospectus Documents have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state’s securities commission in the U.S. or any U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Rights Shares in either nil-paid or fully-paid form, the Provisional Allotment Letter, the Excess Application Form or the accuracy or adequacy of this prospectus. There will be no public offer or any directed selling efforts of these securities in the U.S. The H Rights Shares in both nil-paid and fully-paid forms are being offered and sold in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Each purchaser or subscriber of H Rights Shares being offered and sold the Rights Shares outside the U.S. will be deemed to have represented and agreed, among other things, that the purchaser or subscriber is acquiring the H Rights Shares in an offshore transaction meeting the requirements of Regulation S under the U.S. Securities Act. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees is subject to any of the above representations and warranties.

## NOTICE

Any person purchasing or taking up the Nil-paid H Rights or subscribing for or accepting the H Rights Shares will be required to represent, among others, that such person:

- (i) is not within the United States;
- (ii) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Nil-paid H Rights or the H Rights Shares;
- (iii) is not doing so for the account of any person who is located in the United States, unless
  - (a) the instruction to take up was received from a person outside the United States; and
  - (b) the person giving such instruction has confirmed that (x) it has the authority to give such instruction, (y) either (A) has investment discretion over such account or (B) is an investment manager or investment company that it is acquiring the H Rights Shares in an “offshore transaction” within the meaning of Regulation S under the U.S. Securities Act

and who is not otherwise a U.S. Person within the meaning and meeting the requirements of Regulation S under the U.S. Securities Act; and

- (iv) is not acquiring the Nil-paid H Rights or the H Rights Shares with a view to the offer, sale, resale, transfer, deliver or distribute, directly or indirectly, of any such Nil-paid H Rights or H Rights Shares into the United States or any other jurisdiction referred to in (ii) above.

None of the Prospectus Documents has been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the H Share Rights Issue, the Prospectus Documents, the nil-paid Rights Shares, the fully-paid Rights Shares, the H Rights Shares or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offence in the United States.

### **Forward-looking statements**

All statements in this prospectus other than statements of historical fact are forward-looking statements. In some cases, forward-looking statements may be identified by the use of words such as “might”, “may”, “could”, “would”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue”, “illustration”, “projection” or similar expressions and the negative thereof. Forward-looking statements in this prospectus include, but not limited to, statements in respect of the Company’s business strategies, product offerings, market position, competition, financial prospects, performance, liquidity and capital resources, as well as statements regarding trends in the relevant industries and markets in which the Company operates, technological advances, financial and economic developments, legal and regulatory changes, and their interpretation and enforcement.

## NOTICE

The forward-looking statements in this prospectus are based on management's present expectations about future events. Management's present expectations reflect numerous assumptions regarding the Company's strategy, operations and industry development. By their nature, they are subject to known and unknown risks and uncertainties, which could cause actual results and future events to differ materially from those implied or expressed by forward-looking statements. Should one or more of these risks or uncertainties materialize, or should any assumptions underlying forward-looking statements prove to be incorrect, the Company's actual results could differ materially from those expressed or implied by forward-looking statements. Additional risks not known to the Company or that the Company does not currently consider material could also cause the events and trends discussed in this prospectus not to occur, and the estimates, illustrations and projections of financial performance not to be realized.

Prospective investors are cautioned that forward-looking statements speak only as at the Latest Practicable Date. Except as required by applicable laws, the Company does not undertake, and expressly disclaims, any duty to revise any forward-looking statement in this prospectus, be it as a result of new information, future events or otherwise.

### **Arbitration of disputes**

If you have a claim against or dispute with us, a director, a supervisor, the general manager or other senior officers of ours, or a holder of our A Shares relating to any rights or obligations conferred or imposed by our Articles of Association or by the PRC Company Law and other relevant laws and administrative regulations concerning our affairs, our Articles of Association require you to submit the dispute or claim to either the China International Economic and Trade Arbitration Commission, or the Hong Kong International Arbitration Centre, for arbitration. Our Articles of Association further provide that the arbitral award will be final and conclusive and binding on all parties.

### **IMPORTANT NOTICE: HOTLINE FOR H SHAREHOLDERS**

**If you have questions in relation to the H Share Rights Issue, please call the H Shareholder hotline on (852) 2862 8699 during business hours from 9:00 a.m. to 6:00 p.m., Monday to Friday (other than public holidays).**



## CONTENTS

<b>Definitions</b>	.....	<b>1</b>
<b>Expected Timetable</b>	.....	<b>11</b>
<b>Summary of the Rights Issue</b>	.....	<b>13</b>
<b>Risk Factors</b>	.....	<b>14</b>
<b>Business</b>	.....	<b>31</b>
<b>Letter from the Board</b>	.....	<b>49</b>
<b>Appendix I</b>	— <b>Financial Information of the Group</b> .....	<b>I-1</b>
<b>Appendix II</b>	— <b>Unaudited Pro Forma Financial Information of the Group</b> .....	<b>II-1</b>
<b>Appendix III</b>	— <b>Statutory and General Information</b> .....	<b>III-1</b>

## DEFINITIONS

*In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:*

“AGM”	the annual general meeting of the Company convened on May 19, 2020 on which, among other things, the resolutions in relation to the extension of the validity period of the resolutions in respect of the Rights Issue Plans were considered and approved
“A Rights Shares”	the new A Shares proposed to be allotted and issued to the Qualified A Shareholders pursuant to the A Share Rights Issue
“A Share(s)”	PRC domestic listed share(s) with a par value of RMB1.00 each in the share capital of the Company, listed on the SSE and traded in RMB
“A Shareholder(s)”	holder(s) of the A Shares
“A Share Record Date”	Thursday, July 9, 2020, or such other date determined by the Board or its authorized person(s) by reference to which entitlements of the Qualified A Shareholders to the A Share Rights Issue are to be determined
“A Share Rights Issue”	the proposed issue of 1,715,702,444 A Rights Shares at the Subscription Price on the basis of three (3) A Rights Shares for every ten (10) existing A Shares held on the A Share Record Date
“A Share Rights Issue Prospectus”	the prospectus, which is in Chinese, containing the details of the A Share Rights Issue which has been published by the Company on the website of the SSE ( <a href="http://www.sse.com.cn">www.sse.com.cn</a> ), the website of the Stock Exchange ( <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> ) and the website of the Company ( <a href="http://www.cmschina.com">www.cmschina.com</a> ) on Tuesday, July 7, 2020
“Announcement”	the announcement dated July 6, 2020 issued by the Company in relation to the proposed H Share Rights Issue and A Share Rights Issue
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules

## DEFINITIONS

“Beneficial H Shareholder(s)”	any beneficial owner(s) of H Shares whose H Shares are registered in the name of a registered H Shareholder as shown in the H Shareholders’ Register
“Best Winner”	Best Winner Investment Limited, a company incorporated in British Virgin Islands with limited liability and a wholly-owned subsidiary of China Merchants Group
“Board”	the board of directors of the Company
“Bosera Funds”	Bosera Asset Management Co., Limited (博時基金管理有限公司), a company incorporated in the PRC with limited liability and an associate of the Company
“Business Day”	any day other than Saturday, Sunday or public holiday on which banks in Hong Kong are generally open for business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a person admitted to participate in CCASS as a direct participant or a general clearing participant, or a custodian participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China but excluding, for the purposes of this prospectus, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“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, of which China Merchants Group was a shareholder indirectly interested in approximately 29.97% as of the Latest Practicable Date
“China Clear”	China Securities Depository and Clearing Corporation Limited

## DEFINITIONS

“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 SASAC and is a controlling shareholder of the Company
“CMS Asset Management”	China Merchants Securities Asset Management Co., Ltd. (招商證券資產管理有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“China Merchants Fund”	China Merchants Fund Management Co., Ltd. (招商基金管理有限公司), a company incorporated in the PRC with limited liability and an associate of the Company
“China Merchants Futures”	China Merchants Futures Co., Limited (招商期貨有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“CM Finance Investment”	China Merchants Finance Investment Holdings Co., Ltd. (深圳市招融投資控股有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of China Merchants Group
“CMSHK”	China Merchants Securities (HK) Co., Limited (招商證券(香港)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“CMS International”	China Merchants Securities International Company Limited (招商證券國際有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“CMS Zhiyuan”	China Merchants Zhiyuan Capital Investment Co., Ltd. (招商致遠資本投資有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Company”	China Merchants Securities Co., Ltd., a joint stock company incorporated in the PRC with limited liability, the A Shares and H Shares of which are listed on the SSE (stock code: 600999) and on the Main Board of the Stock Exchange (stock code: 6099), respectively

## DEFINITIONS

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“CSRC Notice”	the notice of the CSRC Filing Requirements for Hong Kong Listed Issuers Making Rights Issue to Mainland Shareholders through Mainland-Hong Kong Stock Connect (Announcement [2016] No. 21)
“Director(s)”	the director(s) of the Company
“EGM”	the 2019 first extraordinary general meeting of the Shareholders convened on May 20, 2019 on which, among other matters, the Rights Issue Plans were considered and approved
“EIT Law”	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
“Employee Stock Ownership Scheme”	the employee stock ownership scheme of the Company approved by the Shareholders at the 2020 first extraordinary general meeting of the Company held on January 15, 2020
“Excess Application Form(s)”	application form(s) for excess H Rights Shares

## DEFINITIONS

“Excluded H Shareholder(s)”	the H Shareholder(s) whose name(s) appeared in the H Shareholders’ Register at the close of business on the H Share Record Date and whose address(es) as shown in such register is/are in any of the Specified Territories, except for those H Shareholders with addresses in Australia, Germany, Liechtenstein, Luxembourg, the Netherlands, New Zealand, Norway, the PRC and the UK who fulfil the relevant requirements to the satisfaction of the Company; and any H Shareholders or Beneficial H Shareholders at that time who are otherwise known by the Company to be resident in any of the Specified Territories, except for those H Shareholders or Beneficial H Shareholders with addresses in Australia, Germany, Liechtenstein, Luxembourg, the Netherlands, New Zealand, Norway, the PRC and the UK who fulfil the relevant requirements to the satisfaction of the Company
“Group”, “our Group”, “us” or “we”	the Company and its subsidiaries
“H Rights Shares”	the new H Shares proposed to be allotted and issued to the Qualified H Shareholders pursuant to the H Share Rights Issue
“H Share(s)”	overseas listed share(s) with a par value of RMB1.00 each in the share capital of the Company, listed on the Stock Exchange and traded in Hong Kong dollars
“H Share Record Date”	Monday, July 27, 2020, or such other date to be determined by the Board or its authorized person(s) by reference to which entitlements to the H Share Rights Issue are to be determined
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Share Rights Issue”	the proposed issue of 294,120,354 H Rights Shares at the Subscription Price on the basis of three (3) H Rights Shares for every ten (10) existing H Shares held on the H Share Record Date
“H Shareholder(s)”	holder(s) of the H Shares
“H Shareholders’ Register”	the register of the H Shareholders of the Company
“HK Northbound Trading Investors”	the Hong Kong investors who hold the shares of PRC listed companies through HKSCC Nominees as nominee under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect



## DEFINITIONS

“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Intermediary”	in relation to a Beneficial H Shareholder whose H Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, means the Beneficial H Shareholder’s broker, custodian, nominee or other relevant person who is a CCASS Participant or who has deposited the Beneficial H Shareholder’s H Shares with a CCASS Participant
“Jisheng Investment”	Shenzhen Jisheng Investment Development Co., Ltd. (深圳市集盛投資發展有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of China Merchants Group
“Joint Global Coordinators”	CMSHK and CLSA Limited
“Last Acceptance Date”	Tuesday, August 11, 2020, being the last day for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares
“Latest Practicable Date”	July 20, 2020, being the latest practicable date prior to the printing of this prospectus
“Latest Time for Termination”	5:00 p.m., on Wednesday, August 12, 2020
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)

## DEFINITIONS

“Nil-paid H Rights”	the rights to subscribe for H Rights Shares (in the form of H Rights Shares in nil-paid form) before the Subscription Price is paid
“PRC Southbound Trading Investors”	PRC investors including enterprises and individuals who hold the shares of Hong Kong listed companies through China Clear as nominee under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect
“Price Determination Date”	July 3, 2020, the date on which the Subscription Price was fixed for the purpose of the Rights Issue
“Prospectus Documents”	this prospectus, the Provisional Allotment Letter and the Excess Application Form
“Provisional Allotment Letter(s)”	provisional allotment letter(s) for the H Rights Shares
“Qualified A Shareholder(s)”	the A Shareholder(s) whose name(s) appear(s) on the register of the Company at the Shanghai branch of China Clear after the close of trading on the A Share Record Date
“Qualified H Shareholder(s)”	the H Shareholder(s) whose name(s) appear(s) on the H Shareholders’ Register on the H Share Record Date and who are not Excluded Shareholders
“Record Date(s)”	the A Share Record Date and/or the H Share Record Date
“Rights Issue”	the A Share Rights Issue and/or the H Share Rights Issue
“Rights Issue Plan(s)”	the H Share rights issue plan and/or A Share rights issue plan of the Company passed at the EGM, the 2019 H Shareholders Class Meeting and the 2019 A Shareholders Class Meeting and the validity of which was extended at the AGM, the 2020 H Shareholders Class Meeting and the 2020 A Shareholders Class Meeting
“Rights Share(s)”	the A Rights Share(s) and/or the H Rights Share(s)
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC

## DEFINITIONS

“SAFE”	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
“SASAC”	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)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shanghai-Hong Kong Stock Connect”	the securities trading and clearing links programme developed by the Stock Exchange, the SSE, HKSCC and China Clear for the establishment of mutual market access between Hong Kong and Shanghai
“Shareholders”	holder(s) of the Shares
“Share(s)”	the A Share(s) and/or the H Share(s)
“Shenzhen-Hong Kong Stock Connect”	the securities trading and clearing links programme developed by the Stock Exchange, the SZSE, HKSCC and China Clear for the establishment of mutual market access between Hong Kong and Shenzhen
“SSE”	the Shanghai Stock Exchange
“SZSE”	the Shenzhen Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Specified Territory(ies)”	Australia, Canada, Germany, Japan, Liechtenstein, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, the PRC, South Africa, South Korea, the UK and the U.S.
“STA”	the State Taxation Administration of the PRC (中國國家稅務總局)
“State Council”	the State Council of the PRC (中國國務院)

## DEFINITIONS

“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Subscription Price(s)”	the subscription price of HK\$8.185 per H Rights Share and/or the subscription of RMB7.46 per A Rights Share (as the case may be)
“Supervisor(s)”	supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Underwriters”	CMSHK and CLSA Limited
“Underwriting Agreement”	the underwriting agreement dated July 6, 2020 entered into between the Company and the Underwriters in relation to the H Share Rights Issue
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“U.S. dollars”	United States dollars, the lawful currency of the United States
“Wind Info”	Wind Information Co., Ltd. (萬得信息技術股份有限公司), a company with limited liability incorporated in the PRC and a service provider of financial data, information and software, being a third party independent of the Company and connected person (as defined in the Hong Kong Listing Rules) of the Company
“%”	per cent
“2019 A Shareholders Class Meeting”	the 2019 first class meeting of the A Shareholders convened on May 20, 2019 on which, among other matters, the Rights Issue Plans were considered and approved
“2019 H Shareholders Class Meeting”	the 2019 first class meeting of the H Shareholders convened on May 20, 2019 on which, among other matters, the Rights Issue Plans were considered and approved

## DEFINITIONS

“2020 A Shareholders Class Meeting”	the 2020 first class meeting of the A Shareholders convened on May 19, 2020 on which, among other things, the resolutions in relation to the extension of the validity period of the resolutions in respect of the Rights Issue Plans were considered and approved
“2020 H Shareholders Class Meeting”	the 2020 first class meeting of the H Shareholders convened on May 19, 2020 on which, among other things, the resolutions in relation to the extension of the validity period of the resolutions in respect of the Rights Issue Plans were considered and approved

*Unless otherwise specified in this prospectus, translations of RMB to HK\$ are made in this prospectus for illustration only, at the rate of RMB1 to HK\$1.0972. No representation is made that any amounts in RMB could have been or could be converted at that rate or at any other rates.*

*Unless otherwise specified in this prospectus, all figures disclosed in the “Risk Factors” and “Business” sections of this prospectus presented in accordance with IFRS.*

<b>EXPECTED TIMETABLE</b>
---------------------------

**EXPECTED H SHARE RIGHTS ISSUE TIMETABLE**

Last day of dealings in H Shares on a cum-rights basis . . . . .	Thursday, July 16, 2020
First day of dealings in H Shares on an ex-rights basis . . . . .	Friday, July 17, 2020
Latest time for lodging transfer of H Shares in order to qualify for the H Share Rights Issue . . . . .	4:30 p.m. on Monday, July 20, 2020
H Shareholders' Register closed . . . . .	Tuesday, July 21, 2020 to Monday, July 27, 2020 (both days inclusive)
H Share Record Date . . . . .	Monday, July 27, 2020
H Shareholders' Register re-opens . . . . .	Tuesday, July 28, 2020
Despatch of Prospectus Documents . . . . .	Tuesday, July 28, 2020
First day of dealings in Nil-paid H Rights . . . . .	Thursday, July 30, 2020
Latest time for splitting Nil-paid H Rights . . . . .	4:30 p.m. on Monday, August 3, 2020
Last day of dealings in Nil-paid H Rights . . . . .	Thursday, August 6, 2020
Latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares . . . . .	4:00 p.m. on Tuesday, August 11, 2020
Latest time for the termination of the Underwriting Agreement and for the H Share Rights Issue to be become unconditional . . . . .	5:00 p.m. on Wednesday, August 12, 2020
Announcement of results of acceptance of and excess applications for H Rights Shares . . . . .	Tuesday, August 18, 2020
Despatch of certificates for fully-paid H Rights Shares . . . .	Wednesday, August 19, 2020
Despatch of refund cheques in respect of wholly or partially unsuccessful applications for excess H Rights Shares . . . .	Wednesday, August 19, 2020
Commencement of dealings in fully-paid H Rights Shares . . . . .	9:00 a.m. on Thursday, August 20, 2020



## EXPECTED TIMETABLE

*All times and dates herein refer to Hong Kong local time and dates. Shareholders should note that the dates specified in the expected timetable of the H Share Rights Issue as set out above, and in other parts of this prospectus, are indicative only and may be changed by the Board. In the event any special circumstances arise, the Board or the authorized person(s) by the Board may extend or make adjustments to the timetable if it considers appropriate. Any such change to the expected timetables will be published or notified to the Shareholders accordingly.*

### EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR H RIGHTS SHARES AND APPLICATION AND PAYMENT FOR EXCESS H RIGHTS SHARES

The latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares will not take place if there is:

- a tropical cyclone warning signal number 8 or above, or
  - a “black” rainstorm warning, or
  - “extreme conditions” caused by super typhoons
- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Last Acceptance Date. Instead the latest time of acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares will be extended to 5:00 p.m. on the same Business Day;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Last Acceptance Date. Instead the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares does not take place on the Last Acceptance Date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

## SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this prospectus.

### **H SHARE RIGHTS ISSUE STATISTICS**

Basis of H Share Rights Issue:	three (3) H Rights Shares for every ten (10) existing H Shares held by Qualified H Shareholders on the H Share Record Date
Number of H Shares in issue as at Latest Practicable Date:	980,401,180 H Shares
Number of H Rights Shares proposed to be issued (assuming the number of H Shares in issue on the H Share Record Date remains the same as the Latest Practicable Date):	294,120,354 H Shares
Subscription Price for the H Rights Shares:	HK\$8.185 per H Rights Share

### **A SHARE RIGHTS ISSUE STATISTICS**

Basis of A Share Rights Issue:	three (3) A Rights Shares for every ten (10) existing A Shares held by Qualified A Shareholders on the A Share Record Date
Number of A Shares in issue as at Latest Practicable Date:	5,719,008,149 A Shares
Number of A Rights Shares proposed to be issued (assuming the number of A Shares in issue on the A Share Record Date remains the same as the Latest Practicable Date):	1,715,702,444 A Shares
Subscription Price for the A Rights Shares:	RMB7.46 per A Rights Share

## RISK FACTORS

*You should carefully consider the risks described below as well as other information contained in this prospectus before making an investment decision. The occurrence of any of the following events could harm the Company. If these events occur, the trading prices of H Shares and the Nil-paid H Rights could decline, and you may lose all or part of your investment. Additional risks not currently known to the Company or that the Company now deem immaterial may also harm the Company and affect your investment.*

### RISKS RELATION TO MACRO-ECONOMICS AND SECURITIES INDUSTRY

#### **(I) Risks of the Earnings of the Company Affected by Periodic Changes in the PRC's Securities Market**

The prosperity of the securities market is influenced by various factors including the speed of domestic economic development, macro-economic policies, interest rates, exchange rates, industry development conditions, investment psychology as well as the global economic and financial environment, and is subject to certain uncertainty and periodicity. The operation and profitability of the Company are heavily dependent on the conditions and trend of the securities market. Rising conditions and active transactions of the securities market will increase trading volume, thus driving the growth in revenue of the Company's brokerage business; an active securities market will stimulate the needs of financing and M&A, bringing more investment banking business opportunities to the Company; a securities market with sustained growth will also inspire citizens to invest in securities, which is beneficial to the development of the Company's asset management business; in general, the Company's traditional self-operated business will also record higher investment yield as the securities market rises. In addition, a buoyant securities market will prompt securities companies to expand financial renovation activities and new business opportunities. On the contrary, if a securities market is declining with fewer transactions, it will be more difficult for the Company to carry out its brokerage, investment banking, asset management and self-operated businesses, and the profitability may also decline.

#### **(II) Risks of Changes in Competition Environment of the Securities Industry**

##### ***1. Risks of Intensifying Competition in Domestic Industry***

According to the statistics from Securities Association of China, as of 31 December 2019, there were a total of 133 members consisting of various securities companies. China's securities industry is currently in a new round of industrial structure upgrading. In recent years, the scale and market share of large securities companies have gradually increased, resources have concentrated to a few securities companies, and the landscape of the industry competition has gradually become clear. But in general, the overall competition of the securities industry is still transforming from a decentralized, low-level position to a concentrated one. There is not much difference among securities companies in terms of capital strength, competition tactics, technology levels, etc. The Company is facing severe competition in various business areas.

**2. *Risks of Competition Arising from the Opening-up of the Securities Industry***

The step-by-step opening-up of the securities industry is a major undertaking made before China joined the WTO. Currently, large-scale international investment banks, including Goldman Sachs, UBS, Credit Suisse and Deutsche Bank, have entered China's financial market by establishing joint venture securities companies, putting great pressure on domestic securities companies in terms of high-end businesses. Since 2018, the opening-up of China's securities industry has accelerated distinctively. On April 28, 2018, CSRC issued Administrative Measures for Foreign-Invested Securities Companies (《外商投資證券公司管理辦法》), abolishing the restriction that the proportion of shares held by overseas shareholders or the proportion of equity owned by such shareholders in securities companies with foreign shares should not exceed 49%; at the same time, the scope of business of joint venture securities companies will be gradually broadened, allowing newly established joint venture securities companies to apply for securities business in an orderly manner according to its own situation. On March 13, 2020, CSRC announced that the restriction on the proportion of foreign investment of securities companies shall be lifted from April 1, 2020. Currently, many foreign-funded securities companies have obtained the approval from the CSRC to increase the shareholding to more than 51%.

Compared with the securities companies in China, foreign securities companies have a certain competitive advantage in terms of brand influence, marketing capability, management capability, technology level and capital strength. Moreover, they are more experienced in overseas underwriting and cross-market operations. Given the gradual opening-up of China's financial market, the level of participation of foreign institutions in China's securities market will further increase, which will result in much tougher competition in the securities industry.

With foreign securities companies flooding in China's market due to the opening-up of the securities industry, if the Company fails to maintain and enhance its established competitive advantage, improve its service quality and management level and increase its capital strength, the Company will face risks of loss of clients and decrease of market shares.

**3. *Risks arising from competitions with other financial institutions and online finance***

The rapid development of the financial industry in recent years causes a notable inclination among those institutes to operate in a comprehensive and integrated manner. Commercial banks, insurance companies and other non-banking financial institutions penetrate to traditional business areas of securities companies by innovating their products portfolio and pattern. They have seized the market share the security companies have enjoyed by their relative advantages, i.e. their presence in network distribution, resources in clientele and the capital strength they possessed. Meanwhile, the PRC steadily revises the regulatory system from divisional regulatory compliance into an organic integration between the former and the unified regulatory compliance. The Office of the Financial Stability and Development Committee under the State Council was established in November 2017, followed by the coming of China Banking and Insurance Regulatory

## RISK FACTORS

Commission in April 2018. As such, a new regulatory pattern involved with ‘the Office, the People’s Bank and two Commissions’ is formed in the country. As the PRC loosens its restrictions on divisional operations and divisional regulatory compliance in finance, those challenges that security companies encounter will be more desperate, and the business volume may be suppressed further.

Apart from that, the development of online financial has reached an unprecedented level, various kind of new financial services offered pose an impact to services on brokerage and asset management provided by security companies, which leave a profound implication to their transitions in the mode of operations. As internet technologies infiltrate to the financial area further, it could offer more diversified financial products in the market, which would pose an impact on the source of clients, business commencement and profitability among securities companies. Companies which could not position themselves in the age of online finance, and prepare themselves for transitions or upgrading their business, they may subject to impact under the era of online financial or the risk of losing their competitive advantages.

#### ***4. The trend of comprehensive financial operations will change the competition environment of the industry***

Nowadays, the demand for comprehensive financial services from customers grows day by day. With their advantages in client resources, network channels and capital wealth, financial institutions including commercial banks, fund management companies, trust companies and insurance companies also enter the traditional business sectors of securities companies, such as asset management, wealth management services and investment banks. Therefore, securities companies are facing growing competition from other financial industries.

### **(III) Policy and Legal Risk**

As the securities industry in China is a part of the national concession industry, the operation of business is regulated by various laws, regulations and regulating documents in China. China has promulgated a series of laws, regulations, department rules and regulating documents, including the Securities Law of the People’s Republic of China (《中華人民共和國證券法》), the Regulations on Supervision and Management of Securities Companies (《證券公司監督管理條例》), the Regulations on Risk Handling of Securities Companies (《證券公司風險處置條例》), the Provision on Classified Regulation of Securities Companies (《證券公司分類監管規定》) and the Management Measures on Qualifications of Securities Practitioners (《證券業從業人員資格管理辦法》), to regulate the securities industry. The business operations of securities companies shall be regulated by relevant regulatory authorities and institutions, such as the CSRC. The CSRC has promulgated a series of department rules and regulating documents, including the Measures for Administration of Risk Control Indexes of Securities Companies (《證券公司風險控制指標管理辦法》), the Guidelines on Proprietary Securities Business of Securities Companies (《證券公司證券自營業務指引》), the Administrative Measures for Margin Financing and Securities Lending Business for Securities Companies (《證券公司融資融券業務管理辦法》), the Administrative Measures for Private Asset Management Business of Securities and Futures Operator (《證券期貨經營機構私募資產管理業務管理辦法》) and the Administrative Provisions on the Operation of Private Asset Management Plans of Securities and Futures Operator (《證券期貨經營機構私募資產管理計劃運作管理規定》), which steadily establishing a risk control index and regulatory system for securities companies with a focus on net capital.

## RISK FACTORS

The change of laws, regulations, rules and other regulatory documents may affect the operation mode and methods of competition of the securities industry, resulting in the uncertainties in the operation and development of the businesses of the Company.

### **RISKS RELATION TO THE OPERATION OF OUR GROUP**

The Company is exposed to operational risks, including risk of profits fluctuations resulted from cyclic changes in markets; potential risks from wealth management and institutional business, investment and trade, investment management, investment bank, etc.; potential risks arising from business and product innovation; and risk existed in conducting business which is subject to the approval of respective regulatory authorities.

#### **(I) Risk regarding wealth management and institutional business**

Change of securities trading frequency and transactions rate may affect the revenue from brokerage business of the Company. The securities market in our country is an emerging market. Securities investors are usually more speculative and hold such a position for a shorter period with preference for active trading. In the future, as the investors' investment philosophy gradually matures and qualified investors are growing, securities trading frequency would be lower. In addition, since the industry has become increasingly competitive, consolidated securities transactions rate may also be lower. These factors will adversely affect our Company's revenue from brokerage business to some extent.

The Company is exposed to trading irregularities risk. Trading irregularities mainly include incorrect record of customer information, failure to modify customer information in accordance with the rules, misoperation or cheating in funds deposit and withdrawal, stock stealing and selling, etc. Any trading irregularities may result in loss of the Company. If customers suffer a loss due to the trading irregularities, the Company may be further exposed to litigation and damages.

In addition, the Company may be exposed to risk arising from default of customers to repay debts in businesses of margin financing and securities lending, securities-backed lending, stock repurchases business and other businesses; the Company may also be exposed to 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.

The Company is engaged in businesses of commodity futures brokerage, financial futures brokerage, futures investment consultation, mainly through China Merchants Futures, its wholly-owned subsidiary. China Merchants Futures is inevitably exposed to the operational risks resulted from cyclic changes in markets, risk of market competition regarding futures brokerage and nominee clearing businesses, clearing risk regarding margin trading, risk arising from business and product innovation, and risk arising from new business subject to approval.



## RISK FACTORS

### **(II) Investment banking business risk**

The Company's investment banking business mainly comprises sponsoring and underwriting, corporate reorganization, restructuring and merger and acquisition financial consultation of valuable securities such as stocks, convertible corporate bonds, corporate debt and enterprise debt. Currently, revenue from the Company's investment banking business is primarily contributed by revenue from our sponsoring and underwriting business as a leading underwriter. For the three years ended December 31, 2017, 2018 and 2019, the underwriting business accounted for a relatively significant portion in our investment banking business. While the Company has been committed to the development of financial consultation business and has established a proven record, changes to the issuing practice in primary stock market in the future and the implementation of the Company's sponsoring and underwriting business as a leading underwriter would continue to cast a significant impact upon revenue from our investment banking business.

Subject to our internal condition, influence by market, policies and regulations, the Company's securities underwriting business is exposed to the risk of project cycle, income timing and cost uncertainty. While our stock sponsoring and underwriting business is subject to sponsoring risk and securities underwriting risk, we also face uncertainty in income due to withdrawal and disapproval of issue application during the course of project implementation. With respect to our bond underwriting business, we would also face underwriting risk if the interest rate and maturity design of bonds fail to meet market requirement or the timing of issuance is inappropriate.

### **(III) Investment and trading business risk**

The Company has a wide variety of investment instruments in our investment and trading business which include stock, funds, convertible corporate bonds, warrants, treasury bonds, enterprise bonds, short-term financing bills, central bank bills and other derivative financial instruments, etc. Other than influence by the overall trend of securities market, the Company is also subject to risk relevant to investment instruments in our proprietary trading business, given the unique respective income risk characteristics of the investment instruments invested in our proprietary trading business. With the limitation on investment instruments and trading practice, the Company's proprietary securities investment cannot be fully protected against systematic risk through our investment portfolio. In addition, the Company would also suffer loss in the event of any misjudgment regarding international and domestic economic and financial landscape, wrong decision made or inappropriate handling during the selection of securities investment instruments and securities trading.

