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

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

(Stock Code: 6099)

**CONNECTED TRANSACTION
IN RELATION TO
PROPOSED ACQUISITION OF EQUITY INTEREST
IN PROJECT COMPANY**

PROPOSED ACQUISITION

The Board is pleased to announce that, on 27 November 2020 (after trading hours), CMS Investment (a wholly-owned subsidiary of the Company), CMRE Suzhou and the Project Company entered into the Cooperation Agreement, pursuant to which (among other things), CMS Investment agreed to purchase, and CMRE Suzhou agreed to sell, 24.5% equity interest of the Project Company for a consideration of RMB299,470,463.34.

As at the date of this announcement, CMRE Suzhou holds 100% equity interest of the Project Company, which in turn holds the land use right of the Target Land. Upon completion of the Proposed Acquisition, the Project Company will not become a subsidiary of CMS Investment.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, China Merchants Group is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. CMRE Suzhou, a wholly-owned subsidiary of CM Shekou (which is in turn held by China Merchants Group as to 63.98% as of 30 September 2020), is therefore an associate of China Merchants Group and a connected person of the Company under the Listing Rules. Accordingly, the Proposed Acquisition will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

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THE COOPERATION AGREEMENT

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

Date	: 27 November 2020 (after trading hours)
Parties	: (1) CMS Investment (as the purchaser); (2) CMRE Suzhou (as the vendor); and (3) the Project Company.
Equity interest to be acquired	: 24.5% equity interest of the Project Company
Consideration	: The consideration payable by CMS Investment to CMRE Suzhou for the Proposed Acquisition under the Cooperation Agreement is RMB299,470,463.34. The consideration is payable by CMS Investment in cash within ten business days from the execution date of the Cooperation Agreement.

The parties to the Cooperation Agreement further agreed that the consideration will be first deducted from such earnest money paid by CMS Investment. The remaining amount of the consideration (if any) will be settled by CMS Investment in cash within the prescribed period in the Cooperation Agreement.

The consideration was arrived with reference to the following aspects:

1. the valuation report issued by an asset valuation company who is an Independent Third Party, which set out the valuation of the Project Company's net assets as of 31 May, 2020 in the amount of RMB69.9 thousand;
2. the paid in registered capital of the Project Company in July 2020, being RMB1.22 billion;
3. 24.5% equity interest of the Project Company for which CMS Investment will subscribe.

The Proposed Acquisition will be funded by the internal resources of the Group.

Completion of the transfer

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- After the execution of the Cooperation Agreement, CMS Investment and CMRE Suzhou shall proceed with the legal procedural requirements for the completion of the transfer of the equity interest in the Project Company pursuant to the Cooperation Agreement, including (among others) registration with relevant local administrative and industry authorities of (i) the transfer of equity interest in the Project Company and (ii) the appointment of such directors and supervisors of the Project Company nominated by CMS Investment; and obtaining the new business license issued to the Project Company. The Proposed Acquisition will complete after completion of the above procedural requirements as set out in the Cooperation Agreement.

Purpose

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- Based on the principles of equality, mutual benefit, mutual cooperation and joint development, CMS Investment and CMRE Suzhou agreed to jointly develop and construct, through the Project Company, certain projects on the Target Land.

INFORMATION ON THE PROJECT COMPANY

The Project Company is a company established under the laws of the PRC on 20 April 2020. As the date of this announcement, the Project Company holds the land use right of the Target Land and intends to develop and construct certain projects on the Target Land.

Based on the unaudited management accounts of the Project Company for the period from its incorporation to 31 August 2020, the total assets of the Project Company as at 31 August 2020 is approximately RMB1,528,079,870.00, and the unaudited net loss of the Project Company for the period from its incorporation up to 31 August 2020 is RMB410,982.43.