Moreover, the Company is also subject to credit risk due to default by issuer or financier, interest rate swap and non-performance of payment obligation during OTC derivatives trading, such as OTC options in our bonds, trust products and other credit products investment business.

## RISK FACTORS

### **(IV) Risks regarding the investment management business**

The investment management business mainly depends on product design, product revenue, management quality as well as extension and scale of the Company's brand influence. If the Company's investment management products fail to meet the market requirement, or that the management quality is not on par with our business development, or a wrong investment decision is made; or due to volatile securities market in the PRC, fewer varieties of investment products, immature risk hedging mechanism and other reasons, the asset portfolio designed for the clients by our Company may not generate a level of revenue as expected, dampening investors' willingness to purchase products and thereby affecting revenue from the investment management business.

Domestic insurance companies, trust companies, banks and other fund management companies continued to introduce financial asset management products, rendering the investment management business an intensely competitive sector. Although the Company's investment management business is at the front place in the securities industry, aggressive competition may affect the Company's continuous growth of revenue from relevant businesses. Meanwhile, if the Company is not able to further expand the scale of its investment management business, continuous growth of revenue from such business will also be impacted.

### **(V) Potential risks regarding business and product innovation**

As an innovation-oriented securities manager, the Company may put forward specific innovation proposals based on its own operating condition and business development needs in accordance with relevant requirements of CSRC and the Securities Association of China and implement such proposals, subject to professional evaluation and approval of securities regulatory bodies or securities industry associations and organizations in the PRC.

In view of the inherent forward-looking nature and significant uncertainties of the innovative businesses, the Company is exposed to operating risks resulting from unreasonable product design, inaccurate market forecast, risk pre-judgment behind time, ineffective management measures and incomprehensive internal control measures, etc., due to mismatch between management quality, technology capability, ancillary facilities and relevant policies and the innovative business which may arise in the innovative activities.

### **(VI) Risks regarding overseas businesses**

The Company carries out overseas businesses (including the Hong Kong market) through CMS International, its wholly-owned subsidiary, which consist of securities and futures contracts brokerage, listing sponsorship, financial advisory, corporate financing, investment management, asset management, market researches and other businesses overseas.



## RISK FACTORS

Since the markets and operating environment where overseas companies are located differentiate from those of domestic companies, the Company faces market and operating risks specific to the places of operation of those companies. Furthermore, places where overseas companies are located have different jurisdiction and administrative laws, regimes and systems than their domestic counterparts, and the Company's overseas subsidiaries are subject to such laws and regulations in their places of operation. If an overseas company fails to comply with local laws and regulations, and regulatory requirements of local regulatory bodies, it may face penalties imposed by local regulatory authorities.

The Company implements a unified management approach to both domestic and overseas companies, and for certain businesses, conducts domestic-overseas linked operations, such as cross sales and joint customer services, subject to regulatory requirements. In conducting unified management and linked operations of domestic and overseas companies, the Company may face penalties by relevant regulatory authorities if it fails to meet the regulatory requirements from both places.

### **RISKS RELATION TO THE FINANCE OF OUR GROUP**

#### **(I) Credit risk**

The credit risk of the Company refers to the risk of economic loss caused by the failure of a borrower or counterparty to fulfil their contractual obligations. The Company's credit risk arises primarily from the following four aspects:

1. businesses such as margin financing and securities lending as well as securities-backed lending and stock repurchases in which clients breach the contract and cannot repay the debts owed to the Company;
2. investment businesses 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, an interest rate swap or an OTC option in which the counterparties fail to fulfil their payment obligation;
4. loss arising from brokerage business in which client's 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.

#### **(II) Liquidity risk**

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.

## RISK FACTORS

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.

### **(III) Fluctuation risk of cash flow of operating activities**

The calculation of cash flow of operating activities is directly affected by changes such as the increase or decrease in scale of capital intermediary business, proprietary business, lending and borrowing and stock repurchase business of securities company as well as the scale of client deposits, which fluctuates along with the security market, hence resulting in a higher risk of fluctuation in cash flow of operating activities of the Group. For the years 2017, 2018 and 2019, the net cash flow generated from operating activities of the Group was RMB-27.311 billion, RMB36.691 billion and RMB-1.149 billion.

## **RISKS RELATION TO THE MANAGEMENT OF OUR GROUP**

### **(I) Operational Risk**

The Company has internal control and risk management measures in place for all of its businesses segments, however, every control system has its own inherent limitations. Changes in internal and external environment, insufficient awareness among concerned parties, inadequate implementation of the existing system and subjective and willful action on the part of the employee, etc., may limit the function of the internal control mechanism or even render it ineffective, which in turn may give rise to operational risk.

The Company will continue to improve its risk management and internal control mechanisms, including its internal audit and IT management system, in an effort to prevent and detect activities pertaining to fraud or bribery, but its current IT management and internal audit procedures may not be able to eliminate such activities completely in a timely manner. Hence, if the Company fails to detect and prevent fraud and other misconduct perpetrated by our employee and related third party, our business, reputation and prospects may be adversely affected.

### **(II) Risk relating to the IT System**

IT systems are important vehicles for securities companies to carry out various types of businesses. The security, effectiveness and reasonableness of information systems are vital to the business development of securities companies. The Company's wealth management and institutional business, investment and trading business and investment management business are highly dependent on its IT system's capability to process large volumes of transactions in a timely and accurate manner, as well as to store and process large volumes of business and operational data. Factors such as failures and material disruptions in the IT system and communication system would disrupt the Company's general businesses or make it difficult to ensure data integrity.

## RISK FACTORS

The Company attaches great importance to the construction and improvement of its IT system, and continues to step up its investments in IT software and hardware. A comprehensive IT related mechanism is in place to ensure the stable operation of the Company's IT system. However, due to various reasons, the Company's trading system may still experience hardware failures, software crashes, communication line interruptions, virus infections and hacks, data loss and leaks. If the Company suffers from the abovementioned unforeseeable events, or fails to improve or upgrade its IT system effectively in a timely manner, its reputation, competitiveness and business performance may be adversely affected.

### **(III) Risk Relating to Talent Outflow and Insufficient Talent Reserve**

At present, domestic securities companies and fund management companies are facing increasingly fierce competition for talents. Favorable employment packages such as excellent training programs and incentives schemes provided by foreign brokerage firms, joint venture securities firms and various types of private equity funds have also greatly intensified the competition for talents in the financial field. Presently, the Company focuses on cultivating its own talents, however, such endeavor entails longer training period and higher investment. Particularly, in the face of the ongoing diversification of financial instruments and rapid market development, the Company is facing the risk of insufficient talent reserves, and the pressure of talent outflow has increased in certain business segments. If this situation is not rectified, the Company's potential for sustainable development will be affected.

### **RISKS RELATION TO THE COMPLIANCE OF OUR GROUP**

The compliance risk faced by the Company refers to the legal risks or regulatory sanctions to which securities companies may be exposed due to their failure to comply with the regulations, the standards of relevant regulatory bodies and the code of conduct applicable to our business, which will result in the risk of significant financial loss or reputation damage.

Securities and fund industries are highly regulated industries. A number of laws, regulations, rules and other regulatory documents have been promulgated by the authorities of the PRC to regulate securities companies and fund management companies, including the Securities Law of the People's Republic of China (《中華人民共和國證券法》), the Regulations on Supervision and Management of Securities Companies (《證券公司監督管理條例》), the Securities Investment Fund Law and the Measures for the Administration of Securities Investment Fund Management Companies. Securities and fund industries are also subject to adjustments and restrictions on the policies, laws, regulations, rules and other regulatory documents regarding accounting, taxation, foreign exchange and interest rates. All kinds of business carried out by securities companies and fund management companies shall be under the regulation of the CSRC.

In the event of violation of laws and regulations, the Company shall be liable to administrative penalties, including but not limited to: warnings, fines, confiscation of illegal gains, revocation of relevant business permits and closure order; the Company may also be subject to the regulatory measures adopted by the regulatory authorities for violation of laws, regulations and departmental rules, including but not limited to: limitations on business activities, demanded suspension of certain businesses, cessation of approval of new business, limitations on dividend distribution, limitations on

## RISK FACTORS

provision of remuneration and benefits to directors, supervisors and senior management, limitations on transfer of property or creation of encumbrances on the property, demanded replacement of directors, supervisors and senior management or limitations on their rights, demanded transfer of equity interest held by controlling shareholders or limitations on exercise of their shareholders' rights, demanded suspension of business for rectification and handing over, taking over or revocation by other designated institutions.

### **RISKS RELATION TO THE CONTROLLING BY ACTUAL CONTROLLER OF OUR GROUP**

As of December 31, 2019, CM Finance Investment directly held 23.51% of the shares of the Company, indirectly held 19.56% of the Shares of the Company through its subsidiary Jisheng Investment, and directly and indirectly held 43.08% of the Shares of the Company in aggregate, thus becoming a controlling shareholder of the Company. China Merchants Group indirectly held 44.09% of Shares of the Company in aggregate through its subsidiaries, namely CM Finance Investment, Jisheng Investment and Best Winner, and thus becoming an actual controller of the Company. After the Rights Issue, there will be no changes neither to the controlling shareholder nor to the actual controller of the Company. Although the Company has established a corporate governance mechanism in order to protect the interests of medium and minority shareholders, such as vote abstention procedures for related directors and related shareholders and independent directors system, together with a commitment made by China Merchants Group to prevent cannibalism, no assurance can be given that China Merchants Group will not use its controls to control and intervene in the personnel, operation and decision-making processes of the Company through its indirect exercise of voting rights, which may affect the interests of the Company and other medium and minority shareholders.

### **RISKS RELATING TO THE PRC**

#### **(I) Economic, political and social conditions in the PRC and government policies could affect our business and prospects**

A majority of our assets are located in the PRC, and a substantial majority of our revenue is derived from our businesses in the PRC. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among other things, government involvement, the level of economic development, growth rate, foreign exchange controls and resource allocation.

In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit the overall PRC economy, but may negatively affect us. If the business environment in China deteriorates, our business in China may also be materially adversely affected.

## RISK FACTORS

### **(II) The PRC legal system has inherent uncertainties that could limit the legal protection available to you**

PRC laws and regulations govern our operations in China. We and most of our operating subsidiaries are organized under PRC laws. The PRC legal system is based on written statutes. Previous court decisions may only be cited for reference. Since the late 1970s, China has promulgated laws and regulations dealing with economic matters, such as the issuance and trading of securities, shareholder rights, foreign investment, corporate organization and governance, commerce, taxation and trade.

However, many of these laws and regulations, particularly those with respect to the financial services industry, are relatively new and evolving, are subject to different interpretations, and may be inconsistently implemented and enforced. These uncertainties relating to the interpretation, implementation and enforcement of the PRC laws and regulations can affect the legal remedies and protections available to investors, and can adversely affect the value of your investment.

In particular, the PRC financial services industry is highly regulated. Many aspects of our business depend upon the receipt of the relevant government authorities' approvals and permits. As the PRC legal system and financial services industry develop, changes in such laws and regulations, or in their interpretation or enforcement, could materially adversely affect our business, financial condition and results of operations.

### **(III) Investors may experience difficulties in effecting service of legal process and enforcing judgments against the Company and the Company's Directors, Supervisors and management**

The Company is a company incorporated under the laws of the PRC, and a substantial majority of our assets and subsidiaries are located in the PRC. In addition, most of the Company's Directors, Supervisors and executive officers reside within the PRC, and the assets of most of the Company's Directors, Supervisors and executive officers are likely to be located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon the Company's Directors, Supervisors and executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of court judgments with the United States, the United Kingdom, Japan or most western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of court judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States, the United Kingdom, Japan or most western countries in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

## RISK FACTORS

### (IV) You may be subject to PRC taxation on dividends received from us

Non-PRC resident individual holders of H Shares whose names appear on the H Shareholders' Register ("non-PRC resident individual holders") are subject to PRC individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號), dated June 28, 2011, issued by the STA, the tax rate applicable to dividends paid to non-PRC resident individual holders of H Shares varies from 5.0% to 20.0% (usually 10.0%), dependent on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20.0% withholding tax on dividends received from us. In addition, under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations, non-PRC resident individual holders of H Shares are subject to individual income tax at a rate of 20.0% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and the STA on March 30, 1998, gains of individuals derived from the transfer of listed shares in enterprises may be exempt from individual income tax. To the knowledge of the Company, as of the Latest Practicable Date, in practice the PRC tax authorities had not collected individual income tax on such gains. If such tax is collected in the future, the value of such individual holders' investments in H Shares may be materially adversely affected.

Under the EIT Law and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10.0% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposal of equity interests in a PRC company, subject to reductions under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H Shares of the Enterprises (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) (Guo Shui Han [2008] No. 897) (國稅函[2008]897號), promulgated by the STA on November 6, 2008, the Company intends to withhold tax at 10.0% from dividends payable to non-PRC resident enterprise holders of H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval.

There are uncertainties as to their interpretation and implementation by the PRC tax authorities, including whether and how enterprise income tax on gains derived upon the sale or other disposal of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-PRC resident enterprise holders' investments in H Shares may be materially adversely affected.



## RISK FACTORS

**(V) Government control of currency conversion may affect the value of your investments**

Most of the Company's revenue is denominated in Renminbi, which is also the Company's reporting currency. Renminbi is not a freely convertible currency. A portion of our cash may be required to be converted into other currencies, in order to meet our foreign currency needs, including cash payments on declared dividends, if any, on our H Shares.

However, the PRC government may restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, the Company might not be able to pay dividends and/or interest to the holders of our H Shares in foreign currencies. On the other hand, foreign exchange transactions under capital account in the PRC continue to be not freely convertible and require the approval of SAFE. These limitations could affect the Company's ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditure.

**(VI) Future fluctuations in the value of the Renminbi could have a material adverse effect on our financial condition and results of operations**

The conversion of RMB into foreign currencies, including U.S. dollar, is based on rates set by the People's Bank of China. The RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. The value of RMB against the U.S. dollar and other currencies is affected by changes in PRC and international political and economic conditions and by PRC government's fiscal and foreign exchange policies, among other things. The Company cannot assure you that RMB will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government's policies may impact the exchange rate between RMB and the U.S. dollar in the future.

The Company generates most of the revenue in the PRC and also offers securities products and services in Hong Kong, the UK, South Korea, etc. to overseas customers. A portion of the Company's revenue, expenses is denominated in Hong Kong dollars, U.S. dollars and Korean Won, although the functional currency of the Company is RMB. As such, any significant depreciation of RMB may materially and adversely affect our revenues and financial position of the Company.

**(VII) Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC, in particular COVID-19, may materially adversely affect the Company's business, financial condition and results of operations**

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, including COVID-19, avian influenza, severe acute respiratory syndrome, swine influenza caused by the H1N1 virus, or H1N1 influenza, the Ebola virus or Middle East Respiratory Syndrome, may materially adversely affect the Company's business, financial condition and results of operations. In January 2020, the outbreak of COVID-19 across the country may have significant impact on the business operation of various industries in certain cities including Hubei Province, as well as on the overall economy in the short run. As a result, the financial performance and financial position of the Group, particularly the quality and the return of the credit assets and financial investments, would be affected unfavourably to a certain degree. The degree of the influence depends on the situation of the pandemic preventive measures, the duration of the pandemic and the implementation of macro-economic regulatory policies, etc..

## RISK FACTORS

Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may materially adversely affect its economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, including COVID-19, avian influenza, severe acute respiratory syndrome, H1N1 influenza or other epidemics, or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt the Company's operations or those of the Company's customers, which may materially adversely affect the Company's business, financial condition and results of operations.

### **RISKS RELATING TO THE RIGHTS ISSUE**

- (I) Unless you take up all of the Nil-paid H Rights and subscribe for the H Rights Shares provisionally allotted to you, this offering will dilute your investment and proportionate ownership interest in us**

If you choose not to take up your Nil-paid H Rights fully, your proportionate ownership and voting interest in us will be diluted. Even if you elect to sell your Nil-paid H Rights prior to the expiration of the applicable trading period, or such Nil-paid H Rights are sold on your behalf, the consideration you receive may not be sufficient to compensate you fully for such dilution of your proportionate ownership and voting interest in us.

- (II) The market prices of H Shares may fluctuate and may fall below the Subscription Price prior to the expiration of the subscription period**

Once you take up your Nil-paid H Rights pursuant to the Rights Issue, you may not revoke such take up. Although the Subscription Price of HK\$8.185 for the H Rights Shares represented a discount to the closing price of HK\$14.06 per H Share on July 6, 2020 (being the date of the Underwriting Agreement), the market prices of the H Shares may fall below the Subscription Price prior to the expiration of the subscription period as a result of, among other things, global or the PRC's economic or political conditions, the market's perception of the likelihood of completion of the Rights Issue, regulatory changes affecting our operations and variations in our financial results. Many of these factors are beyond our control. If you take up your Nil-paid H Rights and the market price of our H Shares trades below the Subscription Price on the date the H Rights Shares are issued to you in respect of such Nil-paid H Rights, you will have purchased the H Rights Shares at a price higher than the market price. Any decrease in market prices may continue after the completion of the Rights Issue and, as a result, you may not be able to sell such H Rights Shares at a price equal to or greater than the Subscription Price.

- (III) Trading characteristics of the A Share and H Share markets may differ**

The Company's H Shares have been listed and have traded on the Stock Exchange since October 2016 and the Company's A Shares have been listed and have traded on the SSE since November 2009. The Rights Issue consists of both the A Share Rights Issue and the H Share Rights Issue. Without approval from the relevant regulatory authorities, our A Shares and H Shares are neither interchangeable nor fungible, and there is no trading or settlement between the A share and the H share markets. The A share and H share markets have different trading characteristics (including trading volume and liquidity) and investor bases, including different levels of individual and institutional participation. As a result of these differences, the trading prices of our A Shares and H Shares may not be the same.



## RISK FACTORS

Moreover, fluctuations in our A Share price may affect our H Share price, and vice versa. Because of the different characteristics of the A share and H share markets, the changes in the prices of our A Shares may not be indicative of the price trend of our H Shares performance. You should therefore not place undue reliance on the recent trading history of our A Shares and the progress or results of the A Share Rights Issue when evaluating the H Share Rights Issue.

**(IV) An active trading market for the Nil-paid H Rights may not develop on the Stock Exchange or any over-the-counter trading market and, even if a market does develop, the trading price of the Nil-paid H Rights may fluctuate**

A trading period has been set for the Nil-paid H Rights from 9:00 a.m., Thursday, July 30, 2020 to 4:00 p.m., Thursday, August 6, 2020 (both days inclusive). We cannot assure you that an active trading market in the Nil-paid H Rights on the Stock Exchange will develop during the applicable trading period for Nil-paid H Rights or that any over-the-counter trading market in the Nil-paid H Rights will develop. Even if an active market develops, the trading price of the Nil-paid H Rights may be volatile and subject to the same factors affecting the price of our H Shares.

**(V) The Subscription Price is not an indication of our underlying value**

The Subscription Price was determined on the Price Determination Date by reference to, among other things, the recent closing prices of the H Shares and the funding capital needs of the Company for its business plans and prospects. Consistent with the customary practice for a rights issue, the Subscription Price was set at a discount to the market price of the H Shares at the recent closing prices of the H Shares. The Subscription Price does not bear a direct relationship to past operations, cash flow, earnings, financial conditions or any other established criteria for value and you should not consider the Subscription Price to be any indication of our underlying value.

**(VI) Future sales or perceived sales of substantial amounts of our H Shares in the public market or the conversion of our A Shares into H Shares could have a material adverse effect on the prevailing market price of our H Shares and the Company's ability to raise additional capital in the future**

The market price of the Company's H Shares could decline as a result of substantial future sales of our H Shares or other securities relating to Shares in the public market. Such a decline could also occur with the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could materially adversely affect the prevailing market price of our H Shares and our ability to raise future capital at a favourable time and price. Our shareholders would experience a dilution in their holdings upon the issuance or sale of additional securities for any purpose.

In addition, subject to the approval of the CSRC or the authorized securities regulatory authorities of the State Council, our A Shares may be transferred to overseas investors and such transferred shares may be listed or traded on an overseas stock exchange provided certain conditions are met and certain procedures are completed. In the event of the conversion of A Shares into H Shares for listing and trading on the Stock Exchange, the Company must obtain prior approval from the CSRC and other relevant PRC regulatory authorities and the Stock Exchange. Approvals from holders of our A Shares and H Shares as separate classes are not required for the listing and trading of the converted H Shares.

## RISK FACTORS

**(VII) Dividends distributed in the past may not be indicative of our dividend policy in the future**

Any future declaration of dividends will be proposed by our Board and the amount of dividends will depend on various factors, including our operating results, profitability, financial conditions, future business prospects and other factors that our Board may consider to be important. We cannot guarantee if and when we will pay dividends in the future.

**(VIII) The Company's corporate disclosure standards may differ from those in other jurisdictions**

The Company is subject to the disclosure requirements under the Hong Kong Listing Rules. These disclosure requirements differ in certain respects from those applicable to companies in certain other countries, including the United States. There may be less publicly available information about public companies listed in Hong Kong, such as our Group, than is regularly made available by public companies in other countries, including the United States.

**(IX) You may not be able to participate in future rights issues and may experience dilution of your shareholdings**

We may, from time to time, continue to distribute rights to our Shareholders, including rights to acquire securities. We will not distribute the securities to which these rights relate to holders of our H Shares in the U.S. unless such securities are either exempt from registration under the U.S. Securities Act or are registered under the U.S. Securities Act. There can be no assurance that we will be able to establish an exemption from registration under the U.S. Securities Act with respect to these securities, and we are under no obligation to file a registration statement with respect to these securities or to endeavour to have a registration statement declared effective under the U.S. Securities Act. Accordingly, holders of our H Shares may be unable to participate in rights issues and may experience dilution of their holdings as a result. Non-U.S. holders of our H Shares (except for those in Hong Kong) may also be unable to participate in future rights offerings, depending on the securities laws of the local jurisdictions, and as a result may also experience dilution. In addition, if we are unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, we will allow the rights to lapse, in which case holders of our H Shares will receive no value for these rights.

**(X) Risks related to Use of Proceeds**

According to the development strategies and actual conditions of the Company, the total amount of proceeds from the Rights Issue are approximately RMB14.99 billion, which will be used for the increase of capital in subsidiaries and the diversification of the Company's business, the development of capital intermediary business and capital investment business, and as working capital. As the revenue arising from use of proceeds is closely related to the business climate of the securities market in China, the Company's analysis of the macro-economy of China, the ability to capture opportunities in the securities market and the business capabilities of the Company, the progress of use of proceeds and its revenue carry some uncertainty.

## RISK FACTORS

### **(XI) Risks of dilution of current returns due to the Rights Issue**

Upon completion of the Rights Issue, the size of share capital and assets of the Company will significantly increase, and it takes a certain period of time before the proceeds can generate revenue after they are put to use. The profit realization and shareholders' returns of the Company still rely mainly on the Company's existing business, which will lead to a certain degree of decline in the short run in indicators such as earnings per share and weighted average return on net assets. Thus, there are risks of dilution of current returns upon the Company's issuance of Shares pursuant to the Rights Issue.

### **ACTIVITIES BY THE UNDERWRITERS**

The Underwriters of the H Share Rights Issue and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting in respect of the H Share Rights Issue. The Underwriters and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Underwriters and their affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's activities. In relation to the H Share Rights Issue, the activities of the Underwriters and their affiliates could include acting as agent for buyers and sellers of the Nil-paid H Rights and/or H Rights Shares, entering into transactions with those buyers and sellers in a principal capacity and proprietary trading in the Nil-paid H Rights and/or H Rights Shares. These activities may require hedging activity by the Underwriters and their affiliates involving, directly or indirectly, as soon as trading in Nil-paid H Rights commences, the buying and selling of the H Shares, entering into over-the-counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets including H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. These activities may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Underwriters and their affiliates holding long positions of H Rights Shares and/or H Shares, and/or short positions in the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing. In relation to issues by the Underwriters or their affiliates of any listed securities having H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in H Shares in most cases. All such activities may occur both during and after the end of the trading period of the Nil-paid H Rights. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

## OVERVIEW

The history of the Company can be traced back to August 3, 1991 when the Securities Department of China Merchants Bank Co., Ltd. was established. On August 1, 1993, the Company was registered as an enterprise legal person with the approval of Shenzhen Administration for Industry & Commerce. Subsequently and was renamed as China Merchants Securities Co., Ltd. (招商證券股份有限公司) on June 28, 2002. The A Shares have been listed on the SSE since November 17, 2009 and the H Shares have been listed on the Stock Exchange since October 7, 2016.

The Group offers comprehensive financial products and services to individual, institutional and corporate clients. The Group mainly operates in four business lines, namely wealth management and institutional business, investment banking, investment management, and investment and trading.

The Group, under the control of China Merchants Group, is the largest securities firm under the SASAC. Over years of development, the Group has built up some significant competitive advantages. First, the Company adheres to continuous stable operations. It has been granted the highest “AA” rating for securities firms for 12 consecutive years, 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 peer competition in the future. Second, our service capability with a full-service platform that covers a whole industrial chain, a balanced business structure and a solid development foundation will help the Company develop the business with its own features, differentiate its edges and facilitate the provision of one-stop services to customers, thereby paving a sound foundation for development. Third, the brokerage business of the Group has a solid foundation with increasingly strengthened competitiveness. It has strong capability in providing comprehensive services to institutional clients and maintains stable performance in respect of providing whole industry chain services to corporate clients. It also stands out in certain business segments. Fourth, the Group enjoys the strong brand name of “China Merchants” and its shareholders background as well as good reputation in the market.

For the year ended December 31, 2019, the total revenue and income of the Group amounted to RMB25.659 billion, representing a year-on-year increase of approximately 42.00%. The net profit attributable to shareholders of the Company amounted to RMB7.282 billion, representing a year-on-year increase of approximately 64.57%.

For the year ended December 31, 2019, according to the statistics from the Securities Association of China, in terms of net income from agency trading (including leasing of trading seats), interest income from margin financing and securities lending, interest income from stock pledge, net income from investment banking and net income from agency sale of financial products, the Company ranked seventh, sixth, seventh, sixth and eighth, respectively. According to the statistics from the Asset Management Association of China and Wind Info, in terms of number of private and mutual funds under custody, scale of assets under management, average monthly active private AUM by securities firms in the fourth quarter and net income from asset management, the Company ranked first, fourth, fourth and ninth, respectively. According to the statistics from Wind Info (using issue date as statistics caliber), in terms of overall scale of domestic equity and bond lead underwriting, equity lead underwriting (excluding share issuance for asset acquisition) and bond lead underwriting, the Company ranked fifth, seventh and fifth, respectively.

## **PRINCIPAL BUSINESSES**

### **1. Wealth Management and institutional Business**

The wealth management and institutional business of the Group mainly includes brokerage and wealth management, capital-based intermediary business and institutional client integrated services.

In 2019, the Company established a new wealth management and institutional business department, which strongly supported the Company's strategy of building specialized institutional and wealth management business, in order to meet the challenges brought by the decline in brokerage commission rates and the transformation of brokerage business.

For the year ended December 31, 2019, the revenue from wealth management and institutional business of the Group amounted to RMB11,968 million, representing a year-on-year increase of 5.41%.

#### *(1) Brokerage and wealth management*

In 2019, the one-way trading volume of stocks and funds in the A share market amounted to RMB132.41 trillion, representing a year-on-year increase of 39.28%. The average net commission rate of the industry decreased by 9.29% year-on-year to 0.279‰, which showed a continuous downward trend over the past years.

During 2019, the market share of trading volume of stocks and funds and the market share of net income from agency trading of the Company both increased year-on-year. Among which, the market share of net income from agency trading reached 4.42%, ranked seventh in the industry. Adhering to a customer-oriented philosophy and principally driven by Fintech and big data, the Company enhanced multiple core service scenarios of the Zhiyuan Yi Hu Tong (智遠一戶通) APP, launched the “Smart Family” series, enhanced post-investment analysis of big data and further broadened the diversity of the Zhiyuan Yi Hu Tong APP. In 2019, the Company’s APP recorded a monthly active user of 3.021 million, representing a year-on-year increase of 27.8%.

The Company steadily promoted the transformation of its brokerage business to wealth management. On the basis of meeting client’s trading and investment demand, the Company provided asset allocation services to optimize client’s asset structure, reduce asset fluctuations generated by market cycles, achieve steady growth of client’s assets and achieve income stability. In terms of meeting client’s trading demand, through the continuous upgrade of the “Zhiyuan Wealth Management” wealth management plan, leveraging on the Company’s internal research resources and industry-leading technological system, the Company provided five categories of service packages, namely Zhifu (智富), Zhixun (智訊), Zhiying (智贏), Zhirui (智睿) and Zhizun (智尊). In respect of financial product allocation services, leveraging on the research edges as a securities firm, the Company provided market analysis, investment advice on asset allocation, investment portfolio recommendations under different customer risk assessments and introduction of key financial products to continuously explore client’s wealth management needs. The Company improved product introduction and customization efficiency, enhanced the customer experience of the wealth management column of the Zhiyuan Yi Hu Tong APP, strengthened the marketing efforts of its branches, improved aftersales service support of products and gradually built a specialized wealth management model. In 2019, the Company’s agency sales of financial products amounted to RMB834.685 billion, representing a year-on-year increase of 10.68%.

## BUSINESS

Major operational data of brokerage and wealth management business of the Company

Operating indicators	2019	2018	Year-on-year Change
Trading volume of stocks and funds (unit: RMB100 million) (Note 1)	108,420.56	75,046.07	44.47%
Market share of the trading volume of stocks and funds	4.09%	3.95%	Increased by 0.14 percentage points
Ranking in terms of net revenue from agency securities trading	7	7	–
Number of eligible accounts (unit: 10,000) (Note 2)	1,186.62	1,024.72	15.80%
Number of new accounts opened in the year (unit 10,000)	133.54	143.69	–7.07%
Number of branches (Note 3)	258	249	Increased by 9 branches
Number of wealth management advisors	859	820	4.76%
Number of accumulated clients under wealth management plans (unit: 10,000)	269.68	264.37	2.01%
Trading volume under clients of wealth management plans (unit: RMB100 million)	16,658.46	13,202.26	26.18%
Total sales of wealth management products (unit: RMB100 million) (Note 4)	8,346.85	7,541.19	10.68%
Net revenue from the agency sales of financial products (unit: RMB10,000)	19,651	17,515	12.20%

Source: SSE and SZSE, Securities Association of China, internal statistics of the Company

Note: 1. Transaction volume of stocks and funds of the Company represents bilateral transaction volume.

2. Eligible accounts refer to capital accounts which are not dormant or unqualified.

3. As at the end of 2019, the Company has opened 258 securities branches, and there is another 1 branch which has been opened in February 2020.

4. Total sales of wealth management products include mutual funds, private investment funds, collective asset management products of the Company (including subscription for and subsequent purchase of margin management products), trust products and products of fund subsidiaries.



(2) *Capital-based intermediary services*

The capital-based intermediary services of the Company mainly include the business of margin financing and securities lending as well as stock pledge repo.

In 2019, the scale of margin financing and securities lending business in the securities market steadily expanded. As at December 31, 2019, the balance of margin financing and securities lending business in the industry amounted to RMB1,019.285 billion, representing a year-on-year increase of 34.88%; the scale of stock pledge repo continued to shrink, and the risks were gradually mitigated. The STAR Market was successfully launched in July, which not only made great breakthroughs in trading mechanism and securities refinancing mechanism, but also played an important role in activating the market and boosting the income of securities firms. During 2019, the Company proactively responded to changes in market situation. While prudently controlling risks, the Company continued to strengthen the compliance of the capital-based intermediary business, the comprehensiveness of due diligence and the effectiveness of continuous management, so as to achieve a balanced development in terms of quality, scale and efficiency. As at December 31, 2019, the balance of the Company's margin financing and securities lending amounted to RMB51.459 billion, representing a year-on-year increase of 33.03%, and the overall maintenance coverage ratio was 308.66%. The balance of stock pledge repo amounted to RMB30.285 billion, and the overall collateral coverage ratio was 294.68%. Of which, contribution from self-owned capital was RMB21.088 billion, representing a year-on-year decrease of 7.66%, and the collateral coverage ratio was 344.22%. In addition, the Company was one of the first pilot brokerages for market-oriented securities refinancing of the STAR Market, and actively established a win-win model of cooperation with lending institutions such as mutual funds, so as to increase the supply of securities, while vigorously compete for securities lending customers and expand the scale of securities lending business of the Company.



## BUSINESS

### Capital-based intermediary business of the Company

Operating indicators	2019	2018	Year-on-year Change
Balance of margin financing and securities lending (unit: RMB100 million)	514.59	386.81	33.03%
Market share of margin financing and securities lending	5.05%	5.12%	Decreased by 0.07 percentage points
Balance of stock pledge repo (unit: RMB100 million)	302.85	388.07	-21.96%

Source: SSE and SZSE, internal statistics of the Company

### (3) Institutional client integrated services

The integrated service system for institutional clients is based on investment research, trading and custody services, and provides value-added services such as product sales, margin financing and securities lending, market making, operation outsourcing and fund incubation. An integrated service system that provides a full package of solutions for institutional clients has been initially established.

#### ① Institutional integrated services

In 2019, the Company continued to place equal emphasis on research services and product allocation to continuously enhance its competitiveness in institutional integrated services. The Company enhanced and improved the research service methods for public offering funds and specialized private funds, promoted diversified research resources and comprehensively enhanced the satisfaction of institutional clients. With customers as the focus, excellent public offering and private fund products were introduced. The Company fully explored the marketing potential of the brokerage branches, improved the product conversion rate of customer assets and speeded up its wealth management transformation. The Company strengthened the settlement model of brokerage firm and the cooperation in fund market-making business, securities refinancing business and other relevant businesses to meet the diversified service needs of institutional clients. The Company strengthened the capabilities of capital introduction, incubation and investment, and further improved its market competitiveness in terms of comprehensive services to institutional clients. The Company has continuously optimized the “integrated institutional services” platform, so as to develop specialized edges for its institutional client business.

## ② Research

During 2019, the Company actively promoted research transformation, strengthened new economy and new industry research capabilities and focused on the support for the Company's core businesses such as investment banking, wealth management, institutional business and investment, while also provided full support for the Gazelle Program of the Company, exploring high-quality target customers for the "investment plus investment banking" business of the Company. The Company continued to improve the standard of research services for mutual fund clients and increase the market share of the Company's fund trading volume. In 2019, mutual fund trading volume of the Company accounted for 4.58%. The Company's research covers macroeconomic analysis, investment strategy, sector and company research, fixed-income products and derivatives, etc.. As at December 31, 2019, the Company's stock research involved 1,252 listed companies in 18 industry sectors and 72 categories on the CSRC, covering 89% of the total market capitalization of CSI 300 Index constituent stocks and 84% of the total market capitalization of ChiNext Index constituent stocks, and the Company takes the leading positions in the research of a wide variety of areas, including food and beverage, environmental protection, paper and light industry, electronic household appliances, communications, media, macro-economy, quantization, electronics, automobiles, electric devices, as well as new energy, military industry, small and mid-cap, fixed income, coal, petrochemical, finance, real estates, etc..

In respect of overseas research, CMS International achieved remarkable results. In Asia Money's ranking in 2019, the Company's overseas research ranked top five in the categories of China H shares, Red-Chips, P-Chips (private enterprise shares) and Hong Kong (local).

## ③ Custody and outsourcing

In 2019, the development of the asset management industry made progress amidst stability. As at the end of 2019, the overall AUM of mutual and private funds was RMB14.8 trillion and RMB13.74 trillion, representing a year-on-year increase of 12.98% and 7.51%, respectively. The private fund industry continued to lessen its restrictions on foreign investment. As at December 31, 2019, 23 well-known WFOEs (wholly foreign owned enterprises) successfully registered as private investment fund managers. Meanwhile, one new custody securities firm and eight new fund outsourcing service institutions were established during the year, resulted in more intense industry competition.

During 2019, the Company's custody and outsourcing business continued to transform to integrated financial services. The Company has focused its efforts on strengthening its collaboration with customers, and improved the quality and efficiency through Fintech. Meanwhile, the Company actively expanded the scope of fund outsourcing services, and maintained steady growth of asset custody and fund outsourcing business by providing value-added services such as financial engineering modeling and development and performance evaluation. As at the end of 2019, the number of custody and outsourcing products (including asset management subsidiaries) of the Company was 20,586, representing a year-on-year increase of 11.49%, and the size was RMB2,239.9 billion, representing a year-on-year increase of 13.12%. The Company carried out a series of marketing activities focusing on key customers such as large-scale private funds, large-scale key SOEs, WFOEs, mutual funds and bank wealth management, with leading edges in serving large-scale private fund managers and foreign private funds.

According to the statistics from the Asset Management Association of China, in 2019, the number of private funds products under our custody accounted for 25.03% of the brokerage custody industry. We ranked first in the brokerage industry in terms of number of private fund products and mutual fund products under custody for six consecutive years, and ranked first in the industry in terms of number of custody and outsourcing service products of WFOEs. In addition, the Company is also the only institution in the industry to provide operational outsourcing for mutual funds, the first to provide "custody plus outsourcing" services for bank wealth management products, and the first to provide services for "private asset allocation fund products". In 2019, the Company's custody and outsourcing business was awarded the "Best Private Funds Custody Broker" of the China Fund Yinghua Award and the "Most Influential Custodian Broker of the Year" of the Golden Tripod Awards of National Business Daily.

## **2. Investment Banking Business**

Investment banking business of the Group includes equity underwriting, debt underwriting and financial advisory business.

In 2019, the Company established an investment banking business synergy committee to integrate resources from the Company to promote the coordinated development of investment banking business, while also vigorously promoted the industrial specialization of investment bank and the layout of key regions, further improving customer service capabilities.

For the year ended December 31, 2019, the revenue from investment banking business of the Group amounted to RMB1,880 million, representing a year-on-year increase of approximately 17.47%.

### *(1) Equity underwriting*

In 2019, the approval rate for issuance of IPO rebounded significantly, and the overall IPO approval rate rose from 65.29% in 2018 to 92.86% (excluding those cases of which reviews have been cancelled and approvals were deferred). Meanwhile, the A Share equity financing market recovered, benefiting from the rapid implementation of the registration-based IPO system of the STAR Market and the loosening of refinancing regulatory policies. According to the statistics from Wind Info, the total amount of equity financing in the A Share market (excluding share issuance for asset acquisition, same for below) was RMB928.646 billion, representing a year-on-year increase of 58.58%. A total of 202 IPOs were completed in the A Share market, with a financing size of RMB253.367 billion, representing a year-on-year increase of 84.28%, of which, a total of 72 IPOs on the STAR Market were completed, with a financing size of RMB84.007 billion. The total proceeds raised from refinancing amounted to RMB675.279 billion, representing a year-on-year increase of 50.69%.

During 2019, the Company seized business opportunities arising from the STAR Market and consolidated its edges in the IPO business. According to the positioning and requirements of the STAR Market, the Company closely focused on high-quality science and technology innovation enterprises in high-tech and strategically emerging sectors such as new generation information technology, biomedicine, advanced equipment and new materials, and carried out continuous targeted marketing and actively increased project reserves on the STAR Market. Through establishing efficient and collaborative business process and mechanism within the Company, the Company ensured the smooth application and issuance of projects under the STAR Market. The Company vigorously promoted the industrial specialization of investment banks. Through the optimization and adjustment of organizational structure, the Company established nine industry departments and strengthened the professional service capabilities by using customer list system and comprehensive performance assessment. The Company further strengthened the key regional layouts and set up regional offices in certain key cities (regions) to enhance regional marketing service capabilities. In addition, the Company continued to strengthen the collaboration between industrial and financial companies in each business sector of China Merchants Group, and vigorously explored business opportunities for key SOEs and large-scale customers, comprehensively consolidating service capabilities for key customers.

## BUSINESS

According to the statistics from Wind Info, in 2019, the Company ranked seventh and eighth in the industry in terms of the amount of A Share projects underwritten and the number of projects underwritten, respectively, and the number of projects underwritten was up by 1 position from last year. Of which, the Company ranked fourth in terms of the value of IPO underwritten, up by 1 position from last year. In respect of the STAR Market, the value of IPO underwritten amounted to RMB2.865 billion (average calculation based on the number of lead underwriters), ranking seventh in the industry, and three projects were underwritten, ranking eighth in the industry. The number of refinancing projects underwritten ranked eighth in the industry. According to the statistics from the CSRC and the SSE, as at the end of 2019, the number of IPO projects pending approval was 23 (including approved projects to be offered, and excluding IPO on the STAR Market), ranking fourth in the industry. The number of projects under review by the STAR Market was 6 (including those projects approved to be offered by the STAR Market Listing Committee of SSE), ranking fourth in the industry.

In 2019, the Company completed a series of projects with market influence, including the STAR Market IPO of Espressif Systems (among the first batch of IPO projects listed on the STAR Market), the re-listing of Nanjing Tanker Corporation (the first re-listing project in the A share market), the IPO of Hualin Securities (the first brokerage IPO listing project in the Tibet Autonomous Region) and the public offering project of Topstar (first public offering project on ChiNext). In addition, the Company also completed large-scale financing projects such as the IPO of Bank of Suzhou, the IPO of Qingdao Rural Commercial Bank, the convertible bonds of China Merchants Expressway and the non-public offering of shares of Muyuan Foods. The Company was awarded various honors, including the title of “Excellent Member of the STAR Market” by the SSE, the “Best Local Investment Bank” of the 13th New Fortune award and the “2019 China IPO Investment Bank Junding Award” by the Securities Times.

### Amount of equity and number of companies underwritten by the Company

Item	2019		2018		Year-on-year change in lead underwriting amount
	Lead underwriting amount (RMB100 million)	Number of projects	Lead underwriting amount (RMB100 million)	Number of projects	
IPOs	141.96	12	78.76	8	80.24%
Refinancing	128.60	12	102.71	7	25.21%
Total	<u>270.57</u>	<u>24</u>	<u>181.46</u>	<u>15</u>	<u>49.11%</u>

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

Note: Refinancing excludes share issuance for asset acquisition

(2) *Debt underwriting*

In 2019, the Chinese government strengthened its countercyclical policy adjustments to maintain macroeconomic resilience. The liquidity of the bond market loosened moderately and the volatility of bond market yield increased. Interest rates gradually returned to the level at the beginning of the year. The overall scale of domestic bond financing grew steadily. The total bonds (excluding central bank bills and inter-bank deposit certificates) issued amounted to RMB26.93 trillion, representing a year-on-year increase of 18.82%. Of which, the total credit bonds (excluding treasury bonds, local government bonds, central bank bills, interbank deposit certificates and policy bank bonds) issued amounted to RMB14.58 trillion, representing a year-on-year increase of 28.25%. Sub-categories of bonds such as exchangeable bonds, corporate bonds and enterprise bonds maintained a relatively strong growth momentum.

During 2019, the Company continued to enhance the underwriting capabilities and constantly consolidated the market position of asset-backed securities and other advantageous products. The debt underwriting business continued to maintain strong market competitiveness. According to the statistics from Wind Info, in 2019, the amount of bonds underwritten was RMB410.092 billion, ranking fifth in the industry. Of which, the amount of ABS underwritten was RMB233.682 billion, ranking second in the industry with a market share of 13.03%. The total amount of credit ABS underwriting ranked first in the market for five consecutive years. The Company continued to consolidate the cooperative relationship with key customer groups such as financial and real estate companies, and provided financial debt underwriting, corporate debt underwriting and asset securitization services to major commercial banks and real estate enterprises. Meanwhile, on the basis of maintaining our strong capability in debt underwriting business, the Company continued to enhance business innovation, and actively respond to the Belt and Road Initiative proposed by the state, while promoting the “Internationalization” of RMB bonds and further accelerating the opening-up of the bond market.

In 2019, the Company successfully completed a number of representative bond projects, including the public issuance of “Belt and Road” corporate bonds of GLP China Holdings Limited to qualified investors in 2019, “Hecui 2019 Phase I Non-performing Asset-Backed Securities” (the first domestic non-performing asset securitization product that was invested by foreign investors), “Hangying 2019 Phase I Personal Residential Mortgage-Backed Securities” (the first credit ABS project of urban commercial bank in the domestic market invested by foreign investors through “Bond Connect”) and “Hexin 2019 Phase I Auto Loan ABS” (the first retail asset securitization project in the domestic market with the approval of “green certification”). The Company was awarded the title of 2019 “Excellent Corporate Bond Underwriter” by the SZSE.

## BUSINESS

### Amount and the Number of Debt Underwritten by the Company

Item	2019		2018		Year-on-year change in lead underwriting amount
	Lead underwriting amount (RMB100 million)	Number of issuance (tranche)	Lead underwriting amount (RMB100 million)	Number of issuance (tranche)	
Enterprise bonds	20.00	2	19.00	2	5.26%
Corporate bonds	442.79	86	680.77	106	-34.96%
Financial bonds	1,007.97	59	1,288.48	47	-21.77%
Short-term commercial papers	44.85	14	51.58	16	-13.05%
Medium-term notes	88.07	27	74.90	15	17.58%
Private placement notes	87.22	27	89.18	24	-2.20%
Exchangeable bonds	45.50	3	28.57	1	59.26%
Asset-backed securities	2,336.82	400	2,328.80	323	0.34%
Others	27.70	253	70.76	175	-60.85%
Total	<u>4,100.92</u>	<u>871</u>	<u>4,632.05</u>	<u>709</u>	<u>-11.47%</u>

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

*Note:* Debt underwriting include debt securities issued as a principal; others include municipal bonds, international institutional bonds and government-backed institutional bonds.

### (3) *Financial advisory*

In 2019, despite the loosening of M&A regulatory policy, continuous improvement of M&A transaction approval process and further enrichment of M&A business payment methods, due to the increase in uncertainty in domestic and overseas economy, the M&A market weakened, and the size of cross-border M&A also declined significantly. According to the statistics from Wind Info, in 2019, the number of transactions announced by the Chinese M&A market was 10,163, with a transaction value of RMB2.30 trillion, representing a year-on-year decrease of 17.32%. The number of transactions completed in the Chinese M&A market was 8,243, with a transaction value of RMB1.68 trillion, representing a year-on-year decrease of 3.96%.



During 2019, the Company insisted on serving the real economy, closely focused on economic structural transformation and upgrade as well as the opportunities from SOE reform, while also coordinated with enterprises within China Merchants Group to promote the orderly implementation of projects. According to the statistics from Wind Info, the total M&A transaction amount as disclosed by the Company was RMB187.827 billion, ranking second in the industry, up by 7 positions from last year. The number of M&A transactions as disclosed was 11, ranking ninth in the industry. In 2019, the landmark projects completed by the Company include the listing of A shares of the merger of Sinotrans Air Transportation Development Corporation Limited by Sinotrans Limited through share exchange, the listing of the core special steel assets of CITIC Group and the restructuring listing of the property management assets of China Merchants Group.

*(4) Overseas investment banking*

In respect of overseas investment banking, in 2019, the aggregate equity underwritten scale in the Hong Kong market amounted to HK\$452 billion, representing a year-on-year decrease of 17%. The size of IPOs underwritten amounted to HK\$312.9 billion, representing a year-on-year increase of 9%. The amount raised from G3 bonds in the Asian market (except Japan) amounted to U.S. dollars 338.1 billion, representing a year-on-year increase of 27%. According to the statistics from Bloomberg, in 2019, the Company underwrote 7 equity projects in the Hong Kong market and 1 equity project in the U.S. market, of which financing size of IPOs sponsored in the Hong Kong market amounted to U.S. dollars 0.75 billion, ranking fourth among Chinese brokers. The Company successfully completed the sponsoring and underwriting of high-profile listing projects, including China Tobacco HK, China Feihe and Venus Medtech (Hangzhou). The Company completed a total of 8 bond underwriting projects with an underwriting amount of U.S. dollars 0.34 billion.

**3. Investment Management Business**

The Group engages in securities asset management business and private equity fund business through its wholly-owned subsidiaries, CMS Asset Management and CMS Zhiyuan, respectively. The Company engages in fund management business through its associates Bosera Asset and China Merchants Fund.

For the year ended December 31, 2019, the revenue from investment management business of the Group amounted to RMB1,874 million, representing a year-on-year increase of approximately 35.64%.



(1) *Asset management*

In 2019, as affected by industry “channel reduction”, the asset management scale of securities companies declined. As at the end of 2019, the total principal amount of custodian funds of the industry amounted to RMB12.29 trillion, representing a decrease of 35% as compared to RMB18.76 trillion during the peak period. It is expected that the “channel reduction” and active management transformation will remain as the major development direction of the asset management industry, and active management capabilities will become the core competitiveness of asset management institutions.

During 2019, CMS Asset Management actively transformed towards active management. The scale and number of new product launched both achieved new highs in recent years, and the average monthly scale of funds under active management achieved historic high. The Company seized the opportunities arising from STAR Market and launched the first batch of IPO shares subscription product and strategically placing products on the STAR Market in the industry. Meanwhile, it actively promoted the transformation of massive collective asset management to mutual funds and completed a number of preliminary tasks such as organizational structure adjustment and personnel and system preparation. It fully enriched the unique product portfolio and the fixed-income and asset securitization businesses have scaled new heights. It enhanced the capacity of investment research and gradually strengthened asset allocation capability. In addition, the Company’s channel construction achieved breakthroughs, and multi-channel agency sales and institutional customization rapidly advanced.

As at the end of 2019, the AUM of CMS Asset Management was RMB687.207 billion, representing a year-on-year decrease of 3.68%, ranking fourth in industry in terms of scale. The AUM of active management was RMB216.205 billion, representing a year-on-year increase of 23.81%. According to the statistics from the Asset Management Association of China, in the fourth quarter, the average monthly private AUM of active management of CMS Asset Management ranked fourth in the industry, up by 8 positions from 2018.

AUM and net revenue of asset management business of the Company

Item	AUM (RMB100 million)		Net revenue of asset management (RMB100 million)	
	2019	2018	2019	2018
Collective asset management	1,325.86	1,317.75	7.35	8.27
Separately managed account	4,866.62	5,249.80	2.83	2.53
Specialized asset management	679.59	567.10	0.31	0.13
Total	<u>6,872.07</u>	<u>7,134.65</u>	<u>10.49</u>	<u>10.93</u>

Source: Internal statistics of the Company

(2) *Private equity funds*

As at the end of 2019, the Asset Management Association of China registered 14,882 private equity and venture capital fund managers, managed 36,468 funds with AUM of RMB9.74 trillion.

In 2019, China's private equity industry saw both opportunities and challenges. On the one hand, the fierce competition in the industry, coupled with the impact of the declining domestic economy and regulatory policies such as new asset management regulations, posed severe challenges to the development of the private equity industry. On the other hand, the opening of the STAR Market, launch of the NEEQ Select Tier, reform of the IPO registration system and loosening of refinancing also brought opportunities. According to the statistics from Zero2IPO Group, in 2019, the total size of funds raising in China's equity investment market was RMB1.24 trillion, representing a year-on-year decrease of 6.6%. There were 8,234 investment cases made, totaling RMB763.094 billion, representing a year-on-year decrease of 17.8% and 29.3%, respectively. There were approximately 2,949 successful exit cases, representing a year-on-year increase of 19%. Overall, the fundraising and investment markets encountered challenges, and the exit of market brought changes.

During 2019, CMS Zhiyuan formulated its future development strategy based on the Company's new five-year development plan. The major content includes: strengthening the establishment of fundraising system and promoting the raising of funds with special features; vigorously exploring investment opportunities and strengthening project quality control; optimizing business process and improving the efficiency of operation and management; seizing market opportunities and realizing the multi-channel exit of projects; leverage upon the franchise between the various business platforms of China Merchants Group to achieve win-win cooperation. In 2019, CMS Zhiyuan initiated fundraising of 8 projects of which 4 had made substantial progress. Meanwhile, it fully utilizes the advantages of securities firms in terms of wealth management, research and investment banking, so as to grasp investment opportunities in high-end manufacturing, biotechnology, consumption and other industries. CMS Zhiyuan exited a total of more than RMB2 billion of projects in 2019, some of which achieved high investment returns.

In the overseas market, CMS International actively positioned in leading companies in the new economy in the past two years, including Tencent Music, SenseTime, Ksyun, JD Logistics and Grail, and achieved favorable growth in overall book value.

(3) *Fund management*

① Boserer Funds

The Company holds 49% of the equity of Boserer Funds.

In 2019, Boserer Funds fully implemented the working principles of “leading by innovation, embracing changes, clinging to targets and striving for superiority”, and spared no efforts to make progress and seek innovation. It achieved stable growth in management scale and profit. The Company’s strength and brand was continuously enhanced, achieving a balanced development of quality, efficiency and scale. As at December 31, 2019, the AUM of Boserer Funds was RMB1,066.8 billion (excluding the assets managed by subsidiaries), of which assets managed under mutual funds (excluding feeder funds) was RMB621.7 billion. According to the statistics from Wind Info, as at the end of 2019, Boserer Funds ranked second in the industry in terms of AUM of non-monetary mutual funds.

② China Merchants Fund

The Company holds 45% of the equity of China Merchants Fund.

In 2019, China Merchants Fund had stable and favorable operation and development, and achieved advancement in its core business. The core position of the “public offering business” continuously consolidated, the “pension business” achieved remarkable results, and the “multi-asset allocation business” achieved initial results. The construction of “active investment, customer orientation, technologicalization and internationalization” was comprehensively promoted. Of which, “active investment” achieved favorable results; “customer orientation” was steadily advanced; the “technologicalization” plan was fully implemented; and the construction of “internationalization” achieved breakthroughs. As at December 31, 2019, the AUM of China Merchants Fund was RMB555.3 billion (excluding the assets managed by subsidiaries), of which assets managed under mutual funds (excluding feeder funds) was RMB379 billion. According to the statistics from Wind Info, as at the end of 2019, China Merchants Fund ranked tenth in the industry in terms of AUM of non monetary mutual funds.

#### **4. Investment and Trading Business**

Investment and trading business of the Group includes the investment and trading of equity and fixed-income securities and other financial products.

At the beginning of 2019, the Company established the financial market investment department and formulated proprietary investment strategies with asset allocation as the focus. In 2019, the A Share market performed well.

At the beginning of 2019, under the stimulation of the comprehensive reduction of reserve requirement ratio and the easing of Sino-U.S. trade fiction, the A Share market underwent rapid valuation recovery. Along with the introduction of a series of rules and regulations in the STAR Market, the pilot registration system was smoothly implemented, leading to a structural bull market in technology and consumption. On the other hand, the opening-up of the financial market accelerated, and the process of increasing overseas funds allocation to A Shares speeded up, bringing liquidity to the market. The bond market fluctuated within a narrow range. The ChinaBond Composite Total Return Index (Total Value) rose by 4.59%, which is at the average level of the past decade. The size of bond defaults reached a record high, resulting in a huge exposure to credit risks.

For the year ended December 31, 2019, the revenue from investment and trading business of the Group amounted to RMB7,359 million, representing a year-on-year increase of approximately 118.90%.

##### *(1) Equity investment*

During 2019, the Company's directional business increased investment strategies on the basis of controlling risks. Aiming to achieve absolute returns, the Company adhered to the philosophy of sound allocation and value investment, strengthened position management and actively participated in the placement of new shares on the STAR Market. Through developing diversified investment strategies and seizing structural opportunities, the Company's directional business achieved a significant year-on-year increase in investment income.

The Company actively engaged in market-neutral investment business by adopting quantifying and hedging approaches and leveraging on its abundant strategies, in order to gain more-than-expected return steadily with low-risk exposure. Meanwhile, the Company vigorously developed capital intermediary trading business. The current business mainly includes market-making for listed options and futures, market-making for funds and OTC derivatives trading. The Company continued to improve its competitiveness by optimizing its trading strategies and IT systems for its listed options and futures market-making business, as well as enlarging business scale and variety of underlyings. As at the end of 2019, the Company ranked first among all brokers for the quantities of listed options and futures market-making qualifications. The Company was the only broker that was

rated as AA, the highest market-making rating, by the SSE in 2019. Besides business channels broadening, the Company actively innovated OTC derivatives business models.

(2) *Fixed income, currencies and commodities (“FICC”)*

The Company’s bond proprietary business embraced the “large and stable” investment philosophy. Against the backdrop of changing domestic and international macro situations, uncertain market trends and high bond default rates, the Company strengthened macro research, market research and risk screening, flexibly carried out range trading, actively seized investment opportunities by developing neutral strategies and steadily expanded investment scale. During the year, the bond investment yield outperformed the ChinaBond Composite Total Return Index (Total Value) and achieved good results. While further developing the existing business, the Company actively prepared for innovative business and promoted its rapid development. In 2019, the Company became one of the first batch of market-makers of treasury bond futures in the market, and obtained the qualification for foreign exchange business. The Company became a full license broker of FICC business. In 2019, the Company’s commodity derivatives business continued to develop under its existing strategy, further diversified its business types, explored new business models and achieved good results. The revenue from commodity derivatives business increased significantly.

(3) *OTC products*

In 2019, the Company successfully issued 129 beneficiary certificates products with an aggregate size of RMB14.485 billion. While fulfilling the financing goal, it satisfactorily met the allocation needs of retail and corporate customers for low-risk assets.

## LETTER FROM THE BOARD



**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. GAO Hong  
Mr. HUANG Jian  
Mr. WANG Daxiong  
Mr. WANG Wen

*Registered Office:*

No. 111, Fuhua Yi Road  
Futian Street  
Futian District  
Shenzhen  
Guangdong, PRC

*Principal Place of Business  
in Hong Kong:*

48/F, One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

*Independent Non-executive Directors:*

Mr. XIANG Hua  
Mr. XIAO Houfa  
Mr. XIONG Wei  
Mr. HU Honggao  
Mr. WONG Ti

July 28, 2020

*To the Qualified H Shareholders and, for information purposes only, the Excluded H Shareholders*

Dear Sirs/Madams,

**PROPOSED H SHARE RIGHTS ISSUE OF 294,120,354 H SHARES ON THE BASIS OF  
THREE (3) H RIGHTS SHARES FOR EVERY TEN (10) EXISTING H SHARES  
AT HK\$8.185 PER H RIGHTS SHARE PAYABLE IN FULL ON ACCEPTANCE**

**PROPOSED A SHARE RIGHTS ISSUE OF 1,715,702,444 A SHARES ON THE BASIS OF  
THREE (3) A RIGHTS SHARES FOR EVERY TEN (10) EXISTING A SHARES  
AT RMB7.46 PER A RIGHTS SHARE PAYABLE IN FULL ON ACCEPTANCE**

### INTRODUCTION

References are made to the announcements of the Company dated March 12, 2019 and July 6, 2020, the circulars of the Company dated April 29, 2019 and April 29, 2020 respectively, in relation to, among other things, the proposed Rights Issue Plans and the extension of the validity period of the resolutions in respect of the Rights Issue Plans and the poll results announcements dated May 20, 2019 and May 19, 2020 respectively, in which the resolutions to approve the proposed Rights Issue Plans and the resolutions to approve the extension of the validity period of the resolutions in respect of the Rights

## LETTER FROM THE BOARD

Issue Plans were duly passed at the EGM, the 2019 H Shareholders Class Meeting and the 2019 A Shareholders Class Meeting, and the AGM, the 2020 H Shareholders Class Meeting and the 2020 A Shareholders Class Meeting, respectively. The Company received from the CSRC the written approval (the Approval in respect of the Rights Issue of Overseas Listed Foreign Shares of China Merchants Securities Co., Ltd. (Zheng Jian Xu Ke [2019] No. 1946)\* (《關於核准招商證券股份有限公司境外上市外資股配股的批覆》) (證監許可[2019]1946號) in respect of the H Share Rights Issue and the written approval (the Approval in respect of the Rights Issue of China Merchants Securities Co., Ltd. (Zheng Jian Xu Ke [2020] No. 723)\* (《關於核准招商證券股份有限公司配股的批覆》) (證監許可[2020]723號)) in respect of the A Share Rights Issue in October 2019 and May 2020, respectively.

A summary of the major terms of the H Share Rights Issue and the expected timetable of the H Share Rights Issue are set forth in this prospectus. The H Shareholders' Register was closed from Tuesday, July 21, 2020 to Monday, July 27, 2020 (both days inclusive). The last day of dealings in the H Shares on cum-right basis was Thursday, July 16, 2020 and the H Shares were dealt with on an ex-rights basis from Friday, July 17, 2020. To qualify for the H Share Rights Issue, an H Shareholder must be registered as a member of the Company at the close of business on Monday, July 27, 2020 and must not be an Excluded H Shareholder.

The H Share Rights Issue will be fully underwritten by the Underwriters on the terms and conditions set out in the Underwriting Agreement.

The Chinese version of the A Share Rights Issue Prospectus is available for public inspection on the website of Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and SSE ([www.sse.com.cn](http://www.sse.com.cn)) on Tuesday, July 7, 2020. Neither the A Share Rights Issue Prospectus nor any other information on the above websites is incorporated in this prospectus. A summary of the major terms of the A Share Rights Issue and the timetable of the A Share Rights Issue are included herein for information purposes only.

The H Share Rights Issue is conditional upon the fulfillment of the conditions set out under the paragraph headed "Conditions of the H Share Rights Issue" below and is subject to the terms and conditions of the Underwriting Agreement. If any of the conditions of the H Share Rights Issue are not fulfilled, the H Share Rights Issue will not proceed. The Underwriting Agreement contains provisions entitling the Joint Global Coordinators (on behalf of the Underwriters) by notice in writing to terminate the Underwriting Agreement upon the occurrence of certain events. In the event that the Underwriting Agreement does not become unconditional or if it is terminated in accordance with the terms thereof, the H Share Rights Issue will not proceed. Shareholders' and potential investors' attention is drawn to the paragraph headed "Warning of the Risks of Dealing in the H Shares and Nil-paid H Rights" below. It should also be noted that the H Shares have been dealt in on an ex-rights basis from Friday, July 17, 2020 and that dealings in the H Rights Shares in nil-paid form will take place from Thursday, July 30, 2020 to Thursday, August 6, 2020 (both days inclusive). Such dealings will take place when the conditions of the H Share Rights Issue remain unfulfilled, and the Underwriting Agreement does not become unconditional or is subject to termination in accordance with the terms thereof. Any person dealing in the securities of the Company up to the date on which such condition is fulfilled or waived and up to the Latest Time for



## LETTER FROM THE BOARD

Termination and any person dealing in the Nil-paid H Rights from Thursday, July 30, 2020 to Thursday, August 6, 2020 (being the first and last day of dealings in the Nil-paid H Rights, respectively) will accordingly bear the risk that the H Share Rights Issue may not become unconditional and may not proceed. Any person dealing or contemplating any dealing in the securities of the Company, the Nil-paid H Rights and/or the H Rights Shares during this period who is in any doubt about his or her or its position is recommended to consult his or her or its own professional adviser.