Further information regarding the Target Land is set out as follows:

Location	: R2, Yang Xi No. 5 Property, Huishan District, Wuxi, Jiangsu, the PRC
Area of the Target Land	: Approximately 83,010.2 square meters
Land use	: R2 Category 2 Residential Land
Term of the land use rights	: 70 years, from 24 April 2020 to 23 April 2090

REASONS FOR AND BENEFITS OF PROPOSED ACQUISITION

The Proposed Acquisition can optimize the asset allocation structure of equity investment business of CMS Investment and improve the efficiency of capital utilization by the coordination of internal resources of China Merchants Group and its subsidiaries.

The Directors (excluding Mr. HUO Da, Mr. SU Jian, Mr. XIONG Xianliang, Ms. SU Min, Mr. XIONG Jiantao, Ms. PENG Lei and Mr. GAO Hong who are required to abstain from voting on the relevant Board resolutions, but including independent non-executive Directors) are of the view that the terms of the Proposed Acquisition have been negotiated on an arm's length basis and are on normal commercial terms and are fair and reasonable, and the Proposed Acquisition is in the interests of the Group and the Shareholders as a whole.

APPROVALS FOR PROPOSED ACQUISITION

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

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, China Merchants Group is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. CMRE Suzhou, a wholly-owned subsidiary of CM Shekou (which is in turn held by China Merchants Group as to 63.98% as of 30 September 2020), is therefore an associate of China Merchants Group and a connected person of the Company under the Listing Rules. Accordingly, the Proposed Acquisition will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable ratio (as defined in the Listing Rules) for the Proposed Acquisition exceeds 0.1% but less than 5%, the Proposed Acquisition is subject to the reporting and announcement requirements, but exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

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

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

The principal scope of business of CM Shekou is development and operation of properties, communities, and shipping industry.

The principal scope of business of CMRE Suzhou includes but not limited to real estate development and operation, property sales, leasing and management, enterprise management and real estate project consulting management.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to this term under the Listing Rules
“A Shares”	domestic shares of the Company, with a normal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi and are listed for traded on the Shanghai Stock Exchange
“Board” or “Board of Directors”	the board of Directors of the Company
“China Merchants Group”	China Merchants Group Limited* (招商局集團有限公司), a state-owned enterprise established in the PRC in October 1986, which is directly administered by State-owned Assets Supervision and Administration Commission of the State Council and is a controlling shareholder of the Company

“CM Shekou”	China Merchants Shekou Industrial Zone Holdings Co., Ltd.* (招商局蛇口工業區控股股份有限公司), a company incorporated in the PRC and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 001979)
“CMRE Suzhou”	China Merchants Real Estate (Suzhou) Co., Ltd.* (招商局地產(蘇州)有限公司), a company incorporated in the PRC and is a wholly-owned subsidiary of CM Shekou
“CMS Investment”	China Merchants Securities Investment Co., Ltd.* (招商證券投資有限公司), a company incorporated in the PRC and is a wholly-owned subsidiary of the Company
“Company”	China Merchants Securities Co., Ltd. (招商證券股份有限公司), a joint stock limited company incorporated in the PRC under the laws of the PRC in August 1993; the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6099) and the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 600999)
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to this term under the Listing Rules
“Cooperation Agreement”	the cooperation agreement dated 27 November 2020 entered into between CMS Investment, CMRE Shekou and the Project Company in relation to the transfer of equity interest in the Project Company
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“H Shares”	overseas-listed foreign shares in the share capital of the Company with nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are listed for trading on the Stock Exchange

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purposes of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Project Company”	Wuxi Ruishang Real Estate Development Co., Ltd.* (無錫瑞商房地產開發有限公司), a company incorporated in the PRC
“Proposed Acquisition”	the proposed acquisition of 24.5% equity interest in the Project Company by CMS Investment from CMRE Suzhou pursuant to the Cooperation Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Land”

XDG-2019-22, Yang Xi No. 5 Land Parcel, Huishan District,
Wuxi (無錫市惠山區洋溪5號地塊XDG-2019-22號)

“%”

per cent.

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

Shenzhen, the PRC

27 November 2020

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

* *For identification purpose only*