The purpose of this prospectus is to provide you with, among other things, details of the H Share Rights Issue as well as certain financial and other information in respect of the Company.

### H SHARE RIGHTS ISSUE

The H Share Rights Issue is conducted on the basis of three (3) H Rights Shares for every ten (10) existing H Shares held by Qualified H Shareholders on the H Share Record Date at the Subscription Price of HK\$8.185 per H Rights Share. The Subscription Price of HK\$8.185 per H Rights Share and RMB7.46 per A Rights Share were determined by the Company with reference to the recent closing prices of the H Shares and A Shares, the financial condition of the Company, the prevailing market conditions and the valuation indicators such as stock prices and price-to-book ratios of the Company in the secondary market and the funding requirements of projects to be invested. The H Share Rights Issue will proceed on a fully underwritten basis on the terms and conditions set out in the Underwriting Agreement.

The Rights Issue, comprising the A Share Rights Issue and the H Share Rights Issue, is estimated to raise (i) gross proceeds in an aggregate amount of approximately RMB14.99 billion (assuming full subscription for the A Rights Shares) or RMB11.15 billion (assuming 70% subscription for the A Rights Shares); and (ii) net proceeds (after deducting all the costs and expenses incidental to the Rights Issue) in an aggregate amount of approximately RMB14.91 billion (assuming full subscription for the A Rights Shares) or RMB11.07 billion (assuming 70% subscription for the A Rights Shares).

The H Share Rights Issue is conditional upon the fulfillment of the conditions set out under the paragraph headed “Conditions of the H Share Rights Issue” below.

## LETTER FROM THE BOARD

Details of the H Share Rights Issue are as follows:

### H SHARE RIGHTS ISSUE STATISTICS

Basis of H Share Rights Issue:	three (3) H Rights Shares for every ten (10) existing H Shares held by Qualified H Shareholders on the H Share Record Date
Number of H Shares in issue as at the Latest Practicable Date:	980,401,180 H Shares
Number of H Rights Shares proposed to be issued (assuming the number of H Shares in issue on the H Share Record Date remains the same as at the Latest Practicable Date):	294,120,354 H Shares
Aggregate nominal value of the H Rights Shares:	RMB294,120,354
Subscription Price:	HK\$8.185 per H Rights Share
Joint Global Coordinators and Underwriters:	CMSHK CLSA Limited

Assuming no change in the number of issued H Shares on or before the H Share Record Date, the 294,120,354 H Rights Shares proposed to be issued pursuant to the terms of the H Share Rights Issue represent: (i) 30% of the existing issued H Share capital of the Company as at the Latest Practicable Date; and (ii) 23.08% of the issued H Share capital of the Company as enlarged by the allotment and issuance of the H Rights Shares (assuming there is no other change in the shareholding structure of the Company since the Latest Practicable Date).

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the H Shares.

### Basis of Entitlement

Subject to fulfillment of the conditions set out below in the paragraph headed “Conditions of the H Share Rights Issue” below, Qualified H Shareholders will be provisionally allotted three (3) H Rights Shares for every ten (10) existing H Shares held by Qualified H Shareholders at the close of business on the H Share Record Date at the Subscription Price, being HK\$8.185, for each H Rights Share payable in full on acceptance.

## LETTER FROM THE BOARD

### **Qualified H Shareholders**

The Company is sending the Prospectus Documents comprising this prospectus, the Provisional Allotment Letters and the Excess Application Forms, to Qualified H Shareholders only. To qualify for the subscription of the H Rights Shares, an H Shareholder must be registered as a member of the Company at the close of business on the H Share Record Date and must not be an Excluded H Shareholder.

The last day of dealings in the H Shares on a cum-rights basis for the H Share Rights Issue was Thursday, July 16, 2020. The H Shares have been dealt in on an ex-rights basis from Friday, July 17, 2020. In order to be a Qualified H Shareholder, H Shareholders must lodge all transfer documents accompanied by the relevant share certificates with the H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Monday, July 20, 2020.

### **PRC Southbound Trading Investors**

The Directors have made the relevant enquiries and were advised that the PRC Southbound Trading Investors may participate in the H Share Rights Issue through China Clear. China Clear will provide nominee services for the PRC Southbound Trading Investors to (i) sell (in full or in part) their Nil-paid H Rights on the Stock Exchange under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect; and/or (ii) subscribe (in full or in part) for their pro-rata entitlement in respect of H Rights Shares held on the H Share Record Date at the Subscription Price under the H Share Rights Issue in accordance with the relevant laws and regulations. However, China Clear will not support applications by such PRC Southbound Trading Investors for excess H Rights Shares under the H Share Rights Issue through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect. In addition, according to the legal advice from the PRC legal adviser of the Company, the PRC Southbound Trading Investors (or the relevant China Clear participants as the case may be) whose stock accounts in the China Clear are credited with Nil-paid H Rights can only sell those Nil-paid H Rights on the Stock Exchange via China Clear under Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect and can neither purchase any Nil-paid H Rights nor transfer such Nil-paid H Rights to other PRC Southbound Trading Investors.

## LETTER FROM THE BOARD

According to the legal advice from the PRC legal adviser of the Company, the PRC Southbound Trading Investors and H Shareholders who have been exempted by or have obtained the necessary and appropriate approvals from the relevant PRC authorities in accordance with the applicable PRC laws and regulations are entitled to participate in the H Share Rights Issue. Save as to the above, other H Shareholders in the PRC are not entitled to participate in the H Share Rights Issue.

**The PRC Southbound Trading Investors should seek advice from their intermediaries (including brokers, custodians, nominees or China Clear participants) and/or other professional advisers for details of the logistical arrangements as required by China Clear, and provide instructions for such intermediaries in relation to the acceptance and/or sale of the Nil-Paid H Rights. Such instructions should be given in advance of the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares in the section headed “Expected Timetable” in this prospectus and otherwise in accordance with the requirements of the intermediaries of the PRC Southbound Trading Investors and/or China Clear in order to allow sufficient time to ensure that such instructions are given effect.**

According to the legal advice of the PRC legal adviser of the Company, as the Prospectus Documents have not been and are not intended to be filed with or approved by the CSRC other than in accordance with the CSRC Notice, the H Rights Shares (in both their nil-paid and fully-paid forms) shall not be offered and may not be offered or sold directly or indirectly in the PRC to any person or entity, unless such person or entity is a PRC Southbound Trading Investor (subject to certain limitations in relation to its rights to participate in the H Share Rights Issue as explained in this prospectus) or a Qualified H Shareholder in the PRC, or it has otherwise been exempted by or has obtained the necessary and appropriate approvals from the relevant PRC authorities in accordance with the applicable PRC laws and regulations.

As such, the Prospectus Documents may not be distributed in or forwarded to the PRC or used in connection with any offer for subscription or sale of the H Rights Shares (in nil-paid and fully-paid forms) in the PRC, except that the same may be despatched to China Clear in the PRC or the Qualified H Shareholder in the PRC or to the extent in compliance with applicable PRC laws and regulations, and the Prospectus Documents may not be made publicly available in the PRC.

## LETTER FROM THE BOARD

### **Distribution of this prospectus and the other Prospectus Documents**

This prospectus accompanied by the other Prospectus Documents will be despatched to the Qualified H Shareholders only. For the Excluded H Shareholders, the Company will, to the extent reasonably practicable and legally permitted, send this prospectus to them for their information purposes only. The Company will not send any Provisional Allotment Letter or Excess Application Form to the Excluded H Shareholders.

This prospectus will not sent to any H Shareholders or Beneficial H Shareholders in the Specified Territories except to those H Shareholders or Beneficial H Shareholders who satisfy relevant requirements to the satisfaction of the Company.

Distribution of this prospectus and the other Prospectus Documents into jurisdictions other than Hong Kong may be restricted by laws. Persons who come into possession of the Prospectus Documents (including, but not limited to, agents, custodians, nominees and trustees) should inform themselves of and observe any such restriction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction. Any H Shareholder or Beneficial H Shareholder who is in any doubt as to his/her/its position should consult an appropriate professional adviser without delay. In particular, subject to certain exceptions as determined by the Company, persons in possession of this prospectus should not distribute, forward or transmit into or from any Specified Territories, this prospectus, whether with or without the Provisional Allotment Letter or the Excess Application Form.

It is the full responsibility of any person (including, but not limited to, any agent, custodian, nominee and trustee) outside Hong Kong wishing to make an application for the H Rights Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance of the offer of the H Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been fully complied with. H Shareholders should consult their professional advisers if in doubt. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties above.

## LETTER FROM THE BOARD

### Excluded H Shareholders

Excluded H Shareholders are those H Shareholders with registered addresses in, or who are otherwise known by the Company to be residents of, places outside Hong Kong and in respect of whom the Directors, based on enquiries made by the Directors, consider it necessary or expedient not to offer the H Rights Shares on account either of the legal restrictions under the laws of the relevant place in which the H Shareholder is located or the requirements of the relevant regulatory body or stock exchange in that place.

The Board has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions (including but not limited to the Specified Territories) and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the H Rights Shares to the H Shareholders in those territories. Having considered the circumstances, the Directors have formed the view that, other than subject to certain limited exception as described below, it is necessary or expedient to restrict the ability of H Shareholders in the Specified Territories to take up their rights under the H Share Rights Issue due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps the Company and the H Shareholders need to take to comply with the local legal requirements and/or other requirements to be satisfied in order to comply with relevant local legal or regulatory requirements in those territories.

Accordingly, for the purposes of the H Share Rights Issue, the Excluded H Shareholders are:

- (i) H Shareholders whose name(s) appear in the H Shareholders' Register at the close of the business on the H Share Record Date and whose address(es) as shown in such register is/are in any of the Specified Territories, except for those H Shareholders with addresses in Australia, Germany, Liechtenstein, Luxembourg, the Netherlands, New Zealand, Norway, the PRC and the UK who fulfil the relevant requirements to the satisfaction of the Company; and
- (ii) any H Shareholders or Beneficial H Shareholders at that time who are otherwise known by the Company to be resident in any of the Specified Territories, except for those H Shareholders or Beneficial H Shareholders with addresses in Australia, Germany, Liechtenstein, Luxembourg, the Netherlands, New Zealand, Norway, the PRC and the UK who fulfil the relevant requirements to the satisfaction of the Company.

The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdictions other than (a) Hong Kong; and (b) the PRC, in accordance with the CSRC Notice.

In respect of the Excluded H Shareholders, the Company will, to the extent reasonably practicable and legally permitted, send this prospectus to them for their information purposes only, but the Company will not send the Provisional Allotment Letters and the Excess Application Forms to the Excluded H Shareholders.

This prospectus will not be sent to any H Shareholders or Beneficial H Shareholders in the Specified Territories except to those H Shareholders or Beneficial H Shareholders who satisfy relevant requirements to the satisfaction of the Company.

## LETTER FROM THE BOARD

Notwithstanding any other provision in this prospectus or the Provisional Allotment Letter or the Excess Application Form, the Company reserves the right to permit any H Shareholder or Beneficial H Shareholder to participate in the H Share Rights Issue and take up his/her/its rights if the Company, in its absolute discretion, is satisfied that the offer under the H Share Rights Issue is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question.

The Company also reserves the right to treat as invalid, and will not be bound to allot or issue any H Rights Shares in respect of, any acceptance or purported acceptance of the offer of Nil-paid H Rights or the H Rights Shares which:

- (i) appears to the Company or its agents to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction; or
- (ii) in the case of a Provisional Allotment Letter, provides for an address for delivery of the share certificates in, or, in the case of a credit of H Rights Shares in CCASS, a CCASS participant whose address is in, or is otherwise a resident of, any Specified Territories or any other jurisdiction in which it would be unlawful to deliver such share certificates or make such a credit or if the Company believes or its agents believe that the same may violate applicable legal or regulatory requirements.

Receipt of this prospectus and/or a Provisional Allotment Letter and/or an Excess Application Form or the crediting of Nil-paid H Rights to a stock account in CCASS does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or a Provisional Allotment Letter and/or an Excess Application Form must be treated as sent for information purpose only and should not be copied or redistributed. Persons (including, but not limited to, agents, custodians, nominees and trustees) who receive a copy of this prospectus and/or a Provisional Allotment Letter and/or an Excess Application Form or whose stock account in CCASS is credited with Nil-paid H Rights should not, in connection with the H Share Rights Issue, distribute or send the same in, into or from, or transfer Nil-paid H Rights to any person in, into or from, any of the Specified Territories. If a Provisional Allotment Letter or an Excess Application Form or any credits of Nil-paid H Rights to a stock account in CCASS are received by any person in any Specified Territories, or by his/her/its agent, custodian, nominee or trustee, he/she/it should not seek to take up the rights referred to in the Provisional Allotment Letter or transfer the Provisional Allotment Letter (or apply for any excess H Rights Shares under the Excess Application Form) or transfer the Nil-paid H Rights in CCASS unless such person is able to demonstrate to the satisfaction of the Company, or the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, but not limited to, agents, custodians, nominees and trustees) who does forward this prospectus or a Provisional Allotment Letter or an Excess Application Form in, into or from any Specified Territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.



## LETTER FROM THE BOARD

Arrangements will be made for the H Rights Shares, which would otherwise have been provisionally allotted to the Excluded H Shareholders, to be sold in the market in their nil-paid form, as soon as practicable after the commencement of the dealings in the Nil-paid H Rights, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid on a *pro rata* basis to the Excluded H Shareholders, which means the Company will pay individual amounts of more than HK\$100 to the relevant Excluded H Shareholders, provided that the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Excluded H Shareholders will be made available for excess application by the Qualified H Shareholders.

With respect to the Excluded H Shareholders who hold interests in H Shares through CCASS, their nominees (excluding HKSCC Nominees), custodians or other intermediaries may sell, on such Excluded H Shareholders' behalf, their entitlements to the Nil-paid H Rights in compliance with applicable securities laws and distribute the proceeds thereof as appropriate. Any H Rights Shares in respect of unsold entitlements of the Excluded H Shareholders and any unsold fractional entitlements to the H Rights Shares together with any H Rights Shares in respect of Nil-paid H Rights not taken up by the Qualified H Shareholders or otherwise not subscribed for by transferees of Nil-paid H Rights, will be made available for excess application on Excess Application Forms by Qualified H Shareholders.

### **Limited categories of persons in the Specified Territories who may be able to take up their Nil-paid H Rights to subscribe for the H Rights Shares under the H Share Rights Issue**

Notwithstanding what is said in the paragraph headed "Excluded H Shareholders" above, the following limited categories of persons in the Specified Territories may be able to take up their rights under the H Share Rights Issue:

- (i) H Shareholders or Beneficial H Shareholders in Australia are generally Excluded H Shareholders, however, a limited number of H Shareholders and Beneficial H Shareholders in Australia who the Company reasonably believes are "sophisticated investors" or "professional investors" within the meaning of section 708 of the Australian Corporations Act may be able to take up their Nil-paid H Rights to subscribe for H Rights Shares being offered in the H Share Rights Issue in transactions exempt from registration or prospectus disclosure requirement pursuant to the Australian Corporations Act and other Australian applicable laws and regulations, provided that they fulfil the relevant requirements to the satisfaction of the Company.
- (ii) H Shareholders or Beneficial H Shareholders in Germany are generally Excluded H Shareholders, however, a limited number of H Shareholders and Beneficial H Shareholders in Germany who the Company reasonably believes are "qualified investors" within the meaning of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments may be able to take up their Nil-paid H Rights to subscribe for H Rights Shares being offered in the H Share Rights Issue in transactions exempt from the prospectus disclosure requirement pursuant to Article 1(4) of the EU Prospectus Regulation.

## LETTER FROM THE BOARD

- (iii) H Shareholders or Beneficial H Shareholders in Liechtenstein are generally Excluded H Shareholders, however, a limited number of H Shareholders and Beneficial H Shareholders in Liechtenstein who the Company reasonably believes are “professional investors” within the meaning of Annex II of Directive 2014/65/EU on Markets in Financial Instruments may be able to take up their Nil-paid H Rights to subscribe for H Rights Shares being offered in the H Share Rights Issue in transactions exempt from registration or prospectus publication requirement pursuant to Regulation (EU) 2017/1129 and other applicable laws and regulations, provided that they fulfil the relevant requirements to the satisfaction of the Company.
- (iv) H Shareholders or Beneficial H Shareholders in Luxembourg are generally Excluded H Shareholders, however, a limited number of H Shareholders and Beneficial H Shareholders in Luxembourg who the Company reasonably believes are “qualified investors” within the meaning of points (1) to (4) of Section I of Annex II to Directive 2014/65/EU or in other circumstances who are exempt from the rules on public offers pursuant to article 1(4) Regulation (EU) No 2017/1129 of 14 June 2017 (the “**Prospectus Regulation**”) and article 4(1) of the Luxembourg act of 16 July 2019 on prospectuses for securities and implementing the Prospectus Regulation (the “**Prospectus Act**”) may be able to take up their Nil-paid H Rights to subscribe for H Rights Shares being offered in the H Share Rights Issue in transactions exempt from registration or prospectus disclosure requirement pursuant to the Prospectus Regulation and the Prospectus Act and other applicable laws and regulations, provided that they fulfil the relevant requirements to the satisfaction of the Company.
- (v) H Shareholders or Beneficial H Shareholders in the Netherlands are generally Excluded H Shareholders, however, a limited number of H Shareholders and Beneficial H Shareholders in the Netherlands who the Company reasonably believes are “qualified investors” within the meaning of Regulation (EU) 2017/1129 of the European Parliament and the Council of 14 June 2017 (including any relevant delegated regulations) may be able to take up their Nil-paid H Rights to subscribe for H Rights Shares being offered in the H Share Rights Issue in transactions exempt from registration or prospectus publication requirement pursuant to Regulation (EU) 2017/1129 of the European Parliament and the Council of 14 June 2017 and other applicable laws and regulations, provided that they fulfil the relevant requirements to the satisfaction of the Company.
- (vi) H Shareholders or Beneficial H Shareholders in New Zealand are generally Excluded H Shareholders, however, a limited number of H Shareholders and Beneficial H Shareholders in New Zealand who the Company reasonably believes (a) are an investment business within the meaning of clause 37 of Schedule 1 of the Financial Markets Conduct Act 2013 (New Zealand) (the “**FMC Act**”); (b) meet the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act; (c) are large within the meaning of clause 39 of Schedule 1 of the FMC Act; and (d) are government agencies within the meaning of clause 40 of Schedule 1 of the FMC Act may be able to take up their Nil-paid H Rights to subscribe for H Rights Shares being offered in the H Share Rights Issue in transactions exempt from the prospectus disclosure requirement pursuant to FMC Act.

## LETTER FROM THE BOARD

- (vii) H Shareholders or Beneficial H Shareholders in Norway are generally Excluded H Shareholders, however, a limited number of H Shareholders and Beneficial H Shareholders in Norway who the Company reasonably believes are “qualified investors” within the meaning of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments may be able to take up their Nil-paid H Rights to subscribe for H Rights Shares being offered in the H Share Rights Issue in transactions exempt from registration or prospectus disclosure requirement pursuant to the EU Prospectus Regulation and other applicable laws and regulations, provided that they fulfil the relevant requirements to the satisfaction of the Company.
- (viii) H Shareholders or Beneficial H Shareholders (other than PRC Southbound Trading Investor) in the PRC are generally Excluded H Shareholders, however, Qualified Domestic Institutional Investors (the “QDIIs”) and Beneficial H Shareholders who hold interests in H Shares through QDIIs may be able to take up their Nil-paid H Rights to subscribe for H Rights Shares being offered in the H Share Rights Issue, provided that they fulfil the requirements under the relevant PRC laws and regulations to the satisfaction of the Company.
- (ix) H Shareholders or Beneficial H Shareholders in the UK are generally Excluded H Shareholders, however, a limited number of H Shareholders and Beneficial H Shareholders in the UK who the Company reasonably believes are “qualified investors” within the meaning of article 2(e) of Regulation (EU) 2017/1129 and articles 19(5) and 49(2)(a) to (d) of Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and other persons to whom it may otherwise be lawfully communicated may be able to take up their Nil-paid H Rights to subscribe for H Rights Shares being offered in the H Share Rights Issue in transactions exempt from registration or prospectus disclosure requirement pursuant to the FSMA, the EU Prospectus Regulation and other applicable laws and regulations, provided that they fulfil the relevant requirements to the satisfaction of the Company.

In each case, the Company reserves the absolute discretion in determining whether to allow such participation as well as the identity of the persons who may be allowed to do so.

### **Procedure for acceptance or transfer**

#### ***General***

Any person (including, but not limited to, any agent, nominee and trustee) wishing to take up his/her/its rights under the H Share Rights Issue must satisfy himself/herself/itself as to full observance of the applicable laws of any relevant territories, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such

## LETTER FROM THE BOARD

territories. The attention of H Shareholders with registered addresses in any of the Specified Territories or holding H Shares on behalf of persons with such addresses is drawn to the paragraphs headed “Excluded H Shareholders” and “Limited categories of persons in the Specified Territories who may be able to take up their Nil-paid H Rights to subscribe for the H Rights Shares under the H Share Rights Issue” above.

Each subscriber (including, but not limited to, any agent, nominee and trustee) of H Rights Shares being offered and sold outside the United States will be deemed (by accepting delivery of this prospectus) to have given each of the following representations and warranties to the Company and the Underwriters and to any person acting on their behalf, unless, in their sole discretion, the Company and the Underwriters waive such requirement expressly in writing:

- i. he/she/it was an H Shareholder at the H Share Record Date, or he/she/it lawfully acquired or may lawfully acquire the Nil-paid H Rights, directly or indirectly, from such a person;
- ii. he/she/it is not located in any other jurisdiction in which it is unlawful to purchase or take up the Nil-paid H Rights or subscribe for or accept H Rights Shares;
- iii. he/she/it is not resident or located in, or a citizen of, the United States;
- iv. he/she/it is not accepting an offer to purchase or take up the Nil-paid H Rights or subscribe for or accept H Rights Shares on a non-discretionary basis for a person who is resident or located in, or a citizen of, the United States at the time the instruction to accept was given;
- v. he/she/it is not doing so for the account of any person who is located in the United States, unless:
  - a. the instruction to purchase or take up the Nil-paid H Rights or to subscribe for or accept H Rights Shares was received from a person outside the United States; and
  - b. the person giving such instruction has confirmed that he/she/it (x) has the authority to give such instruction and (y) either (A) has investment discretion over such account or (B) is an investment manager or investment company that is acquiring the H Rights Shares in an “offshore transaction” within the meaning of Regulation S under the U.S. Securities Act;
- vi. he/she/it is acquiring the Nil-paid H Rights and/or the H Rights Shares in an offshore transaction” as defined in Regulation S under the U.S. Securities Act;
- vii. he/she/it has not been offered the H Rights Shares by means of any “directed selling efforts” as defined in Regulation S under the U.S. Securities Act;

## LETTER FROM THE BOARD

- viii. he/she/it is not purchasing or taking up the Nil-paid H Rights or subscribing for or accepting the H Rights Shares with a view to the offer, sale, allotment, take up, exercise, resale, renouncement, pledge, transfer, delivery or distribution, directly or indirectly, of any such Nil-paid H Rights or H Rights Shares into the United States or any other jurisdiction referred to in paragraph (ii) above;
- ix. he/she/it understands that neither the Nil-paid H Rights nor the H Rights Shares have been or will be registered under the U.S. Securities Act or with any securities regulatory authority of any state, territory, or possession of the United States and the Nil-paid H Rights or H Rights Shares are being distributed and offered outside the United States in reliance on Regulation S under the U.S. Securities Act. Consequently, he/she/it understands the Nil-paid H Rights or H Rights Shares may not be offered, sold, pledged or otherwise transferred in or into the United States, except in reliance on an exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act; and
- x. if he/she/it (or any person for whom he/she/it is acquiring the H Shares) is in New Zealand, he/she/it (and any such person):
  - a. is a person who (i) is an investment business within the meaning of clause 37 of Schedule 1 of the Financial Markets Conduct Act 2013 (New Zealand) (the “FMC Act”); (ii) meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act; (iii) is large within the meaning of clause 39 of Schedule 1 of the FMC Act; or (iv) is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act;
  - b. acknowledges that: (i) Part 3 of the FMC Act shall not apply in respect of the offer of shares to him/her/it; (ii) no product disclosure statement under the FMC Act may be prepared in respect of the offer of shares; and (iii) any information provided to him/her/it in respect of the offer is not required to, and may not, contain all of the information that a product disclosure statement under New Zealand law is required to contain;
  - c. warrants that if in the future he/she/it elects to directly or indirectly offer or sell any of the shares allotted to him/her/it, he/she/it undertakes not to do so in a manner that could result in (i) such offer or sale being viewed as requiring a product disclosure statement or other similar disclosure document or any registration or filing in New Zealand; (ii) any contravention of the FMC Act; or (iii) the Company or its directors incurring any liability; and

## LETTER FROM THE BOARD

- d. warrants that (i) any person for whom he/she/it is acquiring shares meets one or more of the criteria specified in subclause (a) above; and (ii) he/she/it has procured, where required, a safe harbour certificate in accordance with clause 44 of Schedule 1 of the FMC Act.

For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties above.

### *Action to be taken by Qualified H Shareholders*

#### *Subscription for all H Rights Shares provisionally allotted*

For each Qualified H Shareholder, a Provisional Allotment Letter is enclosed with this prospectus which entitles the Qualified H Shareholder(s) to whom it is addressed to subscribe for the number of the H Rights Shares shown thereon. If a Qualified H Shareholder wishes to take up his/her/its right to subscribe for any or all of the H Rights Shares provisionally allotted to him/her/it as specified in the Provisional Allotment Letter, he/she/it must lodge the Provisional Allotment Letter in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance with the H Share Registrar, by no later than 4:00 p.m. on Tuesday, August 11, 2020.

All remittances must be made in Hong Kong dollars and by cheque or cashier's order. Cheques must be drawn on an account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**CHINA MERCHANTS SECURITIES CO., LTD. – PAL**" and crossed "**Account Payee Only**".

It should be noted that, unless the Provisional Allotment Letter, together with the appropriate remittance, has been lodged with the H Share Registrar, by 4:00 p.m. on the Last Acceptance Date, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Company may, at its discretion, treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant instructions.

All cheques and cashier's orders will be presented for payments immediately following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any Provisional Allotment Letter in respect of which the cheque or cashier's order is dishonoured on first presentation is liable to be rejected and, in that event, the provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. If the Joint Global Coordinators (on behalf of the Underwriters) terminate the Underwriting Agreement before the Latest Time for Termination in accordance with the terms thereof and the H Share Rights Issue does not proceed, the monies received in respect of the relevant provisional allotments will be returned to the relevant persons without interest and by means of cheques despatched by ordinary post or courier at the risk of such persons on or about Wednesday, August 19, 2020.



## LETTER FROM THE BOARD

### *Transfers and “splitting” of Nil-paid H Rights*

The Nil-paid H Rights can be traded on the Stock Exchange. A Qualified H Shareholder can accept all of his/her/its provisional allotment of H Rights Shares, or sell all of his/her/its provisional allotment on the Stock Exchange, or accept only part of his/her/its provisional allotment and sell the remaining part on the Stock Exchange.

If a Qualified H Shareholder wishes to accept only part of his/her/its provisional allotment or transfer a part of his/her/its Nil-paid H Rights provisionally allotted to him/her/it under the Provisional Allotment Letter or transfer his/her/its Nil-paid H Rights to more than one person, the entire Provisional Allotment Letter must be surrendered and lodged for cancellation, together with a covering letter stating clearly the number of split Provisional Allotment Letters required and the number of Nil-paid H Rights to be comprised in each split Provisional Allotment Letter (which, in aggregate, should be equal to the number of H Rights Shares provisionally allotted to such holder as stated in Box B of the original Provisional Allotment Letter), by no later than 4:30 p.m. on Monday, August 3, 2020 to the H Share Registrar, Computershare Hong Kong Investor Services Limited, who will cancel the original Provisional Allotment Letter and issue new Provisional Allotment Letters in the denominations required. This process is commonly known as “splitting” the Nil-paid H Rights.

Having “split” the Nil-paid H Rights, a Qualified H Shareholder who wishes to accept the provisional allotment of H Rights Shares represented by a new Provisional Allotment Letter should do so in accordance with the instructions given above in relation to the subscription for all the H Rights Shares provisionally allotted.

If a Qualified H Shareholder wishes to transfer all of his/her/its Nil-paid H Rights under a Provisional Allotment Letter (or a split Provisional Allotment Letter, as the case may be) to another person, he/she/it should complete and sign the “Form of Transfer and Nomination” (Form B) in the Provisional Allotment Letter and hand the Provisional Allotment Letter to the person(s) to or through whom he/she/it is transferring his/her/its Nil-paid H Rights. The transferee must then complete and sign the “Registration Application Form” (Form C) in the Provisional Allotment Letter and lodge the Provisional Allotment Letter intact, together with a remittance for the full amount payable on acceptance with the H Share Registrar by no later than 4:00 p.m. on the Last Acceptance Date.



## LETTER FROM THE BOARD

It should be noted that Hong Kong stamp duty is payable in connection with the transfer of your Nil-paid H Rights to the transferee(s) and the acceptance by the transferee(s) of such rights.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

*Important notice and representations and warranties relating to the Qualified H Shareholders in any of the Specified Territories*

As described above, H Shareholders with registered addresses in the Specified Territories are only permitted to take up their rights under the H Share Rights Issue if they fulfil relevant requirements to the satisfaction of the Company.

Any Qualified H Shareholder accepting and/or transferring a Provisional Allotment Letter or requesting registration of the H Rights Shares comprised therein represents and warrants to the Company that, except where proof has been provided to the satisfaction of the Company that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not accepting and/or transferring the Provisional Allotment Letter to, or requesting registration of the relevant Nil-paid H Rights or the H Rights Shares from, any of the Specified Territories; (ii) such person is not in any of the Specified Territories or in any territory in which it is otherwise unlawful to make or accept an offer to acquire the Nil-paid H Rights or the H Rights Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person resident in any of the Specified Territories at the time the instruction to accept or transfer was given; and (iv) such person is not acquiring the Nil-paid H Rights or the H Rights Shares with a view to the offer, sale, allotment, take up, exercise, resale, renouncement, pledge, transfer, delivery or distribution, directly or indirectly, of any such Nil-paid H Rights or H Rights Shares into any of the Specified Territories. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the above representations and warranties.

The Company may treat as invalid any acceptance or purported acceptance of the allotment of H Rights Shares comprised in, or transfer or purported transfer of, a Provisional Allotment Letter if it: (a) appears to the Company to have been executed in, or despatched from, any of the Specified Territories and the acceptance may involve a breach of the laws of the relevant Specified Territory or the acceptance is otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it or its agents believe the same may violate any applicable legal or regulatory requirement; (b) provides an address in any of the Specified Territories for delivery of definitive share certificates for H Rights Shares and such delivery would be unlawful or provides an address for delivery of definitive share certificates in any other jurisdiction outside Hong Kong in which it would be unlawful to deliver such certificates; or (c) purports to exclude the representation and/or warranty required by the paragraph immediately above.

## LETTER FROM THE BOARD

*Action to be taken by Beneficial H Shareholders holding interests in H Shares which are held by a registered H Shareholder (other than H Shares deposited in CCASS)*

*Subscription for H Rights Shares provisionally allotted and transfers and “splitting” of Nil-paid H Rights*

If you are a Beneficial H Shareholder whose H Shares are registered in the name of a registered H Shareholder and you wish to subscribe for the H Rights Shares provisionally allotted to you, or sell all of your Nil-paid H Rights, or “split” your Nil-paid H Rights and accept part of your provisional allotment and sell the remaining part, you should contact the registered H Shareholder and provide the registered H Shareholder with instructions or make arrangements with the registered H Shareholder in relation to the acceptance, transfer and/or “splitting” of the rights to subscribe for the H Rights Shares which have been provisionally allotted in respect of the H Shares in which you are beneficially interested.

Such instructions and/or arrangements should be given or made in advance of the relevant dates stated in the section headed “Expected Timetable” in this prospectus and otherwise in accordance with the requirements of the registered H Shareholder in order to allow the registered H Shareholder sufficient time to ensure that your instructions are given effect.

*Important notice and representations and warranties relating to the Beneficial H Shareholders in any of the Specified Territories whose H Share are held by a registered H Share (other than CCASS)*

As described above, Beneficial H Shareholders resident in the Specified Territories are only permitted to take up their rights under the H Share Rights Issue if they fulfil relevant requirements to the satisfaction of the Company.

Any Beneficial H Shareholder accepting and/or transferring a Provisional Allotment Letter or requesting registration of the H Rights Shares comprised therein represents and warrants to the Company that, except where proof has been provided to the satisfaction of the Company that such person’s use of the Provisional Allotment Letter will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant Nil-paid H Rights or the H Rights Shares from within any of the Specified Territories; (ii) such person is not in any of the Specified Territories or in any territory in which it is otherwise unlawful to make or accept an offer to acquire the Nil-paid H Rights or the H Rights Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person resident in any of the Specified Territories at the time the instruction to accept or transfer was given; and (iv) such person is not acquiring the Nil-paid H Rights or the H Rights Shares with a view to the offer, sale, allotment, take up, exercise, resale, renouncement, pledge, transfer, delivery or distribution, directly or indirectly, of any such Nil-Paid H Rights or H Rights Shares into any of the Specified Territories.

## LETTER FROM THE BOARD

The Company may treat as invalid any acceptance or purported acceptance of the allotment of H Rights Shares comprised in, or transfer or purported transfer of, a Provisional Allotment Letter if it: (a) appears to the Company to have been executed in, or despatched from, any of the Specified Territories and the acceptance may involve a breach of the laws of the relevant Specified Territory or the acceptance is otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it or its agents believe the same may violate any applicable legal or regulatory requirement; (b) provides an address in any of the Specified Territories for delivery of definitive share certificates for H Rights Shares and such delivery would be unlawful or provides an address for delivery of definitive share certificates in any other jurisdiction outside Hong Kong in which it would be unlawful to deliver such certificates; or (c) purports to exclude the representation and/or warranty required by the paragraph immediately above.

### ***Action to be taken by Beneficial H Shareholders holding interests in H Shares through CCASS***

#### *Subscription for H Rights Shares provisionally allotted and transfers and “splitting” of Nil-paid H Rights*

If you are a Beneficial H Shareholder whose H Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, and you wish to subscribe for the H Rights Shares provisionally allotted to you, or sell all of your Nil-paid H Rights, or “split” your Nil-paid H Rights and accept part of your provisional allotment and sell the remaining part, you should (unless you are a CCASS Participant) contact your Intermediary and provide your Intermediary with instructions or make arrangements with your Intermediary in relation to the acceptance, transfer and/or “splitting” of your Nil-paid H Rights. Such instructions and/or arrangements should be given or made in advance of the relevant dates stated in the section headed “Expected Timetable” in this prospectus and otherwise in accordance with the requirements of your Intermediary in order to allow your Intermediary sufficient time to ensure that your instructions are given effect. The procedure for acceptance, transfer and/or “splitting” by CCASS Participants of the H Rights Shares provisionally allotted to CCASS stock accounts in respect of the H Shares registered in the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS”, the “CCASS Operational Procedures” and any other requirements of CCASS.

Beneficial H Shareholders who are CCASS Investor Participants should contact CCASS and provide CCASS with instructions or make arrangements with CCASS in relation to the manner in which such Beneficial H Shareholders’ interests in H Rights Shares should be dealt with. The procedure for acceptance, transfer and/or “splitting” of Rights Shares provisionally allotted to Beneficial H Shareholders who have been admitted to participate in CCASS as CCASS Investor Participants shall be in accordance with “Operating Guide for Investor Participants” in effect from time to time and any other requirements of CCASS.

#### *Important notice and representations and warranties relating to the Beneficial H Shareholders in any of the Specified Territories holding interests in H Shares through CCASS*

As described above, Beneficial H Shareholders resident in the Specified Territories are only permitted to take up their rights under the H Share Rights Issue if they fulfil relevant requirements to the satisfaction of the Company.

## LETTER FROM THE BOARD

Any Beneficial H Shareholder holding interests in H Shares through CCASS and any CCASS participant who makes a valid acceptance and/or transfer in accordance with the procedures set out above represents and warrants to the Company that, except where proof has been provided to the satisfaction of the Company that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not in any of the Specified Territories or in any territory in which it is otherwise unlawful to make or accept an offer to acquire the Nil-paid H Rights or the H Rights Shares; (ii) such person is not acting on a non-discretionary basis for a person located within any of the Specified Territories at the time the instruction to accept was given; and (iii) such person is not acquiring the Nil-paid H Rights or the H Rights Shares with a view to the offer, sale, allotment, take up, exercise, resale, renouncement, pledge, transfer, delivery or distribution, directly or indirectly, of any such Nil-paid H Rights or the H Rights Shares into any of the Specified Territories. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees is subject to any of the above representations and warranties.

The Company may treat as invalid any instruction which appears to the Company to have been despatched from any of the Specified Territories and which may involve a breach of the laws of the relevant Specified Territory or any instruction which otherwise appears to the Company may involve a breach of the laws of any jurisdiction; or if the Company or its agents believes the same may violate any applicable legal or regulatory requirement; or which purports to exclude the representation and/or warranty required by the paragraph immediately above.

### *Effect of bad weather on the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares*

The latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares will not take place if a tropical cyclone warning signal number 8 or above, or "extreme conditions" caused by super typhoons or a 'black' rainstorm warning is:

- i. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Last Acceptance Date. Instead the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares will be extended to 5:00 p.m. on the same Business Day;
- ii. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Last Acceptance Date. Instead the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for H Rights Shares and application and payment for excess H Rights Shares does not take place on Last Acceptance Date, the dates mentioned in the section headed "Expected Timetable" in this prospectus may be affected. The Company will notify shareholders by way of announcements on any change to the expected timetable as soon as practicable.

If you have questions in relation to the H Share Rights Issue, please call the H Shareholder hotline on (852) 2862 8699 during business hours from 9:00 a.m. to 6:00 p.m., Monday to Friday (other than public holidays).

## LETTER FROM THE BOARD

### Subscription Price for the H Rights Shares

The Subscription Price of HK\$8.185 per H Rights Share is payable in full when a Qualified H Shareholder accepts the relevant provisional allotment of H Rights Shares or applies for excess H Rights Shares or when a transferee of Nil-paid H Rights accepts the H Rights Shares.

The Subscription Price of HK\$8.185 per H Rights Share represents:

1. a discount of approximately 41.79% to the closing price of HK\$14.06 per H Share as quoted on the Stock Exchange on July 6, 2020 (being the date of the Underwriting Agreement);
2. a discount of approximately 24.91% to the closing price of HK\$10.90 per H Share as quoted on the Stock Exchange on July 3, 2020 (being the Price Determination Date);
3. a discount of approximately 11.09% to the average closing price of HK\$9.21 per H Share as quoted on the Stock Exchange for the five consecutive trading days up to and including July 3, 2020 (being the Price Determination Date);
4. a discount of approximately 6.95% to the average closing price of HK\$8.80 per H Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including July 3, 2020 (being the Price Determination Date);
5. a discount of approximately 2.42% to the average closing price of HK\$8.39 per H Share as quoted on the Stock Exchange for the 20 consecutive trading days up to and including July 3, 2020 (being the Price Determination Date);
6. a discount of approximately 20.33% to the theoretical ex-right price of HK\$10.27 per H Share based on the closing price of HK\$10.90 per H Share as quoted on the Stock Exchange on July 3, 2020 (being the Price Determination Date); and
7. a theoretical dilution effect (as defined under Rule 7.27B of the Hong Kong Listing Rules) represented by:
  - (i) a discount of approximately 16.66% to all the existing Shareholders, which is calculated based on the weighted theoretical diluted price of approximately HK\$24.53 per Rights Share to the weighted benchmarked price of approximately HK\$29.44 per Rights Share;
  - (ii) a discount of approximately 9.64% to all the existing H Shareholders, which is calculated based on the theoretical diluted price of approximately HK\$12.70 per H Rights Share to the benchmarked price of approximately HK\$14.06 per H Rights Share; and

## LETTER FROM THE BOARD

- (iii) a discount of approximately 17.19% to all the existing A Shareholders, which is calculated based on the theoretical diluted price of approximately HK\$26.56 per A Rights Share to the benchmarked price of approximately HK\$32.07 per A Rights Share.

Both of the abovementioned theoretical diluted price and the benchmarked price, as defined under Rule 7.27B of the Hong Kong Listing Rules, having taken into account the closing price of the H Shares and/or A Shares on the date of the Underwriting Agreement and the average of the closing prices of the H Shares and/or A Shares as quoted on the Stock Exchange and/or SSE for the last five consecutive trading days up to and including the Price Determination Date. Accordingly, the Rights Issue will not result in a theoretical dilution effect of 25% or more under Rule 7.27B of the Hong Kong Listing Rules.

The Subscription Price of HK\$8.185 per H Rights Shares was determined after arm's length negotiation between the Company and the Underwriters with reference to, among other things, (i) the recent closing prices of H Shares; (ii) the funding and capital needs of the Company for its business plans and prospects set out under the paragraph headed "Reasons for the Rights Issue and Use of Proceeds"; (iii) valuation indicators such as stock prices and price-to-book ratios of the Company in the secondary market; (iv) the percentage discount(s) in other comparable rights issue transactions recently conducted in the market; and (v) the recent market conditions of the capital market in Hong Kong.

The net price per H Rights Share (i.e. the Subscription Price less estimated cost and expense incurred in the H Share Rights Issue) upon full acceptance of the relevant provisional allotment of the H Rights Shares will be approximately HK\$7.97.

After taking into account the reasons for the Rights Issue as stated in the paragraph headed "Reasons for the Rights Issue and Use of Proceeds" below, the Directors (including the independent non-executive Directors) consider that the terms of the H Share Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the H Shareholders as a whole.

### **Status of the H Rights Shares**

The H Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the H Shares then in issue. Holders of fully-paid H Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the H Rights Shares.



## LETTER FROM THE BOARD

### Fractional Entitlements

Fractional entitlements to H Rights Shares will not be provisionally allotted and Qualified H Shareholders' entitlements will be rounded down to the nearest whole number. Nil-paid H Rights representing the aggregate of all the fractional entitlements to H Rights Shares (rounded down to the nearest whole number) will be provisionally allotted to a nominee appointed by the Company and, if a premium (net of expenses) can reasonably be obtained, will be sold by the Company or its appointed nominee in the market in their nil-paid form after dealing in the Nil-paid H Rights commences and the net proceeds of sale will be retained by the Company for its own benefit. Any unsold fractions of H Rights Shares will be available for excess application by Qualified H Shareholders. No odd lot matching services will be provided for the H Share Rights Issue.

### Application for Excess H Rights Shares

Qualified H Shareholders (other than the PRC Southbound Trading Investors) may apply, by way of excess application, for: (i) any H Rights Shares to which unsold entitlements of the Excluded H Shareholders relate; (ii) any unsold fractional entitlements to the H Rights Shares; and (iii) any H Rights Shares provisionally allotted to but not accepted by the Qualified H Shareholders or otherwise not subscribed for by transferees of Nil-paid H Rights.

#### *Action to be taken by Qualified H Shareholders who wish to apply for excess H Rights Shares*

##### *Excess H Rights Shares application procedures*

Applications for excess H Rights Shares shall be made only by Qualified H Shareholders (other than PRC Southbound Trading Investors) and only by completing an Excess Application Form and lodging the same with a separate remittance for the amount payable on application in respect of the excess H Rights Shares being applied for with the H Share Registrar no later than 4:00 p.m. on Tuesday, August 11, 2020.

All remittances must be made in Hong Kong dollars and by cheque or cashier's order. Cheques must be drawn on an account with, and cashier's order must be issued by, a licensed bank in Hong Kong and made payable to "CHINA MERCHANTS SECURITIES CO., LTD.— EAF" and crossed "Account Payee Only".

The Board will allocate the excess H Rights Shares at its sole and absolute discretion on a fair and equitable basis but will give preference to topping-up odd lots to whole board lots. The remaining excess H Rights Shares (if preference will be given) or all excess H Rights Shares (if no preference will be given) will be allocated to Qualified H Shareholders (other than the PRC Southbound Trading Investors) who have applied for excess H Rights Shares on a *pro rata* basis with reference to their number of excess H Rights Shares applied for and with board lot allocations to be made on a best effort basis.



## LETTER FROM THE BOARD

Pursuant to Rule 7.21(3)(b) of the Hong Kong Listing Rules, the Company will also take steps to identify the applications for excess H Rights Shares made by any controlling shareholder and its associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders’ applications for excess H Rights Shares to the extent that the total number of excess H Rights Shares they have applied for exceeds a maximum number equivalent to the total number of H Rights Shares offered under the H Share Rights Issue minus the number of H Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the H Rights Shares.

If the aggregate number of H Rights Shares not taken up by the Qualified H Shareholders under the Provisional Allotment Letters is greater than the aggregate number of excess H Rights Shares applied for through the Excess Application Forms, the Directors will allocate to each Qualified H Shareholder (other than the PRC Southbound Trading Investors) who applies for excess H Rights Shares in full application. No preference will be given to topping up odd lots to whole board lots. There is no guarantee that Qualified H Shareholders with odd lots of H Rights Shares will be topped up to whole board lots pursuant to their applications for excess H Rights Shares. H Shareholders with their H Shares held by a nominee company (including HKSCC Nominees Limited) should note that the Board will regard the nominee company (including HKSCC Nominees Limited) as a single H Shareholder in accordance with the H Shareholders’ Register. Accordingly, the H Shareholders should note that the aforesaid arrangement in relation to the allocation of excess H Rights Shares will not be extended to beneficial owners individually. H Shareholders with their H Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name(s) of the beneficial owner(s) prior to the H Share Record Date.

The Excess Application Form is for use only by the person(s) to whom it is addressed and is not transferable. All enquiries in connection with the Excess Application Form should be addressed to the H Share Registrar.

Excess Application Form with a separate remittance for the amount payable on application in respect of the excess H Rights Shares being applied for shall be lodged to the H Share Registrar as mentioned above no later than 4:00 p.m. on Tuesday, August 11, 2020.

If no excess H Rights Shares are allotted and issued to a Qualified H Shareholder, the amount tendered on application is expected to be refunded to that Qualified H Shareholder in full without any interest by means of cheque(s) despatched by ordinary post or courier and at the risk of such Qualified H Shareholder on or about Wednesday, August 19, 2020. If the number of excess H Rights Shares allotted and issued to a Qualified H Shareholder is less than the number applied for, the surplus application monies are also expected to be refunded to such Qualified H Shareholder without any interest by means of cheque(s) despatched by ordinary post or courier and at the risk of such Qualified H Shareholder on or about Wednesday, August 19, 2020.

If the Joint Global Coordinators (on behalf of the Underwriters) exercise the right to terminate the Underwriting Agreement in accordance with the terms thereof or if the conditions precedent under the Underwriting Agreement are not fulfilled before the Latest Time for Termination and the H Share Rights Issue does not proceed, the monies received in respect of relevant applications for excess H Rights Shares will be returned to the relevant persons without interest, by means of cheque(s) to be despatched by ordinary post or courier at the risk of such persons on or about Wednesday, August 19, 2020.

## LETTER FROM THE BOARD

All cheques or cashier's orders will be presented for payments immediately following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any Excess Application Form in respect of which the cheque or cashier's order is dishonoured on first presentation is liable to be rejected. An applicant must pay the exact amount payable upon application for the H Rights Shares, and any underpaid application will be rejected. In the event of an overpaid application, a refund cheque will be made out to the applicant only if the overpaid amount is HK\$100 or above. The Excess Application Form is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or cashier's orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses by the H Share Registrar. The Company may, at its discretion, treat an Excess Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions.

*Important notice and representations and warranties relating to the Qualified H Shareholders in any of the Specified Territories*

What is set out under the heading "Important notice and representations and warranties relating to the Qualified H Shareholders in any of the Specified Territories" above in the paragraph headed "Procedure for acceptance or transfer" also applies to applications for excess H Rights Shares, with appropriate changes to reflect that the context is an application for excess H Rights Shares.

***Action to be taken by Beneficial H Shareholders holding interests in H Shares which are held by a registered H Shareholder (other than H Shares deposited in CCASS) who wish to apply for excess H Rights Shares***

*Excess H Rights Shares application procedures*

If you are a Beneficial H Shareholder whose H Shares are registered in the name of a registered H Shareholder and you wish to apply for excess H Rights Shares, you should contact the registered H Shareholder and provide the registered H Shareholder with instructions or make arrangements with the registered H Shareholder in relation to such application. Such instructions and/or arrangements should be given or made in advance of the latest time for application and payment for excess H Rights Shares in the section headed "Expected Timetable" in this prospectus and otherwise in accordance with the requirements of the registered H Shareholder, in order to allow the registered H Shareholder sufficient time to ensure that your instructions are given effect.

*Important notice and representations and warranties relating to the Beneficial H Shareholders in any of the Specified Territories whose H Share are held by a registered H Share (other than CCASS)*

What is set out under the heading "Important notice and representations and warranties relating to the Beneficial H Shareholders in any of the Specified Territories whose H Share are held by a registered H Share (other than CCASS)" above in the paragraph headed "Procedure for acceptance or transfer" also applies to applications for excess H Rights Shares, with appropriate changes to reflect that the context is an application for excess H Rights Shares.

## LETTER FROM THE BOARD

### *Action to be taken by Beneficial H Shareholders holding interests in H Shares through CCASS who wish to apply for excess H Rights Shares*

#### *Excess H Rights Shares application procedures*

If you are a Beneficial H Shareholder whose H Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, and you wish to apply for excess H Rights Shares, you should (unless you are a CCASS Investor Participant) contact your Intermediary and provide your Intermediary with instructions or make arrangements with your Intermediary in relation to the application for excess H Rights Shares. Such instructions and/or arrangements should be given or made in advance of the latest time for application and payment for excess H Rights Shares in the section headed “Expected Timetable” in this prospectus and otherwise in accordance with the requirements of your Intermediary, in order to allow your Intermediary sufficient time to ensure that your instructions are given effect. The procedures for application for excess H Rights Shares by Beneficial H Shareholders who are CCASS Participants shall be in accordance with the “General Rules of CCASS”, the “CCASS Operational Procedures” and any other requirements of CCASS. Beneficial H Shareholders who are CCASS Investor Participants should contact CCASS to provide CCASS with instructions or make arrangements with CCASS in relation to any applications for excess H Rights Shares. The procedure for application for excess H Rights Shares by Beneficial H Shareholders who have been admitted to participate in CCASS as CCASS Investor Participants shall be in accordance with “Operating Guide for Investor Participants” in effect from time to time and any other requirements of CCASS.

#### *Important notice and representations and warranties relating to the Beneficial H Shareholders in any of the Specified Territories holding interests in H Shares through CCASS*

What is set out under the heading “Important notice and representations and warranties relating to the Beneficial H Shareholders in any of the Specified Territories holding interests in H Shares through CCASS” above in the paragraph headed “Procedure for acceptance or transfer” also applies to applications for excess H Rights Shares, with appropriate changes to reflect that the context is an application for excess H Rights Shares.

### **Conditions of the H Share Rights Issue**

It is expected that the H Share Rights Issue will be conditional upon the fulfillment of the following matters:

1. the approval of the Rights Issue by the Shareholders at the general meeting of the Company;
2. the approval of the Rights Issue at the H Shareholders class meeting and the A Shareholders class meeting of the Company, respectively;
3. the approval of the Rights Issue by the CSRC and other relevant regulatory authorities;
4. the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the H Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any) by no later than the date of the delivery of this prospectus; and
5. the delivery to the Stock Exchange and filing and registration of all documents in relation to the H Share Rights Issue as required by laws to be filed by and registered with the Registrar of Companies in Hong Kong.

## LETTER FROM THE BOARD

None of the above conditions for completion of the H Share Rights Issue may be waived by the Company. As at the Latest Practicable Date, the conditions under 1 to 3 above have been fulfilled. **If any of the above conditions is not fulfilled, the H Share Rights Issue will not proceed.**

Furthermore, it should be noted that the H Share Rights Issue will proceed on a fully underwritten basis in accordance with Rule 7.19(1)(a) of the Hong Kong Listing Rules. Please refer to the paragraph headed “H Share Rights Issue Underwriting Arrangement” below for details of the underwriting arrangement. **In the event that the Underwriting Agreement does not become unconditional or if it is terminated in accordance with the terms thereof, the H Share Rights Issue may not proceed.**

The H Share Rights Issue and the A Share Rights Issue are inter-conditional. Pursuant to the Underwriting Agreement, the underwriting obligations of the Underwriters under the Underwriting Agreement are conditional upon, among other things, the A Share Rights Issue having become unconditional, including but not limited to, at least 70% of the A Rights Shares having been validly subscribed for at or prior to the date of this prospectus. With reference to the announcement of the Company dated July 19, 2020, the subscription level of the A Share Rights Issue is 99.26%.

### **H Shareholder’s Undertakings**

Best Winner, a company fully held by the controlling shareholder of the Company, China Merchants Group, which holds 67,706,400 H Shares, representing approximately 1.01% of the total issued share capital of the Company as at the Latest Practicable Date, has committed to subscribe in cash for all the offered H Rights Shares which will be allotted to it in proportion to its shareholding in the Company as of the H Share Record Date according to the Rights Issue Plans approved by the 17th meeting of the sixth session of the Board in 2019 and to subscribe, subject to compliance with relevant laws and regulations, to the greatest extent permitted and not more than 130 million additional H Rights Shares by way of excess application. Such subscription undertaking shall only become exercisable upon approval of the Rights Issue by the relevant regulatory authorities.

China COSCO Shipping Corporation Limited (“**China COSCO**”) which indirectly holds 670,180,950 Shares (comprising of 510,336,550 A Shares and 159,844,400 H Shares), representing approximately 10.00% of the total issued share capital of the Company, 8.92% of the total issued A Share capital of the Company and 16.30% of the total issued H Share capital of the Company as at the Latest Practicable Date, has committed to procure its subsidiaries to subscribe in cash for all the offered Rights Shares which will be allotted to them in proportion to their shareholding as of the H Share Record Date in the Company.

## LETTER FROM THE BOARD

### **Application for Listing/Dealing Arrangements**

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the H Rights Shares, in both nil-paid and fully-paid forms. Dealings in the nil-paid and fully-paid H Rights Shares will be subject to the payment of stamp duty, Stock Exchange trading fee, Securities and Futures Commission transaction levy or any other applicable fees and charges in Hong Kong. The board lot size of Nil-paid H Rights and H Rights Shares is 200 Nil-paid H Rights and 200 H Rights Shares, respectively.

### **H Rights Shares will be Eligible for Admission into CCASS**

Subject to the granting of the listing of, and permission to deal in, the H Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, and subject to compliance with the stock admission requirements of HKSCC, the H Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the H Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other date(s) as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time. H Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **Registration of subscription, purchase and transfer of H Rights Shares**

Each acquirer of the H Rights Shares agrees with the Company and each of the Shareholders, and the Company agrees with each of the Shareholders, to observe and comply with the PRC Company Law, the Companies Ordinance, the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies and the Articles of Association.

Each acquirer of the H Rights Shares agrees with the Company, each of the Shareholders, Directors, Supervisors, managers and officers, and the Company (acting for itself and for each of its Directors, Supervisors, managers and officers) agrees with each of the Shareholders, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive.

Each acquirer of the H Rights Shares agrees with the Company and each of the Shareholders that the H Rights Shares are freely transferable by the holders thereof. Each acquirer of the H Rights Shares authorizes the Company to enter into a contract on his behalf with each of the Company’s Directors and officers whereby such Directors and officers undertake to observe and comply with their obligations to the Shareholders as stipulated in the Articles of Association.

## LETTER FROM THE BOARD

### H Share Rights Issue to Proceed on an Underwritten basis

The H Share Rights Issue will proceed on a fully underwritten basis in accordance with Rule 7.19(1)(a) of the Hong Kong Listing Rules. Details of the underwriting arrangement in relation to the H Share Rights Issue are set out below:

### H Share Rights Issue Underwriting Arrangement

#### *The Underwriting Agreement*

Date: July 6, 2020

Joint Global Coordinators and Underwriters:

CMSHK, a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO, and CLSA Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 7 (providing automated trading services) regulated activities as defined under the SFO. CMSHK is a wholly-owned subsidiary of the Company. To the best of the Directors' knowledge and information and having made all reasonable enquiries, save and except that CMSHK is a wholly-owned subsidiary of the Company, CLSA Limited and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons (as defined in the Hong Kong Listing Rules) of the Company.

Each of the Underwriters has complied with Rule 7.19(1)(a) of the Hong Kong Listing Rules.

Total number of underwritten H Rights Shares: 225,855,114

CMSHK is a wholly-owned subsidiary of the Company as at the Latest Practicable Date. Given that CMSHK is a well-established licensed corporation in Hong Kong which can provide relevant services to the Company, the Company believes that engaging CMSHK as sole financial advisor and one of the Joint Global Coordinators in the H Share Rights Issue is beneficial to the preparation and execution of the H Share Rights Issue and can create strategic synergies within the Group and further strengthen the Company's leading position in the securities industry. CMSHK has undertaken to the Company that it shall procure independent placees to take up all the H Shares underwritten by it and it shall not at any time hold any H Shares.



## LETTER FROM THE BOARD

### *Conditions of the Underwriting Agreement*

The underwriting obligations of the Underwriters under the Underwriting Agreement are conditional upon the following being fulfilled:

- (i) all the respective representations and warranties and other statements in the Underwriting Agreement on the part of the Company being true and accurate and not misleading at and as of the date of the Underwriting Agreement, the date of this prospectus and the date of any supplementary prospectus, as of the time of sale, as of the Latest Time for Termination and at the time of delivery, as if they had been repeated by reference to the facts and circumstances then existing, to the performance by the Company of all its obligations under the Underwriting Agreement;
- (ii) the H Rights Shares being duly issued and provisionally allotted by the authorized representatives of the Board on the terms set out in the Prospectus Documents to the Qualified H Shareholders;
- (iii) the counsel for the Underwriters (on behalf of the Joint Global Coordinators (for themselves and on behalf of the Underwriters)) receiving from the counsel for the Company (on behalf of the Company) certain documents as specified in the Underwriting Agreement by the times and dates specified therein;
- (iv) the counsel for the Underwriters (on behalf of the Joint Global Coordinators (for themselves and on behalf of the Underwriters)) receiving from the counsel for the Company (on behalf of the Company) certain documents in relation to supplementary prospectus (if any) as specified in the Underwriting Agreement by the times and dates specified therein;
- (v) the approval of the H Share Rights Issue granted by SASAC and CSRC being valid and not having been withdrawn or revoked;
- (vi) the Stock Exchange issuing a certificate authorizing registration of the Prospectus Documents with the Companies Registrar under section 342C of the Companies (WUMP) Ordinance on or before the despatch of this prospectus;
- (vii) duly certified copy of the Prospectus Documents having been lodged with the Companies Registrar on or before the despatch of this prospectus and the Companies Registrar issuing a confirmation of registration letter on or before the despatch of this prospectus;
- (viii) the grant of listing of and permission to deal in the Nil-paid H Rights and the H Rights Shares (either unconditional or subject only to allotment and despatch of the share certificates in respect thereof) by the Stock Exchange and dealings in the Nil-paid H Rights and the H Rights Shares being allowed by the Stock Exchange (and such listing and permission not subsequently being withdrawn or revoked);



## LETTER FROM THE BOARD

- (ix) posting of the Prospectus Documents to the Qualified H Shareholders on or before Tuesday, July 28, 2020 (or such later date to be agreed with the Joint Global Coordinators) and the posting, to the extent reasonably practicable and legally permitted, of this prospectus for information purposes only to the Excluded H Shareholder; provided that this prospectus shall not be posted to Excluded H Shareholders who are known by the Company to be resident in the jurisdictions which restrict the posting of the Prospectus Documents, including but not limited to the United States;
- (x) fulfillment by the committed shareholders with all of their obligations under their undertakings by the times specified therein, and their undertakings not having been terminated;
- (xi) the A Share Rights Issue having become unconditional, including but not limited to, at least 70% of the A Rights Shares having been validly subscribed for at or prior to the date of this prospectus;
- (xii) the compliance with and performance by the Company with all of its undertakings and obligations under the terms of the Underwriting Agreement in all material respects;
- (xiii) the consummation of the H Share Rights Issue and the performance of obligations of the Underwriters under the Underwriting Agreement not being prohibited by any statute, order, rule, regulation or directive issued by any legislative, executive or regulatory body or authority;
- (xiv) no stop order or similar order having been issued by any court or other judicial, governmental or regulatory authority in relation to the H Share Rights Issue nor the sale and subscription and/or purchase of the H Rights Shares (in their nil-paid and fully-paid forms, respectively); and
- (xv) no matter having arisen prior to the Latest Time for Termination which might reasonably be expected to give rise to a claim under "Termination of the Underwriting Agreement" and which, in any such case, the Underwriters consider in their absolute discretion, as applicable, to be material in the context of the H Share Rights Issue or the underwriting of the H Share Rights Issue.

The Joint Global Coordinators (on behalf of the Underwriters) shall have the right, in their absolute discretion, on or before the last day on which each of the above conditions is required to be fulfilled, either: (a) to waive any of the conditions specified above (except the conditions specified in (ii), (iv), (v), (vi), (vii), (viii) and (x)), or (b) to extend the deadline for the fulfillment of any above condition by such number of days or in such manner as the Joint Global Coordinators (on behalf of the Underwriters) may determine in which case the Joint Global Coordinators (on behalf of the Underwriters) shall be entitled to extend the other dates or deadlines referred to in the Underwriting Agreement in such manner as it deems appropriate.

## LETTER FROM THE BOARD

### *Termination of the Underwriting Agreement*

The Underwriting Agreement shall terminate without further act or deed if any of the conditions to the obligations of the Joint Global Coordinators (on behalf of the Underwriters), as set forth in “Conditions of the Underwriting Agreement”, shall not have been satisfied when and as required by the Underwriting Agreement to be satisfied (unless otherwise waived or modified by the Joint Global Coordinators (on behalf of the Underwriters)).

In addition, the obligations of the Underwriters shall be subject to termination in the sole and absolute discretion of the Joint Global Coordinators (on behalf of the Underwriters) with immediate effect, at any time prior to the Latest Time for Termination if:

- (i) there shall have developed, occurred, happened or come into effect any change, or any development involving a prospective change, or any event or circumstance likely to result in a change or a development involving a prospective change, in or affecting the assets, liabilities, business, operations, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company and the other members of the Group, taken as a whole, the effect of which change, development, event or circumstance is, individually or in the aggregate, in the absolute judgment of the Joint Global Coordinators (on behalf of the Underwriters), so material and adverse as to make it or likely to make it impracticable or inadvisable or inexpedient to proceed with the H Share Rights Issue or the delivery of the H Rights Shares on the terms and in the manner contemplated this prospectus or likely to have a material adverse effect on the success of the H Share Rights Issue or the level of the H Rights Shares taken up;
- (ii) any breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Joint Global Coordinators (on behalf of the Underwriters), or there has been a breach on the part of the Company of any other provision of the Underwriting Agreement which has or will have or may have a material adverse effect on the H Share Rights Issue; or
- (iii) there shall have developed, occurred, happened or come into effect any of the following: (A) a suspension or material limitation (including, without limitation, any minimum or maximum price limit or range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the SZSE or the SSE; (B) a suspension or material limitation (including, without limitation, any minimum or maximum price limit or range) in or on trading in any securities of the Company listed or quoted on a stock exchange; (C) any downgrading or any notice or announcement of any intended or potential downgrading or of any watch, review or possible change that does not indicate an affirmation or improvement in the rating

## LETTER FROM THE BOARD

accorded any securities of or guaranteed by the Company or any other member of the Group by any national or international rating agency; (D) a general moratorium on commercial banking activities declared by relevant authorities in Hong Kong, the PRC, the United States, the United Kingdom or the European Union (or any member thereof) or a disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in Hong Kong, the PRC, the United States, the United Kingdom or the European Union (or any member thereof); (E) any change, or any development involving a prospective change, or any event or circumstance likely to result in a change or a development involving a prospective change, in or affecting any taxation, exchange controls or currency exchange rates in Hong Kong, the PRC, the United States, the United Kingdom or the European Union (or any member thereof); (F) any new laws or any change, or any development involving a prospective change, or any event or circumstance likely to result in a change or a development involving a prospective change, in or affecting existing laws or the interpretation or application of existing laws by any court or other competent authority in Hong Kong, the PRC, the United States or the United Kingdom, the European Union (or any member thereof); (G) any event or circumstance in the nature of force majeure (including, without limitation, any act of government, economic sanctions, strike or lock-out (whether or not covered by insurance), riot, fire, explosion, flooding, earthquake, civil commotion, act or declaration of war, outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), act of God, pandemic, epidemic, outbreak of infectious disease, declaration of a state of emergency or calamity or crisis, in each case, involving or affecting Hong Kong, the PRC, the United States, the United Kingdom or the European Union (or any member thereof); or (H) any change or development or any event or series of events involving a prospective change or any event or series of events or circumstance likely to result in a change or a development involving a prospective change (whether or not permanent) in any local, national or international financial, political, economic, legal, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets and credit markets) in or affecting Hong Kong, the PRC, the United States, the United Kingdom or European Union (or any member thereof), if the effect of any such event or circumstance specified above, individually or in the aggregate, in the sole and absolute judgment of the Joint Global Coordinators (on behalf of the Underwriters), makes it or may make it impracticable or inadvisable or inexpedient to proceed with the H Share Rights Issue or the delivery of the H Rights Shares on the terms and in the manner contemplated in this prospectus or, have or will have a material adverse effect on the success of the H Share Rights Issue or the level of the H Rights Shares taken up; or

## LETTER FROM THE BOARD

- (iv) any statement contained in any of the relevant documents was or has become untrue or incorrect in any material respect or misleading; or
- (v) any matter has arisen or been discovered which would, if the Announcement or this prospectus (or any supplement or amendment thereto) had been issued at that time, constitute a material omission therefrom if it had not been disclosed in the Announcement or this prospectus (or any supplement or amendment thereto); or
- (vi) the Company is required to issue a supplementary prospectus in connection with the H Share Rights Issue; or
- (vii) the permission to deal in and the listing of the H Rights Shares (in their nil-paid and fully-paid forms) has been withdrawn by the Stock Exchange; or
- (viii) an authority or a political body or organization in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group which has or will have or may have a material adverse effect on the Group; or
- (ix) any change or prospective change in the condition, results of operations, prospects, management, business, shareholders' equity or in the financial or trading position of any member of the Group which, in the sole opinion of the Joint Global Coordinators (on behalf of the Underwriters), is or may be materially adverse in the context of the H Share Rights Issue; or
- (x) any director of the Company committing any act of fraud or other indictable offense, or

if, after the execution and delivery of the Underwriting Agreement, the sale and delivery of the H Rights Shares, as contemplated by the Underwriting Agreement, is not carried out as a result of any termination of the Underwriting Agreement pursuant hereto or because the Company shall be unable to comply with any of the terms of the Underwriting Agreement, each party shall cease to have any further rights and obligations under the Underwriting Agreement, save for any antecedent breach or the Company's obligations under the Underwriting Agreement.

### ***Lock-up Undertakings***

Pursuant to the Underwriting Agreement, the Company has undertaken to the Joint Global Coordinators and the Underwriters that:

- (a) except (i) for the H Rights Shares to be allotted and issued pursuant to the H Share Rights Issue; or

## LETTER FROM THE BOARD

- (b) with the prior written consent of the Joint Global Coordinators (and which may be given or withheld at the absolute discretion of the Joint Global Coordinators and such consent not to be unreasonably withheld or delayed),

from the date of the Underwriting Agreement up to 90 days after the first day of trading of the H Rights Shares on the Stock Exchange, the Company will not (A) allot or issue or sell, or offer to allot or issue or sell, accept subscription for, pledge, lend, mortgage, assign, charge, purchase any option or contract to sell, or grant any option, right or warrant to subscribe for or purchase or lend or otherwise dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or other equity securities of the Company or any interests therein (including but not limited to any securities convertible into or exercisable or exchangeable for any Shares or which carry rights to subscribe for or purchase or receive Shares), or deposit Shares with a depositary in connection with the issue of depositary receipts, or (B) enter into a transaction (including, without limitation, a swap or other derivative transaction) that transfers, in whole or in part, any of the economic consequences of ownership of any Shares or such securities of the Company or any interest therein or has an effect on the market in the Shares similar to that of a sale of interest in Shares or repurchase any Shares, or (C) enter into any transaction with the same economic effect as any transaction described in (A) or (B) above, or (D) offer or agree or contract or announce any intention to enter into or effect any such transaction described in (A), (B) or (C) above whether any of the foregoing transactions described in (A), (B) or (C) above is to be settled by delivery of Shares or such other securities, in cash or otherwise; provided, however, that the foregoing restrictions shall not apply to any issuance of stock dividends.

### **Warning of the Risks of Dealing in the H Shares and Nil-paid H Rights**

Existing H Shares have been dealt in on an ex-rights basis from Friday, July 17, 2020. Dealings in the H Rights Shares in nil-paid form are expected to take place from Thursday, July 30, 2020 to Thursday, August 6, 2020 (both days inclusive). **If the conditions of the H Share Rights Issue (please see the paragraph headed “Conditions of the H Share Rights Issue” above) are not fulfilled, the H Share Rights Issue will not proceed.**

**Furthermore, in the event that the Underwriting Agreement does not become unconditional or if it is terminated in accordance with the terms thereof, the H Share Rights Issue may not proceed.**

**Any dealing in the H Shares or the Nil-paid H Rights is at the investor’s own risk. If in any doubt, investors are recommended to consult their professional advisers.**

### **Despatch of H Share Certificates and Refund Cheques**

Subject to fulfillment of the conditions of the H Share Rights Issue, it is expected that the certificates for the H Rights Shares and the refund cheques in respect of wholly or partly unsuccessful applications for excess H Rights Shares (if any) will be despatched by ordinary post or courier to the allottees, at their own risk, to their registered addresses by the H Share Registrar on or about Wednesday, August 19, 2020.

## LETTER FROM THE BOARD

### Taxation

Qualified H Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding, disposing of or dealing in the H Rights Shares (in their nil-paid and/or fully-paid forms) and, as regards the Excluded H Shareholders, their receipt of the net proceeds of the nil-paid forms of the H Rights Shares otherwise falling to be issued to them under the H Share Rights Issue. It is emphasized that neither the Company, the Directors nor any other party involved in the H Share Rights Issue accept responsibility for any tax effects or liabilities of holders of the H Rights Shares resulting from the purchase, holding, disposal of, or dealing in the H Rights Shares (in their nil-paid and/or fully-paid forms).

### A SHARE RIGHTS ISSUE

The A Share Rights Issue is conducted on the basis of three (3) A Rights Shares for every ten (10) existing A Shares held by Qualified A Shareholders on the A Share Record Date at the Subscription Price of RMB7.46 per A Rights Share. Details of the A Share Rights Issue are as follows:

#### A Share Rights Issue statistics

Basis of A Share Rights Issue:	three (3) A Rights Shares for every ten (10) existing A Shares held by Qualified A Shareholders on the A Share Record Date
Number of A Shares in issue:	5,719,008,149 A Shares
Number of A Rights Shares proposed to be issued:	1,715,702,444 A Shares
Subscription Price:	RMB7.46 per A Rights Share
Sponsor:	CITIC Securities Company Limited

#### Basis of Entitlement

Subject to fulfillment of the conditions set out below in the paragraph headed “Conditions of the A Share Rights Issue” below, Qualified A Shareholders will be provisionally allotted three (3) A Rights Shares for every ten (10) existing A Shares held by Qualified A Shareholders on the A Share Record Date at the Subscription Price, being RMB7.46, for each A Rights Share payable in full on acceptance.

#### Qualified A Shareholders

To qualify for the A Share Rights Issue, an A Shareholder must be registered on the register of the Company at the Shanghai Branch of China Clear on the A Share Record Date.

## LETTER FROM THE BOARD

### Subscription Price for the A Rights Shares

The Subscription Price of RMB7.46 per A Rights Share is payable in full when a Qualified A Shareholder accepts the relevant provisional allotment of A Rights Shares.

The Subscription Price of RMB7.46 per A Rights Share represents a discount of approximately 71.92% to the closing price of RMB26.57 per A Share as quoted on the SSE on July 3, 2020 (being the Price Determination Date).

### A Share Rights Issue Timetable

Publication of A Share Rights Issue Prospectus . . . . . Tuesday, July 7, 2020

On-line Roadshow . . . . . Wednesday, July 8, 2020

A Share Record Date . . . . . Thursday, July 9, 2020

Commencement of the A Share Rights Issue and  
first day for acceptance of and payment for  
the A Rights Shares . . . . . Friday, July 10, 2020

Suspension of trading in the A Shares . . . . . Friday, July 10, 2020 to  
Friday, July 17, 2020 (both days inclusive)

Close of the A Share Rights Issue and last day for  
payment for the A Rights Shares . . . . . Thursday, July 16, 2020

Verification of payment for subscription for the A Rights Shares . . . Friday, July 17, 2020

Announcement of results of the A Share Rights Issue and  
resumption of trading in the A Shares . . . . . Monday, July 20, 2020



## LETTER FROM THE BOARD

### Conditions of the A Share Rights Issue

It is expected that the A Share Rights Issue will be conditional upon the fulfillment of the following matters:

1. the approval of the Rights Issue by the Shareholders at the general meeting of the Company;
2. the approval of the Rights Issue at the A Shareholders class meeting and the H Shareholders class meeting of the Company, respectively;
3. the approval of the Rights Issue by the CSRC and other relevant regulatory authorities;
4. the fulfillment of the public undertaking made by the controlling shareholder of the Company in respect of the subscription amount; and
5. the subscription of the A Rights Shares by the A Shareholders being at least 70% of the A Share Rights Issue.

None of the above conditions for completion of the A Share Rights Issue may be waived by the Company. As at the Latest Practicable Date, all of the conditions above have been fulfilled.

The H Share Rights Issue and the A Share Rights Issue are inter-conditional. Pursuant to the Underwriting Agreement, the underwriting obligations of the Underwriters under the Underwriting Agreement are conditional upon, among other things, the A Share Rights Issue having become unconditional, including but not limited to, at least 70% of the A Rights Shares having been validly subscribed for at or prior to the date of this prospectus. With reference to the announcement of the Company dated July 19, 2020, the subscription level of the A Share Rights Issue is 99.26%.

### A Share Rights Issue to Proceed on a Non-Fully-Underwritten Basis

The A Share Rights Issue will proceed on a non-fully-underwritten basis as required under the applicable PRC laws and regulations. Under the applicable PRC laws and regulations and as classified by the CSRC, the A Share Rights Issue may only proceed if the subscription level of the A Rights Shares is at least 70% of the A Share Rights Issue. The rights to subscribe for the A Shares which are not taken up will lapse and no new A Shares will be issued or allotted pursuant to such rights. With reference to the announcement of the Company dated July 19, 2020, the subscription level of the A Share Rights Issue is 99.26%.

## LETTER FROM THE BOARD

### **A Shareholders' Undertaking**

As at the Latest Practicable Date, China Merchants Group held approximately 44.09% of the total issued share capital of the Company through its subsidiaries, CM Finance Investment and Jisheng Investment. The Company has received from its controlling shareholders, CM Finance Investment, which held approximately 23.514% of the total issued share capital of the Company as at the Latest Practicable Date, and its parties acting in concert, Jisheng Investment, which held approximately 19.565% of the total issued share capital of the Company as at the Latest Practicable Date, an undertaking to subscribe for A Rights Shares to be issued by the Company. CM Finance Investment and Jisheng Investment have committed to subscribe in cash for all the offered A Rights Shares which will be allotted to them in proportion to their shareholding in the Company according to the Rights Issue Plans approved by the 17th meeting of the sixth session of the Board in 2019. Such subscription undertaking shall only become exercisable upon approval of the Rights Issue by the relevant regulatory authorities.

China COSCO which indirectly holds 670,180,950 Shares (comprising of 510,336,550 A Shares and 159,844,400 H Shares), representing approximately 10.00% of the total issued share capital of the Company, 8.92% of the total issued A Share capital of the Company and 16.30% of the total issued H Share capital of the Company as at the Latest Practicable Date, has committed to procure its subsidiaries to subscribe in cash for all the offered Rights Shares which will be allotted to them in proportion to their shareholding in the Company.

### **Application for Listing**

Application has been made to the SSE for the listing of the A Rights Shares.

### **Net Proceeds**

Net proceeds of approximately RMB12.78 billion are expected to be raised from the A Share Rights Issue, assuming subscription level of 100%.

### **A Share Rights Issue Prospectus**

The Chinese version of the A Share Rights Issue Prospectus is available for public inspection on the website of Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and SSE ([www.sse.com.cn](http://www.sse.com.cn)) from Tuesday, July 7, 2020.

The A Share Rights Issue Prospectus in respect of the A Share Rights Issue has been distributed to the HK Northbound Trading Investors. The A Share Rights Issue Prospectus (together with a wrapper containing the disclosures required under the Companies (WUMP) Ordinance) was registered with the Registrar of Companies on Monday, July 6, 2020.

# LETTER FROM THE BOARD

## CHANGES OF THE SHAREHOLDING OF THE COMPANY AS A RESULT OF THE RIGHTS ISSUE

The following table sets out (i) the Company's shareholding structure before the Rights Issue; and (ii) its shareholding structure immediately after completion of the Rights Issue (the subscription level of the A Rights Shares being 99.26% and assuming no excess H Rights Shares will be allotted to China Merchants Group, China COSCO or PICC Life Insurance Company Limited through excess application).

Name of Shareholder	Class of Shares	Before the Rights Issue		Immediately after completion of the Rights Issue (the subscription level of the A Rights Shares being 99.26%)	
		Number of Shares	Approximate percentage of the total number of Shares	Number of Shares	Approximate percentage of the total number of Shares
China Merchants Group	A Shares	2,886,027,221	43.08%	3,751,835,387	43.14%
	H Shares	67,706,400	1.01%	88,018,320	1.01%
China COSCO	A Shares	510,336,550	7.62%	663,437,515	7.63%
	H Shares	159,844,400	2.39%	207,797,720	2.39%
PICC Life Insurance Company Limited	H Shares	333,300,000	4.98%*	433,290,000	4.98%*
Other Public Shareholders	A Shares	2,282,623,598	34.07%*	2,954,705,989	33.98%*
	H Shares	419,550,380	6.26%*	545,415,494	6.27%*
<b>Others</b>					
Employee Stock Ownership Scheme	A Shares	40,020,780	0.60%*	52,026,381	0.60%*
<b>Public float</b>	A Shares	2,322,644,378	34.67%	3,006,732,370	34.57%
	H Shares	752,850,380	11.24%	978,705,494	11.25%
<b>Total public float</b>		<u>3,075,494,758</u>	<u>45.91%</u>	<u>3,985,437,864</u>	<u>45.83%</u>
<b>Total</b>	A Shares	5,719,008,149	85.37%	7,422,005,272	85.34%
	H Shares	<u>980,401,180</u>	<u>14.63%</u>	<u>1,274,521,534</u>	<u>14.66%</u>
	<b>Total</b>	<u><u>6,699,409,329</u></u>	<u><u>100.00%</u></u>	<u><u>8,696,526,806</u></u>	<u><u>100.00%</u></u>

Note: The shareholding marked with \* represents the Shares held by the public.

## LETTER FROM THE BOARD

### FUND RAISING ACTIVITIES INVOLVING ISSUE OF EQUITY SECURITIES IN THE PAST 12 MONTHS

The Company has not engaged in any equity fund raising activity in the past 12 months from the Latest Practicable Date.

### REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

Reasons for the Rights Issue of the Company are as follows:

1. The securities industry in the PRC enters into a crucial period of strategic opportunities. In view of this, the Company needs to accelerate its fund raising activities and enhance its capital strength to lay a solid foundation for seizing the strategic opportunities of new developments;
2. As the reform of the capital market in the PRC deepens, competition in the securities industry is becoming increasingly fierce. In light of this, the Company needs to further strengthen its capital position, facilitate the development of its business, enhance its market competitiveness comprehensively, and consolidate and increase its status in the industry;
3. In order to achieve the goals of the new five-year strategic planning in 2019-2023 of the Company, the Rights Issue will provide sufficient capital for improving the overall competitiveness of the Company and realizing its strategic objectives. The Company will continuously invest not only in the business development of its investment banking business, wealth management and institutional business, investment trading business, diversified strategic layout and integrated operation as well as cross-border business but also in the construction of middle and back office, so as to make good use of its existing advantages and differentiate its competitive edges constantly;
4. In recent years, the business model of securities companies has been switched from channel commission business in the past to one that focuses comprehensively on intermediary service, capital intermediary business and investment transaction business. The income and profit contributed by the capital utilization business and integrated operations increase gradually, and the profit model is diversifying. To establish a more balanced and stable business portfolio and seek for long-term sustainable development, the Company needs to accelerate its business growth and seize strategic opportunities. The issuance will provide adequate capital support for the steady development of its capital intermediary and investment transaction business, the increase of investment in its subsidiaries and the strategic layout of the Company, while promoting long-term sustainable developments; and

## LETTER FROM THE BOARD

5. As the securities industry is capital-intensive, enhancement of capital strength is indispensable to the business development of securities companies. The revised “Measures for Administration of Risk Control Indexes of Securities Companies (《證券公司風險控制指標管理辦法》)” and its supporting rules implemented on October 1, 2016 further improve the management system of risk control indicators of securities companies with focus on net capital, the status of which directly affects securities companies in terms of acquiring relevant business qualifications and the business scale. In addition, as one of the pilot brokers under consolidated supervision, the Company is required to have higher risk management capabilities. Therefore, it must continue to raise capital and keep enhancing its capital strength to ensure sustainable development.

In view of the above reasons, the proceeds from the Rights Issue will be used for the following purposes after deducting relevant issuance expenses: (1) up to RMB10.5 billion will be used to increase capital in subsidiaries and diversify business of the Company; (2) up to RMB2 billion will be used for the development of capital intermediary business; (3) up to RMB2 billion will be used for the development of capital investment business; and (4) up to RMB0.5 billion will be used as working capital. The Directors are of the view that the Rights Issue is in the interests of the Company and the Shareholders as a whole, and is an appropriate fund raising method for increasing the capital of the Company, which will, in turn, support the continuous development and business growth of the Company.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this prospectus and in the 2017, 2018 and 2019 annual reports of the Company.

Yours faithfully,  
By order of the Board  
**China Merchants Securities Co., Ltd.**  
**Huo Da**  
*Chairman*

## FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended December 31, 2017, 2018 and 2019 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cmschina.com>):

- annual report of the Company for the year ended December 31, 2017 published on April 24, 2018 (pages 212 to 353);
- annual report of the Company for the year ended December 31, 2018 published on April 23, 2019 (pages 207 to 349); and
- annual report of the Company for the year ended December 31, 2019 published on April 26, 2020 (pages 212 to 365).

## INDEBTEDNESS STATEMENT

As at the close of business on June 30, 2020, being the latest practicable date for the purpose of this indebtedness statement of the Group prior to the printing of this prospectus, the total indebtedness of the Group was as follows:

	<i>RMB'000,000</i>
Short-term commercial papers – unsecured and unguaranteed	
– Amount in issue	25,000
– Amount to be issued pursuant to approval	6,600
	<hr/> 31,600
Financial bonds – unsecured and unguaranteed	
– Amount in issue	5,000
Public issue of corporate bonds to qualified investors	
– unsecured and unguaranteed	
– Amount in issue	24,800
Non-public issue of corporate bonds – unsecured and unguaranteed	
– Amount in issue	33,300
– Amount to be issued pursuant to approval	14,200
	<hr/> 47,500

RMB'000,000

Asset-backed securities – secured and unguaranteed ( <i>note 1</i> )	
– Amount in issue	7,000
Overseas debt – unsecured and unguaranteed	
– Amount in issue	2,124
Borrowings – unsecured and unguaranteed	2,487
Borrowings – unsecured and guaranteed	548
Structured notes – unsecured and unguaranteed	8,514
Lease liabilities – secured and unguaranteed ( <i>note 2</i> )	1,277
	<hr/>
	<b>130,850</b>

*Notes:*

1. Secured by the income from the advances to customers of the Group
2. Secured by rental deposits

Save as disclosed above, as at June 30, 2020, the Group did not have any issued, outstanding, created but unissued debt securities, outstanding term loans, other borrowings, indebtedness, mortgages, charges, guarantees or contingent liabilities.

**WORKING CAPITAL SUFFICIENCY**

The Directors are of the opinion that, taking into account the financial resources available to the Group, the available facilities and the estimated net proceeds from the A Share Rights Issue and H Share Rights Issue, the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of this prospectus in the absence of unforeseen circumstances.

**FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The global economy is currently facing great uncertainty. China's economic development is facing increasing difficulties and challenges, especially the increasing downward economic pressure. The restrictions on foreign shareholding ratio of securities firms, fund management firms and futures firms will be removed and domestic institutions will face increased competition and challenges from international financial institutions. As affected by the "zero commission" in U.S. securities trading, the competition landscape and growth model of China's securities industry will face new impact and challenges. Meanwhile, the securities industry still faces great historical opportunities. The capital market reform has been fully commenced and further promoted. The role of the securities industry in serving the real economy has become more prominent. On the basis of the pilot registration system of the STAR Market, the securities



issuance registration system is about to be rolled out. Reforms in respect of the NEEQ, refinancing and M&A are speeding up. Financial derivatives as well as new commodity futures and options are expected to be listed one after another.

This year is the key year for the Company's new five-year transformation strategy. The Company will increase its efforts in the following aspects in order to satisfactorily fulfil various annual targets and tasks.

**Wealth management and institutional business:** On the basis of continuously expanding the traditional brokerage business, the Company will accelerate wealth management transformation and build a customer-oriented ecosystem. The Company will strengthen product capacity building, establish an abundant and sound product system. Taking customers as the focus, the Company will organize and select wealth management products with customer asset value maintenance and appreciation as the primary goal and measurement criteria. The Company will strengthen system building capability and extend further support to online product marketing and offline asset allocation. Institutional client business will continue to improve its comprehensive service capabilities and reinforce its leading position in the industry.

**Investment banking:** The Company will continue to seize the opportunities arising from the STAR Market and ChiNext registration system, proactively capture business opportunities in the NEEQ Select Tier, and increase the efforts in exploring high-quality IPO projects. The Company will enhance its revenue generating ability, further bring into play the value of investment banks, enhance the service capabilities for key customers and professional services, and further optimize and improve business operation model of "investment banking + investment".

**Investment management:** CMS Asset Management will improve its three key capabilities on product design, product investment and channel sales. By firmly grasping the strategic opportunity of the transformation of massive collective asset management to mutual funds, it will gather and integrate its resource advantages on channel and customers, so as to do a good job in system improvement and mechanism construction in relation to mutual funds operations. CMS Zhiyuan will build up its special fund-raising channel and specialized investment capability by leveraging on its core advantage of "SOEs + transportation and logistics + investment banking", in order to expand funds management scale.

**Investment and trading:** With the goal of pursuing absolute returns, the Company will vigorously enhance investment and research capacity and improve investment returns. The Company will vigorously develop neutral strategies and customer demand-driven businesses, and continue to increase the scale of investment businesses with low risk and stable returns. The Company will vigorously strengthen its FICC business, actively explore foreign exchange, commodities and derivatives business and create a new profit model to increase multiple sources of income.

At the same time, the Company will continue to enhance the effort on the innovation and development of financial technology, integrate business and technology, actively identify business scenarios, and accelerate the promotion of key projects such as the three profiling (company profiling, customer profiling and product profiling), data governance and centralized operation.

For illustrative purpose, the financial information prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules is set out here to provide prospective investors with further information about how the financial information of the Group might be affected by completion of the H Share Rights Issue as if the H Share Rights Issue had been completed on December 31, 2019. The statement has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the Group's financial position on the completion of the H Share Rights Issue.

# I. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at December 31, 2019 (the “**Unaudited Pro Forma Financial Information**”) which has been prepared by the Directors in accordance with Rule 4.29 of the Hong Kong Listing Rules to illustrate the effects of the H Share Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to Shareholders as if the H Share Rights Issue had taken place at December 31, 2019.

The Unaudited Pro Forma Financial Information was prepared based on the consolidated net tangible assets of the Group attributable to Shareholders as at December 31, 2019, as extracted from the published annual report of the Company for the year ended December 31, 2019, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to Shareholders immediately after completion of the H Share Rights Issue or any future date after completion of the H Share Rights Issue.

		Unaudited pro forma adjusted			
Consolidated net tangible assets attributable to Shareholders as at December 31, 2019 <sup>(note 1)</sup>	Estimated net proceeds from the H Share Rights Issue <sup>(note 2)</sup>	consolidated net tangible assets attributable to Shareholders as at December 31, 2019	Consolidated net tangible assets attributable to Shareholders per Share as at December 31, 2019 <sup>(note 3)</sup>	Unaudited pro forma adjusted consolidated net tangible assets per Share as at December 31, 2019 <sup>(note 4)</sup>	Unaudited pro forma adjusted consolidated net tangible assets per Share as at December 31, 2019 <sup>(note 5)</sup>
RMB'000,000	RMB'000,000	RMB'000,000	RMB	RMB	HK\$
Based on 294,120,354 H Rights Shares to be issued at the Subscription Price of HK\$8.185 per H Rights Share					
70,022.80	2,137.61	72,160.41	10.45	10.32	11.33

## UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1. The consolidated net tangible assets attributable to Shareholders of approximately RMB70,022.80 million as at December 31, 2019 is based on consolidated net assets attributable to Shareholders of approximately RMB85,048.32 million after deducting intangible assets, goodwill, and other equity instruments of approximately RMB15,025.53 million as extracted from the annual results announcement for the year ended December 31, 2019.
2. The estimated net proceeds from the H Share Rights Issue of approximately RMB2,137.61 million are calculated based on 294,120,354 H Rights Shares to be issued at the Subscription Price of HK\$8.185 per H Rights Share as at the Latest Practicable Date and after deduction of estimated underwriting fees and other related expenses of approximately RMB56.53 million.
3. The consolidated net tangible assets attributable to Shareholders per share as at December 31, 2019 is based on the consolidated net tangible assets attributable to Shareholders as at December 31, 2019 of approximately RMB70,022.80 million divided by 6,699,409,329 Shares in issue as at December 31, 2019.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share as at December 31, 2019 after completion of the H Share Rights Issue is determined based on the unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of approximately RMB72,160.41 million divided by 6,993,529,683 Shares in issue after completion of the H Share Rights Issue as at December 31, 2019, which comprises of 1,274,521,534 H Shares. It does not take into account of any Shares which may be issued upon A Share Rights Issue.
5. For the purpose of the Unaudited Pro Forma Financial Information, conversion of RMB and HK\$ is calculated at the exchange rate of RMB0.91037 to HK\$1. The exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, may be exchanged at this or any other rate or at all.
6. No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders as at December 31, 2019 to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2019. In particular, the unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders as shown on II-1 have not been adjusted to illustrate the effect of the A Share Rights Issue completed on July 21, 2020. Had the A Share Rights Issue been completed on December 31, 2019, 1,702,997,123 A Rights Shares would be issued at the Subscription Price of RMB7.46 per A Rights Share, raising estimated net proceed of RMB12,679.85 million. The A Share Rights Issue would have increased the total share in issue assumption stated in note 4 by 1,702,997,123 A Rights Shares to a total of 8,696,526,806 shares in issue. The adjustment to the unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders after the A Share Rights Issue would be as follows:

Based on 294,120,354 H Rights Shares to be issued at the Subscription Price of HK\$8.185 per H Rights Share and 1,702,997,123 A Rights Shares to be issued at the Subscription Price of RMB7.46 per A Rights Share

**II. REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO  
FORMA FINANCIAL INFORMATION OF THE GROUP**

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**To the Directors of China Merchants Securities Co., Ltd.**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Merchants Securities Co., Ltd. (the **"Company"**) and its subsidiaries (hereinafter collectively referred to as the **"Group"**) by the directors of the Company (the **"Directors"**) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to shareholders of the Company as at December 31, 2019 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated July 28, 2020 (the **"Prospectus"**). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page II-1 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed rights issue on the basis of three H rights shares for every ten existing H shares held on the record date (**"Rights Issue"**) on the Group's financial position as at December 31, 2019 as if the Rights Issue had taken place at December 31, 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for the year ended December 31, 2019, on which an auditor's report has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **"Listing Rules"**) and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" (**"AG 7"**) issued by the Hong Kong Institute of Certified Public Accountants (the **"HKICPA"**).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at December 31, 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong, July 28, 2020

**RESPONSIBILITY STATEMENT**

This document, for which the Directors collectively and individually accept full responsibility for, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

**DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT****Particulars of the Directors, Supervisors and senior management of the Company**

<b>Name</b>	<b>Address</b>
<i>Executive Directors</i>	
Mr. HUO Da (霍達)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. XIONG Jiantao (熊劍濤)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
<i>Non-executive Directors</i>	
Ms. SU Min (蘇敏)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. SU Jian (粟健)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. XIONG Xianliang (熊賢良)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Ms. PENG Lei (彭磊)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. GAO Hong (高宏)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. HUANG Jian (黃堅)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. WANG Daxiong (王大雄)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. WANG Wen (王文)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC



*Independent non-executive Directors*

Mr. XIANG Hua (向華)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. XIAO Houfa (肖厚發)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. XIONG Wei (熊偉)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. HU Honggao (胡鴻高)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. WONG Ti (汪棣)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC

*Shareholder representative supervisor*

Ms. ZHOU Linda Lei (周語菡)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. LI Xiaofei (李曉霏)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. WANG Zhangwei (王章為)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. MA Yunchun (馬蘊春)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. FANG Xiaobing (房小兵)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. ZHANG Zehong (張澤宏)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC

*Employee representative supervisor*

Ms. YIN Hongyan (尹虹艷)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Ms. HE Min (何敏)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. XIONG Zhigang (熊志鋼)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC

*Senior management*

Mr. XIONG Jiantao (熊劍濤)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Ms. DENG Xiaoli (鄧曉力)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. LI Zongjun (李宗軍)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. WU Huifeng (吳慧峰)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. Zhao Bin (趙斌)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. Hu Yu (胡宇)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. WU Guangyan (吳光焰)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC
Mr. XIE Jijun (謝繼軍)	No. 111, Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong, PRC

**Biographies of the Directors, Supervisors and senior management of the Company***Executive Directors*

**Mr. HUO Da (霍達)**, aged 52, has served as the chairman of the Board and a director of CMS International since May 2017 and January 2019, respectively. Mr. HUO has extensive experience in various fields including economic and financial research, development and management of multi-layer capital market as well as monitoring and analysis of capital market statistics. Specifically, he was a part-time member of the 17th Public Offering Review Committee of the CSRC from September 2017 to January 2019. Mr. HUO was a director of the Market Supervision Department of the CSRC from March 2015 to April 2017, and successively served as a director of the Research Center of the CSRC, head of Beijing Institute of Securities and Futures and head of China Institute of Finance and Capital Markets concurrently. Mr. HUO acted as director of the Corporate Bonds Supervision Department of the CSRC from February 2014 to March 2015; deputy director of the Market Supervision Department of the CSRC from December 2010 to February 2014; deputy inspector of the Market Supervision Department of the CSRC from November 2009 to December 2010; and member of the Party committee and assistant to the head of the Shenzhen office of the CSRC from December 2007 to November 2009; Mr. HUO worked at the CSRC from April 1997 to December 2007 as principal staff member, deputy division head and division head in succession.

Mr. HUO obtained a bachelor's degree in engineering from Huazhong University of Science and Technology, a master's degree in economics from Huazhong University of Science and Technology and a doctoral degree in economics from Chinese Academy of Fiscal Sciences (formerly known as the Research Institute for Fiscal Science of the Ministry of Finance) in July 1989, April 1994 and January 2008, respectively.

**Mr. XIONG Jiantao (熊劍濤)**, aged 51, has served as the executive Director since May 2017, the president of the Company since December 2018, the chief information officer of the Company since July 2019 and the director of CMS International since September 2015. Mr. XIONG has experience in operation of securities companies and IT-based management. Specifically, he was the chief operating officer of the Company from May 2017 to December 2018; the vice president of the Company from December 2005 to December 2018; chairman of the board of directors of CMS Asset Management from March 2015 to March 2019; chairman of the board of directors of China Merchants Futures from March 2008 to March 2019; director of Bosera Funds from November 2014 to November 2017; and successively acted as manager of the computer department, general manager of the computer center, general manager of the IT center and the technical director of the Company from June 1995 to December 2005 (during such period he had been temporarily seconded by the CSRC to be a member of the administrative take-over group of China Southern Securities). Mr. XIONG was deputy manager of the information center in China Merchants Bank (listed on the SSE, stock code: 600036; listed on the Stock Exchange, stock code: 3968) from April 1993 to June 1995; and staff member of Shenzhen Shanxing Electronics Co., Ltd. (深圳山星電子有限公司) from May 1992 to April 1993.

Mr. XIONG obtained a bachelor's degree in engineering majoring in telecommunications engineering from Nanjing University of Posts and Telecommunications (formerly known as Nanjing Institute of Posts and Telecommunications), a master's degree in engineering majoring in automatic instrumentation and installation from Huazhong University of Science and Technology and a degree for executive master of business management ("EMBA") from Fudan University in July 1989, June 1992 and June 2014, respectively.

#### *Non-executive Directors*

**Ms. SU Min (蘇敏)**, aged 52, has served as the non-executive Director since June 2016. Ms. SU has experience in managing finance-related and listed companies as well as financial management. Specifically, she has been a standing vice chairman of the execution committee of China Merchants Financial Services Business Unit (招商局金融事業群／平台) since June 2018; general manager of CM Finance Investment since December 2017; director of China Merchants Finance Holdings Co., Ltd. since December 2015; director of Bosera Funds from September 2018; non-executive director of China Merchants Bank (listed on the SSE, stock code: 600036, listed on the Stock Exchange, stock code: 3968) since September 2014; general manager of China Merchants Finance Holdings Co., Ltd. from September 2015 to February 2019; supervisor of China Merchants Capital Co., Ltd. from January 2016 to August 2018; director of China Merchants Innovation Investment Management Co., Ltd. from November 2015 to August 2018; chairman of the board of China Shipping Leasing Co., Ltd from August 2013 to August 2015; non-executive director of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Stock Exchange, stock code: 2866) from June 2013 to December 2015; executive director of COSCO SHIPPING Energy Transportation Co., Ltd. (listed on the SSE, stock code: 600026; listed on the Stock Exchange, stock code: 1138) from May 2013 to August 2015; chairman of the board of China Shipping Finance Co., Ltd. from May 2011 to July 2015; chief accountant of China Shipping (Group) Company (中國海運(集團)總公司) (currently known as China Shipping Group Co., Ltd. (中國海運集團有限公司)) from March 2011 to August 2015; director of Huishang Bank Corporation Limited (listed on the Stock Exchange, stock code: 3698) from December 2009 to May 2011; director of Anhui Province Wenergy Company Limited (listed on the SZSE, stock code: 000543) from April 2008 to September 2011; and chief accountant and deputy general manager of Anhui Province Energy Group Co., Ltd. from May 2007 to April 2011 and from November 2010 to April 2011, respectively.

Ms. SU obtained a bachelor's degree in finance from Shanghai University of Finance and Economics in July 1990, and a master's degree in business administration from the University of Science and Technology of China in December 2002. She was granted the qualifications of Certified Public Accountant, Certified Public Valuer and senior accountant in June 1998, June 1999 and June 2008, respectively.

**Mr. SU Jian (粟健)**, aged 48, has served as the non-executive Director since June 2017. Mr. SU has experience in financial affairs and relevant management. Specifically, he has been head of the finance department (property rights department) of China Merchants Group since July 2017; non-executive director of Sinotrans Limited (listed on the SSE, stock code: 601598; listed on the Stock Exchange, stock code: 0598) since June 2019; director of China Merchants Port Group Co., Ltd. (招商局港口集團股份有限公司) (listed on the SZSE, stock code: 001872) since December 2018; director of China Merchants Expressway Network & Technology Holdings Co., Ltd. (招商局公路網絡科技控股股份有限公司) (listed on the SZSE, stock code: 001965) since January 2018; executive director of China Merchants Port Holdings Company Limited (listed on the Stock Exchange, stock code: 0144) since October 2017; director of China Merchants Energy Shipping Co., Ltd. (listed on the SSE, stock code: 601872) from August 2017 to January 2019. He served as deputy head (as the person in charge at the grade of head) of the finance department (property rights department) of China Merchants Group from January 2017 to July 2017. Mr. SU served as deputy general manager of China Merchants Industry Holdings Co., Ltd. from May 2016 to January 2017; deputy head of the human resources department of China Merchants Group from February 2014 to May 2016; senior manager, assistant to the head and then deputy head of the finance department of China Merchants Group from September 2009 to February 2014; senior manager of the finance department of China Merchants Shekou Industrial Zone Company Limited from August 2008 to August 2009; head and senior manager of the finance department of China Merchants Group from August 2002 to August 2008; and clerk, head and then financial manager of China Merchants International Travel Service Limited. from July 1993 to August 2002.

Mr. SU obtained a bachelor's degree in economics from Shanghai University of Finance and Economics in 1993. Mr. SU obtained the qualifications as a non-practising member of the Chinese Institute of Certified Public Accountants and an Intermediate Accountant in 2000 and 2002, respectively.

**Mr. XIONG Xianliang (熊賢良)**, aged 52, has served as the non-executive Director since December 2014. Mr. XIONG has experience in strategic management and research. Specifically, he has been director of the research and development center of China Merchants Group and dean of China Merchants Technology and Innovation Research and Development Institute (招商局科技創新發展研究院) since August 2018; head of the strategic development department of China Merchants Group since March 2015 (head of the security and supervision department of China Merchants Group from February 2017 to October 2018; head of information management department and research department of China Merchants Group from March 2015 to September 2017); a non-executive director of Sinotrans Limited (listed on the SSE, stock code: 601598; listed on the Stock Exchange, stock code: 0598) since June 2019; executive director of China Merchants Port Holdings Company Limited (listed on the Stock Exchange, stock code: 00144) since June 2018. He served as the general manager (head) of the strategic research department of China Merchants Group from October 2011 to February 2015; and non-executive director of China Merchants Bank (listed on the SSE, stock code: 600036; listed on the Stock Exchange, stock code: 3968) from July 2012 to June 2014. Mr. XIONG worked at the Research Office of the State Council from December 2004 to October 2011; at the general group of the steering committee office of the Western Region Development of the State Council (國務院西部開發領導小組辦公室綜合組) from July 2003 to December 2003; at the Chongqing Development

and Planning Commission from December 2000 to December 2004; and at the Development Research Center of the State Council from March 1994 to December 2000.

Mr. XIONG obtained a master's degree and a doctoral degree in global economics from Nankai University in June 1991 and December 1993, respectively. Mr. XIONG was granted the title of Researcher by the Development Research Center of the State Council in September 2000.

**Ms. PENG Lei (彭磊)**, aged 47, has served as the non-executive Director since August 2007. Ms. PENG has relevant management and working experience via serving at management and administrative positions of various securities and finance-related companies. Specifically, she has been director of China Merchants Ping An Asset Management Co. since December 2018; director of China Merchants Commerce Leasing Co., Ltd. (招商局通商融資租賃有限公司) since August 2018; a standing member of the execution committee of China Merchants Financial Services Business Unit (招商局金融事業群／平台) since June 2018; director of China Great Wall Securities Co., Ltd. (listed on the SZSE, stock code: 002939) since June 2011; deputy general manager of China Merchants Finance Holdings Co., Ltd. from April 2016 to February 2019; and director of Morgan Stanley Huaxin Fund Management Co., Ltd. from March 2015 to August 2019. She was director of Bosera Funds from November 2017 to September 2018. Ms. PENG successively served as deputy general manager of the general management department, general manager of the audit department, general manager of the China business department, general manager of the securities department and assistant to the general manager of China Merchants Finance Holdings Co., Ltd. from October 2003 to April 2016. Ms. PENG was executive director of Union Asset Management Company from May 2002 to October 2003.

Ms. PENG obtained a bachelor's degree in economics majoring in business management from Southwestern University of Finance and Economics and a master's degree in economics majoring in finance from Peking University in July 1994 and July 2010, respectively.



**Mr. GAO Hong (高宏)**, aged 52, has served as the non-executive Director since March 2020. Mr. GAO has relevant working experience in financial, insurance and technology enterprises. Specifically, he has served as the standing member of the executive committee of China Merchants Financial Business Unit (招商局金融事業群／平台) since February 2019, the general manager of China Merchants Financial Technology Co., Ltd. since November 2017, and the vice general manager (chief technology officer) of China Merchants Life Insurance Company Limited since February 2017. He served as the chief technology officer of China Merchants Finance Holdings Co., Ltd. from February 2017 to February 2019. He successively served as the general manager of the information technology centre, an assistant to general manager, and the general manager of innovation and development department of Funde Sino Life Insurance Co., Ltd. (富德生命人壽股份有限公司) from June 2010 to January 2017 and served as the assistant to general manager of Funde Insurance Holding Co., Ltd. from July 2015 to January 2017; he successively acted as vice general manager (in charge of work) of the information management department and the assistant to general manager of the group shared service centre of China Insurance (Holdings) Company Limited from March 2005 to June 2010; he served as the general manager of the computer department in the headquarter of Taiping Life Insurance Co., Ltd. from August 2001 to March 2005; and he successively served as an engineer and the business officer of the computer department, an engineer of actuary and information department, the officer and assistant to general manager of software development office under life insurance, and assistant to general manager of the Jilin Branch of China Ping An Insurance Company, from November 1993 to August 2001; he served as an engineer of China Electronics Software Development Co. from August 1992 to November 1993 and as assistant engineer of the first engineering division of Nanjing No. 724 Research Institute from August 1989 to August 1992.

Mr. GAO obtained a bachelor's degree of science in computer software from the Department of Computer Science from Nanjing University in July 1989.

**Mr. HUANG Jian (黃堅)**, aged 50, has served as the non-executive Director since August 2012. Mr. HUANG has finance-related management experience via serving in financial departments and at administrative positions of various companies. Specifically, he has been general manager of the capital operation department of China COSCO Shipping Corporation Limited since September 2016; director of Shanghai Rural Commercial Bank Co., Ltd. since June 2018; director of COSCO SHIPPING Captive Insurance Co., Ltd. since August 2017; director of Lanhai Medical Investment Co., Ltd. (listed on the SSE, stock code: 600896) since May 2017; non-executive director of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Stock Exchange, stock code: 2866) since June 2016; director of COSCO SHIPPING Technology Co., Ltd. (listed on the SZSE, stock code: 002401) from December 2017 to March 2019. Mr. HUANG served as deputy general manager (person-in-charge) of the capital operation department of China COSCO Shipping Corporation Limited from February to August 2016; deputy general manager of the finance department of China COSCO Shipping (Group) Company (中國遠洋運輸(集團)總公司) (currently known as China Ocean Shipping Company Limited (中國遠洋運輸有限公司)) from February 2012 to February 2016; chief financial officer and general manager of the finance department of COSCO Americas Inc. from November 2006 to February 2012; and vice president and general manager of the finance department of COSCO Logistics (Americas), Inc. (中遠物流(美洲)有限公司) (formerly known as Intermodal Bridge Services Inc. (中遠美國內陸運輸公



司)) from September 2004 to November 2006. Mr. HUANG worked at China COSCO Shipping (Group) Company (中國遠洋運輸(集團)總公司) (currently known as China Ocean Shipping Company Limited (中國遠洋運輸有限公司)) from July 1996 to September 2004, and the last position he held was head of the capital management department of finance and capital division. Mr. HUANG was staff member at the finance department of Shenzhen Ocean Shipping Co., Ltd. from July 1993 to July 1996.

Mr. HUANG obtained a bachelor's degree in economics majoring in auditing from Capital University of Economics and Business (formerly known as Beijing Institute of Finance and Trade) and a master's degree in business management from Beijing Institute of Technology in July 1992 and March 2002, respectively. Mr. HUANG obtained the qualifications of accountant and senior accountant from the Ministry of Finance in May 1997 and December 2015, respectively.

**Mr. WANG Daxiong (王大雄)**, aged 59, has served as the non-executive Director since September 2016. Mr. WANG has experience in management of financial companies and listed companies. Specifically, he has been chief executive officer and executive director of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Stock Exchange, stock code: 2866) since May 2016 and chairman of it since July 2019; chairman of the board of directors of COSCO SHIPPING Financial Holdings Co., Limited (currently known as COSCO SHIPPING Investment Holdings Co., Limited) since March 2014; non-executive director of China Merchants Bank Co., Ltd. (listed on the SSE, stock code: 600036; listed on the Stock Exchange, stock code: 3968) since November 2016; and vice chairman of the board of the directors of New China COSCO Financial Holdings Limited (新華遠海金融控股有限公司) since March 2017. Mr. WANG acted as chairman of the board of directors of COSCO SHIPPING Captive Insurance Co., Ltd. from October 2017 to March 2020; director of CIB Fund Management Co., Ltd. from April 2016 to June 2017; executive director of COSCO SHIPPING Energy Transportation Co., Ltd. (listed on the SSE, stock code: 600026; listed on the Stock Exchange, stock code: 1138) from August 1997 to March 2014; non-executive director of COSCO SHIPPING Development Co., Ltd. (listed on the SSE, stock code: 601866; listed on the Stock Exchange, stock code: 2866) from June 2004 to June 2014; vice chairman and chairman of the board of directors of Lanhai Medical Investment Co., Ltd. (listed on the SSE, stock code: 600896) from June 1998 to July 2001 and from July 2001 to April 2014, respectively; and non-executive director of China Merchants Bank from April 1998 to March 2014. Mr. WANG also has working experience relating to financial management via serving as chief accountant, vice president and deputy general manager of China Shipping (Group) Company (中國海運(集團)總公司) (currently known as China Shipping Group Co., Ltd. (中國海運集團有限公司)) from January 1998 to March 2014; head of the finance department and chief accountant of Guangzhou Maritime Transport (Group) Co., Ltd. from January 1996 to January 1998; division head and office chief of the Finance Office of the Guangzhou Maritime Bureau (廣州海運局財務處) from March 1991 to January 1996; deputy head and head of the Finance Division of the Second Cargo of Guangzhou Maritime Bureau (廣州海運局二貨公司) from March 1988 to March 1991; and deputy division head of the Finance Department of the Guangzhou Maritime Bureau (廣州海運局財務部) from December 1987 to March 1988.

Mr. WANG obtained a bachelor's degree majoring in finance and economics from Shanghai Maritime University and an EMBA degree from Shanghai University of Finance and Economics in July 1983 and January 2012, respectively. Mr. WANG also obtained the qualification of senior accountant from Ministry of Transport of the PRC in November 1995.

**Mr. WANG Wen (王文)**, aged 51, has served as the non-executive Director since July 2019. Mr. WANG has relevant working experience in financial and insurance enterprises. Specifically, Mr. WANG has served as the vice president of PICC Life Insurance Company Limited since July 2017; chairman of China-U.S. Insurance Advisory CO., LTD. since May 2017; sales director of PICC Life Insurance Company Limited from July 2015 to January 2017; leader of preparatory group, deputy manager (job leader) and general manager of the Beijing Branch of PICC Life Insurance Company Limited from April 2005 to January 2017; assistant to general manager and deputy general manager of the Beijing Branch of China Pacific Life Insurance Co., LTD. from January 2001 to April 2005; assistant to manager and deputy manager of life insurance department, deputy manager of domestic business department and manager of car insurance department of the Beijing Branch of China Pacific Life Insurance Co., LTD. from August 1995 to January 2001.

Mr. WANG obtained a bachelor's degree and a master's degree in law from Peking University in July 1991 and July 2005, respectively.

#### *Independent non-executive Directors*

**Mr. XIANG Hua (向華)**, aged 49, has served as the independent non-executive Director since July 2017. Mr. XIANG has experience in foreign exchange practices and capital market management. Specifically, he has been chief executive officer of Turui Investment Management Co., Ltd. (圖瑞投資管理有限公司) since January 2018, and he was chief executive officer and chief operating officer of Deepwater Capital Limited from October 2014 to November 2017; general manager of SAFE Investment Company Limited from July 2009 to February 2014; and head of the Central Foreign Exchange Business Center of the State Administration of Foreign Exchange from March 2004 to July 2009. Mr. XIANG successively acted as officer and deputy head of the Balance of Payments Department and General Affairs Department of the State Administration of Foreign Exchange from August 1994 to March 2004.

Mr. XIANG obtained a bachelor's degree in economics from Beijing Normal University and a master's degree in economics from Renmin University of China in 1994 and 2001, respectively.

**Mr. XIAO Houfa (肖厚發)**, aged 52, has served as the independent non-executive Director since July 2017. Mr. XIAO has experience in the practices and management of accounting firms. Specifically, he has been principal partner of HuaPu TianJian Certified Public Accountants LLP (currently known as RSM China (容誠會計師事務所(特殊普通合夥))) since January 2014. Mr. XIAO served as chief accountant of HuaPu TianJian Certified Public Accountants (Beijing) Co., Ltd. (華普天健會計師事務所(北京)有限公司) from December 2008 to December 2013; chief accountant of Anhui HuaPu Certified Public Accountants (安徽華普會計師事務所) from September 1999 to December 2008; founder and deputy chief accountant of Anhui HuaPu Certified Public Accountants (安徽華普會計師事務所) from January 1999 to August 1999; and staff member in Anhui Certified Public Accountants (安徽會計師事務所) from July 1988 to December 1998.

Mr. XIAO obtained a bachelor's degree in accounting from Shanghai University of Finance and Economics in July 1988. Mr. XIAO has received the title of senior accountant and is a certified public accountant.

**Mr. XIONG Wei (熊偉)**, aged 44, has served as the independent non-executive Director since August 2017. Mr. XIONG has experience in conducting researches on economics and finance via teaching at Princeton University since July 2000 where he has become professor of economics in July 2007 and Trumbull-Adams Professor of Finance in July 2014; director of Shenzhen Finance Institute, The Chinese University of Hong Kong, Shenzhen since January 2016; academic dean of the School of Economics and Management at The Chinese University of Hong Kong, Shenzhen since June 2015 and academic advisor at Hong Kong Institute for Monetary Research since July 2012.

Mr. XIONG obtained a bachelor's degree in physics from the University of Science and Technology of China, a master's degree in physics from Columbia University in the United States and a doctoral degree in finance from Duke University in the United States in July 1993, May 1995 and May 2001, respectively.

**Mr. HU Honggao (胡鴻高)**, aged 65, has served as the independent non-executive Director since July 2017. Mr. HU has experience in conducting researches on and practising law. Specifically, Mr. HU has been professor of law and doctoral advisor at Fudan University since January 2008, while currently serving as independent director of Shanghai Chinafortune Co Ltd (上海華鑫股份有限公司) (listed on the SSE, stock code: 600621) since May 2017; independent director of Shanghai Amarsoft Information & Technology Co., Ltd (上海安碩信息技術股份有限公司) (listed on the SZSE stock code: 300380) since March 2017; independent director of Perfect Group Corp., Ltd. (倍加潔集團股份有限公司) (listed on the SSE, stock code: 603059) since June 2016; independent director of Shanghai Tofflon Science and Technology Co., Ltd (上海東富龍科技股份有限公司) (listed on the SZSE, stock code: 300171) since March 2014. Mr. HU was vice dean, professor of law and doctoral advisor of Law School at Fudan University from January 2001 to December 2007; head, professor of law and doctoral advisor of law department at Fudan University from December 1996 to December 2000.

Mr. HU obtained a bachelor's degree in law from Peking University in 1983.

**Mr. WONG Ti (汪棣)**, aged 61, has served as the independent non-executive Director since January 2018. He has experience in the operation and management of an accounting firm. Specifically, Mr. WONG has been an independent director of China International Fund Management Co., Ltd. (上投摩根基金管理有限公司) since April 2019; independent non-executive director of 51 Credit Card Inc. (listed on the Stock Exchange, stock code: 2051) since July 2018; independent director of Fosun United Health Insurance Co., Ltd. (復星聯合健康保險股份有限公司) since July 2017, the independent director of Asia-Pacific Property & Casualty Insurance Co., Ltd. since April 2016 and supervisor of Vivasolis Biotechnology Co., Ltd. (中國台灣旭昶生物科技股份有限公司) since August 2016. Mr. WONG was also a partner of PricewaterhouseCoopers (PwC) China from 1998 to 2015, manager of Coopers & Lybrand China (中信永道會計師事務所) from 1990 to 1998, and auditor of Coopers & Lybrand Los Angeles (中信永道會計師事務所) from 1987 to 1990.

Mr. WONG obtained a bachelor's degree in accounting from the Department of Business Administration of National Taiwan University in 1982 and a Master of Business Administration (MBA) degree from University of California, Los Angeles in 1986. Mr. WONG obtained a qualification as a certified public accountant in China in October 2002.

#### *Supervisors*

**Ms. ZHOU Linda Lei (周語菡)**, aged 51, has served as the chairman of the Supervisory Committee since July 2014. Ms. ZHOU was executive director of China Merchants China Direct Investments Limited (listed on the Stock Exchange, stock code: 0133) from March 2008 to September 2014 and from March 2002 to September 2005; managing director of China Merchants China Investment Management Limited from February 2008 to May 2014 and from February 2002 to July 2005; and independent director of China Merchants Fund from September 2007 to November 2013. Ms. ZHOU served as independent director of Jiangxi Selon Industrial Co., Ltd. (listed on the SZSE, stock code: 002748) from May 2008 to May 2014; and supervisor of Industrial Bank Co., Ltd. (listed on the SSE, stock code: 601166) from April 2008 to October 2013.

Ms. ZHOU obtained a bachelor's degree in economics majoring in finance and accounting from Renmin University of China and a master's degree in business administration from Sonoma State University of the California State University in July 1989 and January 1993, respectively.

**Mr. LI Xiaofei (李曉霏)**, aged 49, has served as the Supervisor since July 2014. Mr. LI has been a standing member of the execution committee of China Merchants Financial Services Business Unit (招商局金融事業群／平台) since June 2018; supervisor of China Greatwall Securities Co., Ltd. (listed on the SZSE, stock code: 002939) since July 2015; deputy general manager of China Merchants Finance Holdings Co., Ltd. from November 2017 to February 2019; assistant to the general manager of China Merchants Finance Holdings Co., Ltd. from November 2014 to November 2017; general manager of the human resources department of China Merchants Finance Holdings Co., Ltd. from May 2010 to September 2016; senior manager of the human resources department of China Merchants Group from October 2006 to May 2010; and manager of the administration and human resources department and secretary to the board of directors of Grand Auto Park Company Limited (深圳市平方汽車園區有限公司) from October 2003 to October 2006. Mr. LI joined Shenzhen Nanyou (Holdings) Ltd. since July 1993, and has held such positions as secretary (chief at section level) of the general manager office, deputy manager of the planning and development department and deputy manager of the leasing department.

Mr. LI obtained a master's degree in economics majoring in labour economics from Renmin University of China in January 2004.

**Mr. WANG Zhangwei (王章為)**, aged 47, has served as the Supervisor since June 2017. Mr. WANG has been chief compliance officer of China Merchants Financial Services Business Unit (招商局金融事業群／平台) since April 2019; director of Shenzhen Yan Qing Investment and Development Co. Ltd., Shenzhen Chu Yuan Investment and Development Co., Ltd. and Jisheng Investment since November 2014; and supervisor of CM Finance Investment since September 2011. He was assistant to the general manager of China Merchants Finance Holdings Co., Ltd. from May 2016 to April 2019; general manager of Shenzhen Yan Qing Investment and Development Company Ltd. from November 2014 to August 2018; general manager of Shenzhen Chuyuan Investment and Development Company Ltd. from November 2014 to July 2018; general manager of Jisheng Investment from November 2014 to July 2018. Mr. WANG was general manager of the finance department of China Merchants Finance Holdings Co., Ltd. from June 2008 to May 2016; senior manager of the audit department of China Merchants Group from August 2002 to June 2008; manager of the finance department of China Merchants Technology Holdings Co., Ltd. from May 2001 to August 2002; manager of the audit department of China Merchants Shekou Holdings Co., Ltd. from April 2000 to May 2001.

Mr. WANG obtained a bachelor's degree from Dongbei University of Finance and Economics and an MBA degree from University of South Australia in July 1995 and April 2008, respectively. He is a certified public accountant in the PRC and an international certified internal auditor.



**Mr. MA Yunchun (馬蘊春)**, aged 52, has served as the Supervisor since June 2017. Mr. MA has been the director and the general manager of Hebei Port Group Investment Management Co., Ltd. (河北港口集團投資管理有限公司) (currently known as Hebei Port Group (Tianjin) Investment Management Co., Ltd (河北港口集團(天津)投資管理有限公司)), and chairman of the board of directors and general manager of Hebei Port Group Shanghai Investment Company (河北港口集團上海投資有限公司) since January 2016. Mr. MA served as manager of First Company of Qinhuangdao Port Co., Ltd. (秦皇島港口有限公司一公司) from June 2008 to January 2016; manager of First Company of Qinhuangdao Port Co., Ltd. (秦皇島港口有限公司一公司) from March 2008 to June 2014; manager of Logistics Company of Qinhuangdao Port Co., Ltd. (秦皇島港口有限公司物流公司) from September 2003 to March 2008; deputy manager of Sixth Company of Qinhuangdao Port Co., Ltd. (秦皇島港口有限公司六公司) from April 2003 to September 2003; head of the lading team of Sixth Company of Qinhuangdao Port Co., Ltd. (秦皇島港口有限公司六公司) from April 2001 to April 2003; vice head of the lading team of Sixth Company of Qinghuangdao Port Co., Ltd. (秦皇島港口有限公司六公司) from May 1998 to April 2001; and cadre of the electromechanical division of Sixth Company of Qinghuangdao Port Co., Ltd. (秦皇島港口有限公司六公司) from April 1994 to May 1998. Mr. MA worked in Shanhaiguan Bridge Works from July 1989 to September 1991.

Mr. MA obtained a bachelor's degree and a master's degree in welding from Tianjin University in July 1989 and April 1994, respectively.

**Mr. FANG Xiaobing (房小兵)**, aged 49, has served as the Supervisor since July 2011. Mr. FANG has been the standing member of the Party Committee and deputy general manager of China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司) since December 2019; general manager of the financial management department of China Communications Construction Company Ltd. (listed on the SSE, stock code: 601800; listed on the Stock Exchange, stock code: 1800) from August 2014 to February 2020; supervisor of Jiang Tai Insurance Brokers Co., Ltd. since October 2015; director of CCCC Finance Company Limited (中交財務有限公司) since March 2016; director of CCCC Fund Management (Beijing) Co., Ltd.; since August 2016; supervisor of Yellow River Property & Casualty Insurance Co., Ltd. since August 2017; director of CCCC Financial Leasing Co., Ltd. since May 2018; Mr. FANG once held the following positions at China Communication Construction Company Limited: executive general manager and chief financial officer of the overseas business department from July 2013 to August 2014; and chief accountant of the overseas business department from December 2011 to July 2013. Mr. FANG served as general manager of the financial funding department of China Communications Construction Group (Limited) from April 2011 to June 2012. Mr. FANG worked at China Harbor Construction (Group) Company (中國港灣建設(集團)總公司) from November 1994 to September 2005, and the highest position he held was deputy general manager of the finance department.

Mr. FANG obtained a bachelor's degree in engineering majoring in finance from Changsha University of Science & Technology (formerly known as Changsha College of Transportation), a master's degree in business administration from Fordham University in the U.S. and a doctoral degree in administration from Beijing Jiaotong University in June 1993, February 2006 and June 2016, respectively. Mr. FANG was granted the title of Official Senior Accountant in December 2015 by China Communications Construction Company Limited.

**Mr. ZHANG Zehong (張澤宏)**, aged 47, has served as the Supervisor since July 2011. Mr. ZHANG has been vice president of Shenzhen Huaqiang Holdings Limited since August 2014; director of Shenzhen Huaqiang Industry Co., Ltd. (listed on the SZSE, stock code: 000062) since June 2012; he has been director of Shenzhen Huaqiang Electronic Commerce Co., Ltd. and holds concurrently the positions of director, general manager and supervisor in various subsidiaries of Huaqiang Holdings, including Shenzhen Huaqiang Group Finance Company Limited, Shenzhen Huaqiang Asset Management Group Co., Ltd., Shenzhen Qianhai Huaqiang Financial Holdings Co., Ltd., Kunyi Hengxin Venture Capital Co., Ltd., (currently known as Huaqiang Venture Capital Co., Ltd.) Shenzhen Huaqiang Supply Chain Management Company Limited and Fantawild Holdings Inc. since April 2013; Mr. ZHANG served as general manager of Huaqiang Industry from June 2012 to August 2014; vice president of Huaqiang Holdings from November 2011 to June 2012; assistant to the president of Huaqiang Holdings from January 2007 to November 2011; managing director of Shenzhen Huaqiang Dingxin Investment Co., Ltd. from December 2008 to June 2012; and head of the auditing department, finance department, and settlement center of Huaqiang Holdings from October 2003 to October 2008.

Mr. ZHANG obtained a bachelor's degree in economics majoring in accounting from Xi'an Shiyou University (formerly known as Xi'an Shiyou College) and a master's degree in economics majoring in accounting from Shaanxi Institute of Finance and Economics (now merged into Xi'an Jiaotong University) in June 1994 and July 1997, respectively. Mr. ZHANG was granted the title of Intermediate Accountant by the Ministry of Finance in May 1999.

**Ms. YIN Hongyan (尹虹艷)**, aged 49, has served as the employee representative Supervisor since August 2007. Ms. YIN has been the head of the Human Resources Department since June 2020 and the general manager of the Human Resources Department from August 2018 to May 2020. She was general manager of our Department of Retail Brokerage and Department of Operations and Administration from August 2017 to August 2018. Ms. YIN served as deputy general manager and then general manager of our Department of Operations and Administration from April 2009 to August 2017; manager of our Shenzhen Fumin Road securities branch from April 2007 to April 2009; assistant to the general manager of our Private Customer Service Department from January 2006 to April 2007; deputy manager of our Shenzhen Fumin Road securities branch from January 2005 to January 2006; and assistant to manager and head of the customer service department of our Shenzhen Zhenhua Road securities branch from July 2000 to February 2005.

Ms. YIN obtained a doctoral degree in law majoring in sociology from Nankai University in June 2006.

**Ms. HE Min (何敏)**, aged 45, has served as the employee representative Supervisor since July 2009. Ms. HE has been general manager of the finance department of the Company since February 2019; director of CMS Asset Management since July 2019; directors of China Merchants Futures and CMS Zhiyuan since May 2019; chairman of the board of supervisors of Bosera Funds since April 2019. Ms. HE served as deputy general manager of our Finance Department from April 2009 to February 2019, and assistant to the general manager of our Finance Department from April 2006 to April 2009. Ms. HE started her service at our Finance Department from July 1999.

Ms. HE obtained a bachelor's degree in economics majoring in accounting and a master's degree in management majoring in accounting, both from Zhongnan University of Economics and Law (formerly Zhongnan University of Finance and Economics), in July 1996 and June 1999, respectively. Ms. HE was granted the qualification of Certified Public Accountant in October 1999 by the Chinese Institute of Certified Public Accountants.



**Mr. XIONG Zhigang (熊志綱)**, aged 42, has served as the employee representative Supervisor since May 2017. He has served as director and general manager of CMS Asset Management since December 2019. He was supervisor of CMS Asset Management since May 2019 to December 2019; and general manager of the audit department of the Company from December 2017 to December 2019 and supervisor of China Merchants Securities Investment Co., Ltd. from December 2017 to December 2019. Mr. XIONG was chief compliance officer, chief risk officer and secretary to the board of directors of CMS Asset Management from May 2015 to December 2017. He worked for the preparatory panel of China Merchants CMS Asset Management from October 2014 to April 2015. Mr. XIONG served as officer and deputy head of the CSRC Shenzhen Office from September 2003 to August 2014; and financial manager of the financial management department of Huawei Technologies Co., Ltd. from July 2000 to August 2003.

Mr. XIONG obtained a bachelor's degree in economics majoring in auditing from Nankai University and a master's degree in finance from Beijing University in June 2000 and July 2007, respectively. Mr. XIONG was granted the qualifications of Certified Public Accountant by the Chinese Institute of Certified Public Accounts, Internal Auditor by the China Institute of Internal Audit, International Internal Auditor (IIA) by the Institute of Internal Auditors as well as the title of Intermediate Accountant by the Ministry of Finance of the PRC in December 2004, November 2001, November 2001 and May 2004, respectively.

#### *Senior management*

**Mr. XIONG Jiantao (熊劍濤)**, aged 51, has served as the president and the chief information officer of the Company since December 2018 since July 2019, respectively. Please refer to Mr. XIONG's biography under the paragraph headed "Executive Directors" above.

**Ms. DENG Xiaoli (鄧曉力)**, aged 52, has served as the vice president of the Company since November 2005. She has been chairman of the board of directors of CMS Asset Management since March 2019 and chairman of the board of directors of CMS Zhiyuan since January 2019. She served as the chief risk officer of the Company from August 2014 to December 2018; and has been director of China Merchants Fund since November 2006; vice chairman of the board of directors of China Merchants Fund since November 2013. She was a director of CMS International from January 2006 to January 2019; secretary to the Board from August 2014 to December 2014; and deputy general manager and then general manager of the risk management department of the Company from March 2002 to March 2006 (during such period she had been seconded by the CSRC to be a member of the administrative take-over group of China Southern Securities). Ms. DENG was senior analyst in the risk management department of Citigroup Inc. from August 1998 to October 2001; and senior risk analyst of Providian Financial Corporation from June 1997 to August 1998.

Ms. DENG obtained a bachelor's degree in science majoring in management science from Shandong University, a master's degree and a doctoral degree in economics from the State University of New York in July 1989, December 1993 and December 1996, respectively. Ms. DENG was granted the title of Senior Economist (Finance) in December 2013.

**Mr. LI Zongjun (李宗軍)**, aged 55, has served as the vice president of the Company since July 2015. Mr. LI has been chairman of the board of directors of China Merchants Futures since March 2019, director of E-Capital Transfer Co., Ltd since January 2019. He served as chairman of the board of directors of CMS Zhiyuan from January 2015 to January 2019; assistant to the president of the Company from December 2014 to July 2015; deputy general manager of China Merchants Food Supply Chain Management Co., Ltd. (招商局食品供應鏈管理有限公司) from January 2014 to September 2014; deputy general manager of China Merchants Capital Investments Co., Ltd. from April 2013 to January 2014; deputy general manager of the corporate planning department of China Merchants Group from February 2006 to April 2013; assistant to general manager of China Merchants Holdings (International) Company Limited (currently known as China Merchants Port Holdings Company Limited (listed on the Stock Exchange, stock code: 00144)) from March 2003 to February 2005; deputy manager of the overseas listing department of China COSCO Shipping (Group) Company (中國遠洋運輸(集團)總公司) (currently known as China Ocean Shipping Company Limited (中國遠洋運輸有限公司))'s asset management center from September 1997 to April 1999; and assistant to the general manager of COSCO Group Finance Company. (中遠集團財務公司) and general manager of its Beijing securities department from March 1994 to October 1997.

Mr. LI obtained a bachelor's degree in economics and a master's degree in economics, both from Nankai University, in July 1987 and April 1990, respectively. Mr. LI was granted the qualification of senior economist by the Ministry of Transport of the PRC in October 1998.

**Mr. WU Huifeng (吳慧峰)**, aged 46, has served as the vice president of the Company since November 2018 and the Company's secretary to the Board since December 2014; assistant to the president of the Company from May 2014 to March 2015; co-general manager of the Board office from June 2014 to June 2015; a Supervisor from July 2007 to May 2014; and a Director from May 2004 to July 2007. Mr. WU held the following positions in China Merchants Finance Holdings Co., Ltd.: deputy general manager from September 2013 to May 2014; assistant to the general manager from July 2008 to September 2013; general manager of the human resources department from June 2008 to May 2010; and general manager of the finance and audit department from June 1999 to June 2008. Mr. WU served as deputy manager of the finance department of Shanghai Nanshan Real Estate Development Co., Ltd. (上海南山房地產開發有限公司) (formerly known as Shanghai Chengnan Real Estate Development Company (上海誠南房地產開發公司)) from August 1998 to June 1999; and employee and head of the settlement center of China Nanshan Development (Group) Co., Ltd. from June 1996 to August 1998.

Mr. WU obtained a bachelor's degree in economics majoring in accounting from the Shanghai University of Finance and Economics and a master's degree in economics majoring in finance from Peking University in June 1996 and January 2012, respectively. Mr. WU was granted the qualification of accountant in May 1998 by the Ministry of Finance of the PRC.

**Mr. ZHAO Bin (趙斌)**, aged 50, has served as the vice president of the Company since November 2018; executive director of China Merchants Securities Investment Co., Ltd. since January 2019; chief compliance officer of CMS Asset Management since January 2018; chairman of the supervisory committee of China Merchants Fund since September 2017; chief compliance officer of the Company from January 2016 to December 2018; director of CMS Asset Management from July 2015 to May 2019; and director of China Merchants Futures from July 2008 to May 2019. Mr. ZHAO served as the general manager of the Department of Retail Brokerage of the Company from April 2008 to January 2016, and during such period, he also served as the general manager of the Channel Management Department of the Company from April 2013 to January 2014. Mr. ZHAO was the employee representative Supervisor from July 2007 to May 2011; general manager of Private Customer Service Department of the Company from January 2006 to April 2009; manager of Shenzhen Nanshan Nanyou Road securities branch of the Company from August 2001 to January 2006; deputy manager (person-in-charge) of Shenzhen Longgang securities branch of the Company from August 1999 to August 2001; and assistant to the general manager of Brokerage Business Department of the Company from January 1999 to August 1999; assistant to the manager and manager of Haikou branch of the Company from March 1996 to December 1998; head of Futian branch of the Company from May 1995 to March 1996; and staff member of the securities department of China Merchants Bank and CMB Securities Company from July 1992 to May 1995.

Mr. ZHAO obtained a bachelor's degree in economics majoring in international finance from Shenzhen University and a master's degree in science majoring in project management from the University of Greenwich in June 1992 and December 2010 respectively.

**Mr. HU Yu (胡宇)**, aged 56, has been the compliance officer and chief risk officer of the Company since December 2018. From August to November 2018, he was the deputy head of capital operation department of China Merchants Group. He served as the member of CPC Committee and the secretary of Disciplinary Committee of Guangdong Bureau of the CSRC from November 2016 to July 2018. From February 2015 to October 2016, he was the member of CPC Committee and the secretary of Disciplinary Committee of Hainan Bureau of the CSRC. He served as the deputy principal staff member of Department of Policy and Regulations, the principal staff member of Department of Intermediary Supervision, the deputy officer and director of Office of the Party Committee as well as the director of No.1 Inspection Office of Shenzhen Bureau of the CSRC from July 1996 to January 2015. He has taught at the foreign language teaching and research office of Jiangxi Medical College from July 1989 to August 1994. From September 1981 to August 1985, he was a teacher in Xishan Middle School (西山中學).

Mr. HU obtained a bachelor of arts degree from Jiangxi Normal University (江西師範大學) and a master's degree in Finance from Graduate School of People's Bank of China in July 1989 and July 1996, respectively.

**Mr. WU Guangyan (吳光焰)**, aged 51, has served as the vice president of the Company since February 2019. He has been the chairman of the board of directors of CMS International since December 2018. He served as the general manager of the department of international business of the Company from November 2018 to June 2020; assistant to the president of the Company from July 2018 to February 2019; general manager of CMS Asset Management from April 2015 to August 2019; general manager of the head office of the asset management department of the Company from January 2014 to April 2015; general manager of private customer service department of the Company from April 2009 to January 2014; deputy general manager (person-in-charge) of department of operations and administration of the Company from January 2008 to April 2009; person in charge of department of credit card business and operation of the headquarter of Ping An Bank Co., Ltd. from April 2007 to January 2008; general manager of IT department of the Shenzhen branch of China Guangfa Bank Co., Ltd. from August 2002 to April 2007; technical manager of IT Center of the headquarter of China Merchants Bank from June 1995 to April 2002; engineer of radio research institute of Wuhan from June 1988 to September 1992.

Mr. WU obtained a bachelor's degree in inspection technique and equipment as well as a master's degree in pattern recognition and intelligent control from the automatic control department of Huazhong University of Science and Technology in June 1988 and June 1995, respectively.

**Mr. XIE Jijun (謝繼軍)**, aged 48, has served as the vice president of the Company since March 2019. He served as general manager of the head office of investment banking segment of the Company from April 2008 to April 2020. He served as managing director of the head office of the investment banking segment of the Company from April 2008 to February 2019; executive director (person-in-charge) of the head office of the investment banking segment of the Company from June 2007 to April 2008; and successively acted as team head, deputy general manager and executive director of the head office of investment banking segment of the Company from June 2000 to June 2007; assistant to the general manager and senior manager of investment banking segment of China Southern Securities Co., Ltd. (南方證券有限公司) since October 1996 to June 2000; and held the position of officer of corporate management segment of Shenzhen Navigation Group Co., Ltd. (深圳市航運總公司) from July 1994 to October 1996.

Mr. Xie obtained a bachelor's degree in thermal energy engineering from the Department of Naval Architecture and Marine Engineering of South China University of Technology in July 1994; a master's degree in international economic and trade relations and economics from Nankai University and Flinders University in Australia in October 2004; and an EMBA from China Europe International Business School in September 2011. Mr. Xie was registered as the first batch of sponsor representatives in the PRC in 2004.

Saved as disclosed above, none of Directors, Supervisors and senior management of the Company held any directorship in any public companies, the shares of which are listed in Hong Kong or overseas stock markets, during the last three years prior to the date of this prospectus.

**Directors' and Supervisors' Employment with Substantial Shareholders**

As at the Latest Practicable Date, the following Directors and Supervisors were in the employment of those companies which had interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

<b>Name of Director and Supervisor</b>	<b>Name of Shareholder</b>	<b>Position held</b>
Ms. SU Min	China Merchants Group	Standing vice officer of the execution committee of Financial Services Business Unit
	CM Finance Investment	General manager
Mr. SU Jian	China Merchants Group	Head of the finance department (property right department)
Mr. XIONG Xianliang	China Merchants Group	Director of development research center; Head of strategic development department
Ms. PENG Lei	China Merchants Group	Standing member of the execution committee of Financial Services Business Unit
Mr. GAO Hong	China Merchants Group	Standing member of the execution committee of China Merchants Financial Services Business Unit
Mr. HUANG Jian	China COSCO Shipping Corporation Limited	General manager of capital operation department
Mr. WANG Daxiong	COSCO SHIPPING Investment Holdings Co., Limited	Chairman of the board of directors
Mr. WANG Wen	PICC Life Insurance Company Limited	Vice president

Name of Director and Supervisor	Name of Shareholder	Position held
Mr. LI Xiaofei	China Merchants Group	Standing member of the Executive Committee of Financial Services Business Unit
Mr. WANG Zhangwei	China Merchants Group	Chief auditor of China Merchants Financial Services Business Unit
	CM Finance Investment	Supervisor
	Jisheng Investment	Director

As of the Latest Practicable Date, the interests in the shares of the Company owned by China Merchants Group, CM Finance Investment, China COSCO Shipping Corporation Limited, COSCO SHIPPING Investment Holdings Co., Limited and PICC Life Insurance Company Limited, which are required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

#### PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION

Joint Global Coordinators and Underwriters (H Share Rights Issue)	<b>China Merchants Securities (HK) Co., Limited</b> 48/F One Exchange Square 8 Connaught Place Central Hong Kong
	<b>CLSA Limited</b> 18/F One Pacific Place 88 Queensway Hong Kong
Sponsor (A Share Rights Issue)	<b>CITIC Securities Company Limited</b> CITIC Securities Tower No. 48 Liangmaqiao Road Chaoyang District Beijing, PRC

Legal Advisers to the Company	<i>as to Hong Kong and U.S. laws</i> <b>King &amp; Wood Mallesons</b> 13/F Gloucester Tower The Landmark 15 Queen's Road Central Central, Hong Kong  <i>as to PRC law</i> <b>King &amp; Wood Mallesons</b> 18/F East Tower World Financial Center 1 Dongsanhuan Zhonglu Chaoyang District Beijing, PRC  <i>Offices in the King &amp; Wood Mallesons network also advised on securities laws of Australia, England, Germany and Japan.</i>
Legal Advisers to the Underwriters	<i>as to Hong Kong and U.S. laws</i> <b>Freshfields Bruckhaus Deringer</b> 55/F, One Island East Taikoo Place Quarry Bay Hong Kong  <i>as to PRC law</i> <b>AllBright Law Offices</b> 22/F & 23/F Tower 1 Excellence Century Centre Fu Hua 3 Road, Futian District Shenzhen, PRC
Auditors and Reporting Accountants	<b>Deloitte Touche Tohmatsu</b> <i>Certified Public Accountants</i> 35/F One Pacific Place 88 Queensway Hong Kong
H Share Registrar and Transfer Office	<b>Computershare Hong Kong Investor Services Limited</b> Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong



Registered Office of the Company	No.111, Fuhua Yi Road Futian Street Futian District Shenzhen Guangdong, PRC
Principal place of business of the Company in Hong Kong	48/F, One Exchange Square 8 Connaught Place Central Hong Kong
Joint Company Secretaries of the Company	Mr. WU Huifeng (吳慧峰) Ms. KWONG Yin Ping Yvonne (鄺燕萍) ( <i>FCIS, FCS</i> ) Ms. KWONG is a fellow of The Hong Kong Institute of Chartered Secretaries and a fellow of The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) since December 2012.
Authorized Representatives of the Company	Mr. WU Huifeng (吳慧峰) No. 111, Fuhua Yi Road Futian Street, Futian District Shenzhen, Guangdong PRC  Ms. Peng Lei (彭磊) No.111, Fuhua Yi Road Futian Street, Futian District Shenzhen, Guangdong PRC
Principal Bank of the Company	<b>China Merchants Bank Co., Ltd.</b> 7088 Shennan Boulevard Futian District, Shenzhen Guangdong PRC

## SHARE CAPITAL

The registered share capital of the Company as at the Latest Practicable Date is RMB6,699,409,329.

The following table sets out the Company's current shareholding structure and its proposed shareholding structure upon completion of the Rights Issue:

Share class	Total number of issued Shares before the Rights Issue as at the Latest Practicable Date	Percentage of the total number of issued Shares	Number of Shares to be issued under the Rights Issue	Total number of issued Shares immediately after the Rights Issue	Percentage of the total number of issued Shares immediately after the Rights Issue
H Shares	980,401,180	14.63%	294,120,354 <sup>(Note 1)</sup>	1,274,521,534 <sup>(Note 1)</sup>	14.66%
A Shares	5,719,008,149	85.37%	1,702,997,123 <sup>(Note 2)</sup>	7,422,005,272 <sup>(Note 2)</sup>	85.34%
Total	6,699,409,329	100.00%	1,997,117,477	8,696,526,806	100.00%

Notes:

1. Assuming the H Share Rights Issue becomes unconditional and the H Rights Shares are fully subscribed for and no further H Rights Shares are issued by the Company.
2. On the basis that the A Share Rights Issue becomes unconditional and 99.26% of the A Rights Shares have been subscribed for and no further A Rights Shares are issued by the Company.

All H Shares and A Shares presently in issue rank *pari passu* in all respects as regards voting, dividends, distribution and return of capital.

The H Rights Shares to be allotted and issued pursuant to the H Share Rights Issue will, when issued and fully paid, rank *pari passu* in all respects with the H Shares then in issue as regards voting, dividends, distributions and return of capital.

The H Shares in issue are listed on the Stock Exchange. The A Shares in issue are listed on the SSE. Save as disclosed, no part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, the Company is not a party to any agreements to issue new Shares and none of the members of the Group had any other outstanding options or convertible securities.

# DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVE OF THE COMPANY

As at the Latest Practicable Date (without taking into account the effect of the A Share Rights Issue), the Directors, Supervisors or the chief executive of the Company who had interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO): (i) which were required to be notified to the Company and the Stock Exchange, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Stock Exchange are as follows:

Name	Capacity/ nature of interest	Class	Number of Shares directly or indirectly held	Approximate shareholding percentage of the Company	Approximate shareholding percentage of total issued A Shares/H Shares
<b>Directors</b>					
Mr. HUO Da	Beneficial owner	A Shares	408,624 <sup>(note)</sup>	0.0061%	0.0071%
Mr. XIONG Jiantao	Beneficial owner	A Shares	408,624 <sup>(note)</sup>	0.0061%	0.0071%
<b>Supervisors</b>					
Ms. ZHOU Linda Lei	Beneficial owner	A Shares	330,042 <sup>(note)</sup>	0.0049%	0.0058%
Ms. YIN Hongyan	Beneficial owner	A Shares	157,163 <sup>(note)</sup>	0.0023%	0.0027%
Ms. HE Min	Beneficial owner	A Shares	78,581 <sup>(note)</sup>	0.0012%	0.0014%
Mr. XIONG Zhigang	Beneficial owner	A Shares	157,163 <sup>(note)</sup>	0.0023%	0.0027%

*Note:*

Mr. HUO Da, Mr. XIONG Jiantao, Ms. ZHOU Linda Lei, Ms. YIN Hongyan, Ms. HE Min, Mr. XIONG Zhigang participated in the CMS Asset Management – CMS No.1 Employee Stock Ownership Scheme (single Asset Management Scheme). The number of Shares is calculated based on the proportion of the relevant participants' contributions to the scheme. The scheme was established as the asset management under the Employee Stock Ownership Scheme of the Company for the purpose of holding A Shares for the participants of the Employee Stock Ownership Scheme.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as the Directors are aware, as at the Latest Practicable Date (without taking into account the effect of the A Share Rights Issue), the persons other than a Director or chief executive of the Company who had interests or short positions in the Shares and underlying Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO are as follows:

Name of Shareholders	Capacity/ nature of interest	Class	Number of Shares directly or indirectly held	Approximate shareholding percentage of the Company	Approximate shareholding percentage of total issued A Shares/ H Shares
China Merchants Group	Interest held by controlled corporations <sup>(Note 1)</sup>	A Shares	2,886,027,221	43.08%	50.46%
	Interest held by controlled corporations <sup>(Note 2)</sup>	H Shares	67,706,400	1.01%	6.91%
CM Finance Investment	Beneficial owner and interest of corporation controlled by substantial shareholders <sup>(Note 3)</sup>	A Shares	2,886,027,221	43.08%	50.46%
Jisheng Investment	Beneficial owner	A Shares	1,310,719,131	19.56%	22.92%
China COSCO	Interest held by controlled corporations <sup>(Note 4)</sup>	A Shares	510,336,550	7.62%	8.92%
	Interest held by controlled corporations <sup>(Note 5)</sup>	H Shares	159,844,400	2.39%	16.30%
China Ocean Shipping Company Limited (中國遠洋運輸有限公司)	Beneficial owner	A Shares	418,948,014	6.25%	7.33%

Name of Shareholders	Capacity/ nature of interest	Class	Number of Shares directly or indirectly held	Approximate shareholding percentage of the Company	Approximate shareholding percentage of total issued A Shares/ H Shares
PICC Life Insurance Company Limited (中國人民人壽保險股份 有限公司)	Beneficial owner	H Shares	333,300,000	4.98%	34.00%
COSCO SHIPPING Investment Holdings Co., Limited	Beneficial owner	H Shares	159,844,400	2.39%	16.30%
Best Winner	Beneficial owner	H Shares	67,706,400	1.01%	6.91%

*Notes:*

1. China Merchants Group holds 100% of the equity interest in CM Finance Investment and Jisheng Investment and is deemed to be interested in the same number of A Shares which CM Finance Investment (23.51%) and Jisheng Investment (19.56%) are interested in under the SFO.
2. China Merchants Group holds 100% of the equity interest in Best Winner, and is deemed to be interested in the same number of H Shares which Best Winner (1.01%) is interested in under the SFO.
3. CM Finance Investment directly holds 23.51% of the equity interest in the Company. CM Finance Investment controls 100% interest in Jisheng Investment. Therefore, it is deemed to be interested in the same number of A Shares held by Jisheng Investment (19.56%) by virtue of the SFO, accruing to 43.08% interest in aggregate both directly and indirectly.
4. China COSCO holds 100% of the equity interest in China Ocean Shipping Company Limited (中國遠洋運輸有限公司) and China Shipping Group Co., Ltd. (中國海運集團有限公司), and is therefore deemed to be interested in the same number of A Shares which China Ocean Shipping Company Limited (6.25%) and COSCO Shipping (Guangzhou) Co., Ltd. (中遠海運(廣州)有限公司) (1.25%), a wholly-owned subsidiary of China Shipping Group Co., Ltd., COSCO SHIPPING Investment Holdings Co., Limited (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. According to the SFO, China COSCO is deemed to be interested in the same number of H Shares which COSCO SHIPPING Investment Holdings Co., Limited (2.39%), a wholly-owned subsidiary of China Shipping Group Co., Ltd. (中國海運集團有限公司), is interested in.

So far as the Directors are aware as at the Latest Practicable Date, the following persons (other than Directors, Supervisors and the chief executives) were directly or indirectly, be interested in 10% or more of the issued voting shares of any other members of the Group:

**Interests of substantial shareholders in our member companies (excluding our Company)**

Member of the Group	Name of shareholder with 10% or more enquiry Interest (other than us)	Approximate percentage of shareholding of the substantial shareholder
Shenzhen China Merchants Zhiyuan Equity Investment and Fund Management Co., Ltd. (深圳市招商致遠股權投資基金管理有限公司)	China Merchants Capital Management Co., Ltd. (招商局資本管理有限責任公司)	30%
Qingdao Guoxin China Merchants Private Equity Fund Management Co., Ltd. (青島國信招商私募基金管理有限公司)	Qingdao Guoxin Capital Investment Co., Ltd. (青島國信資本投資有限公司)	35%
Shenyang China Merchants and Business Development and Funds Investment Management Co., Ltd. (沈陽招商創業發展投資管理有限公司)	China Merchants Capital Management Co., Ltd. (招商局資本管理有限責任公司)	30%
Chizhou Zhongan China Merchants Equity Investment and Fund Management Co., Ltd. (池州中安招商股權投資管理有限公司)	Anhui Railway Development Fund Co., Ltd. (安徽省鐵路發展基金股份有限公司)	18%
	Hebei Port Group(Tianjin) Investment Management Co., Ltd. (河北港口集團(天津)投資管理有限公司)	10%
Anhui Jiaokong China Merchants Private Equity Fund Management Co., Ltd. (安徽交控招商私募基金管理有限公司)	Anhui Jiaokong Capital Investment Management Co., Ltd. (安徽交控資本投資管理有限公司)	27.5%

**EXPERT**

The following is the qualification of the expert who has given its opinion or advice which is contained in this prospectus:

<b>Name</b>	<b>Qualification</b>	<b>Nature of report/advice</b>	<b>Date of report/advice</b>
Deloitte Touche Tohmatsu	Certified Public Accountants	Report on the unaudited pro forma financial information of the Group	July 28, 2020

Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and references to its name in the form and context in which they are included.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any shareholding in any member of the Group, or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As of the Latest Practicable Date, the above expert did not have interest in any assets which have been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group since December 31, 2019, being the date to which the latest published audited consolidated accounts of the Company were made up.

**DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or Supervisors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

**DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS AND/OR CONTRACTS**

As at the Latest Practicable Date, none of the Directors or Supervisors had interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or have been proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2019, being the date to which the latest published audited consolidated accounts of the Company were made up.

As at the Latest Practicable Date, none of the Directors, Supervisors or their respective associates was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.



**MATERIAL ADVERSE CHANGE**

There was no material adverse change in the financial or trading positions of the Group since December 31, 2019, being the date to which the latest published audited consolidated accounts of the Company were made up.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The Prospectus Documents and the written consent of Deloitte Touche Tohmatsu as referred to under the paragraph headed “Expert” in this appendix have been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Hong Kong Companies (WUMP) Ordinance.

**MATERIAL LITIGATION**

As of the Latest Practicable Date, no member of the Group was involved in any material litigation or arbitration and there was no material litigation or claim known to the Directors to be pending or threatened by or against any member of the Group.

**MATERIAL CONTRACT**

Set out below is the information on the material contract, not being contract entered into the ordinary course of business, which was entered into by the Group during the two years immediately preceding the date of this prospectus and up to the Latest Practicable Date:

- (a) the Underwriting Agreement.

**RESTRICTION AFFECTING REMITTANCE OF PROFIT AND CAPITAL**

A significant part of the Group’s turnover and operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. Under the PRC existing foreign exchange regulations, the foreign exchange disbursements under current accounts (including payment of dividends, trade and service-related foreign exchange) can be paid with self-owned foreign exchange or foreign exchange bought from designated financial institutions for foreign exchange operations without prior approval from PRC foreign exchange administrative department by complying with certain procedural requirements. However, for the foreign exchange disbursements under capital account (such as the repayment of foreign debts and foreign investments), which are required to be registered with or approved by the competent bank or governmental authority according to applicable PRC laws and regulations, such registration or approval shall be obtained before paying the foreign exchange disbursements with self-owned foreign exchange or foreign exchange bought from designated financial institutions for foreign exchange operations.

Save as disclosed above, the Directors are not aware of any other restriction affecting the remittance of profits or repatriation of capital of the Group into Hong Kong from outside Hong Kong.

**GENERAL**

- (a) The expenses in connection with the H Share Rights Issue and the A Share Rights Issue, including the financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting charges, are estimated to amount to approximately RMB81.03 million and will be payable by the Company.
- (b) The expenses in connection with the A Share Rights Issue, including the underwriting sponsorship fee, legal fees, accounting fees, information disclosure fees, rights issue registration and other fees, are estimated to amount to approximately RMB22.00 million and will be payable by the Company.
- (c) In any event of any inconsistency, the English language text of this document shall prevail over the Chinese language text.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of King & Wood Mallesons at 13/F Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong, during normal business hours for a period of 14 days from the date of this prospectus:

- (1) the Articles of Association;
- (2) the annual reports for each of the three years ended December 31, 2019;
- (3) the report on the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (4) the written consent referred to in the paragraph headed "Expert" in this appendix;
- (5) the material contract referred to in the paragraph headed "Material Contract" in this appendix;
- (6) the announcements of the Company dated March 12, 2019 and July 6, 2020;
- (7) the circular of the Company dated April 29, 2019 in relation to, among other things, the Rights Issue Plans;
- (8) the circular of the Company dated April 29, 2020 in relation to, among other things, the extension of the validity period of the resolutions in respect of the Rights Issue Plans; and
- (9) the Prospectus Documents.