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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 ACQUISITIONS OF EQUITY INTEREST IN
HANGZHOU ZHAOYING AND CHANGSHA RENHUI**

PROPOSED ACQUISITIONS

The Board is pleased to announce that, on 23 December 2020 (after trading hours), CMS Investment (a wholly-owned subsidiary of the Company) entered into:

- (a) the Hangzhou Cooperation Framework Agreement with CMRE Hangzhou and Hangzhou Zhaoying, pursuant to which (among other things), CMS Investment agreed to purchase, and CMRE Hangzhou agreed to sell, 24% equity interest of Hangzhou Zhaoying for a consideration not exceeding RMB500,000,000; and
- (b) the Changsha Cooperation Framework Agreement with Zhuhai Yiyun and Changsha Renhui, pursuant to which (among other things), CMS Investment agreed to purchase, and Zhuhai Yiyun agreed to sell, approximately 18.4% equity interest of Changsha Renhui for a consideration not exceeding RMB300,000,000. Such equity interest of Changsha Renhui will be held by CMS Investment through a joint venture to be established and controlled by Zhuhai Yiyun as to 51% interest and CMS Investment as to 49% interest.

As at the date of this announcement, CMRE Hangzhou holds 100% equity interest of Hangzhou Zhaoying, which has reached a land transfer agreement with Hangzhou government and will hold the land use right of the Hangzhou Land, while Zhuhai Yiyun holds 100% equity interest of Changsha Renhui, which in turn holds the land use right of the Changsha Land, Upon completion of the Proposed Acquisitions, neither Hangzhou Zhaoying nor Changsha Renhui will 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.

Each of CMRE Hangzhou and Zhuhai Yiyun is 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), and is therefore an associate of China Merchants Group and a connected person of the Company under the Listing Rules. Accordingly, the Proposed Acquisitions will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the Proposed Acquisitions and the Previous Acquisition were entered into with entities controlled by CM Shekou within a 12-month period prior to and inclusive of the date of the Cooperation Framework Agreements, the Proposed Acquisitions and the Previous Acquisition are aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable ratio (as defined in the Listing Rules) for the Proposed Acquisitions (when aggregated with the Previous Acquisition) exceeds 0.1% but less than 5%, the Proposed Acquisitions are 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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- (b) the Changsha Cooperation Framework Agreement with Zhuhai Yiyun and Changsha Renhui, pursuant to which (among other things), CMS Investment agreed to purchase, and Zhuhai Yiyun agreed to sell, approximately 18.4% equity interest of Changsha Renhui for a consideration not exceeding RMB300,000,000. Such equity interest of Changsha Renhui will be held by CMS Investment through a joint venture to be established and controlled by Zhuhai Yiyun as to 51% interest and CMS Investment as to 49% interest.

As at the date of this announcement, CMRE Hangzhou holds 100% equity interest of Hangzhou Zhaoying, which has reached a land transfer agreement with Hangzhou government and will hold the land use right of the Hangzhou Land, while Zhuhai Yiyun holds 100% equity interest of Changsha Renhui, which in turn holds the land use right of the Changsha Land, Upon completion of the Proposed Acquisitions, neither Hangzhou Zhaoying nor Changsha Renhui will become a subsidiary of CMS Investment.

THE HANGZHOU COOPERATION FRAMEWORK AGREEMENT

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

Date	:	23 December 2020 (after trading hours)
Parties	:	(1) CMS Investment (as the purchaser); (2) CMRE Hangzhou (as the vendor); and (3) Hangzhou Zhaoying.
Equity interest to be acquired	:	24% equity interest of Hangzhou Zhaoying
Earnest Money and basis of determination	:	Pursuant to the Hangzhou Cooperation Framework Agreement, CMS Investment agreed to pay to CMRE Hangzhou the following amount in cash as earnest money for the proposed acquisition of equity interest in Hangzhou Zhaoying: (a) an amount of RMB499,640,384 as first instalment of the earnest money on or before 24 December 2020 determined based on (A) 24% of the total purchase price of the Hangzhou Land; and (B) relevant tax and expenses and other capital commitment previously made by Hangzhou Zhaoying; and

- (b) a supplemental earnest money at request of Hangzhou Zhaoying in satisfaction of its cash needs for development, construction and operation of the Hangzhou Land before the completion of the Proposed Acquisitions.

The parties to the Hangzhou Cooperation Framework Agreement agreed that the total amount of earnest money to be paid by CMS Investment shall not exceed RMB500,000,000, and may later be settled as part of the final consideration.

The final consideration for the Proposed Hangzhou Acquisition will be agreed between CMS Investment and CMRE Hangzhou in the final definitive cooperation agreement in relation to Hangzhou Zhaoying, which is expected to be entered into on or before December 2021. Further, the final consideration will be concluded with reference to the valuation of Hangzhou Zhaoying as of a base date no later than 31 December 2020.

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

Definitive Agreement : Based on the principles of equality and mutual benefit, the parties to the Hangzhou Cooperation Framework Agreement agreed that they will continue to negotiate the terms of the final definitive cooperation agreement in relation to Hangzhou Zhaoying with an aim to reach an agreement in principle on or before 31 December 2021, which may be further extended by agreement among the parties. In the event where the parties fail to reach a definitive cooperation agreement within the period as mentioned above, CMRE Hangzhou will return the earnest money paid to CMS Investment, with a fund occupation fee.

Purpose : Based on the principles of equality and mutual benefit, mutual cooperation, mutual support and mutual development, CMS Investment and CMRE Hangzhou agreed to jointly develop and construct, through Hangzhou Zhaoying, certain projects on the Hangzhou Land.

THE CHANGSHA COOPERATION FRAMEWORK AGREEMENT

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

Date : 23 December 2020 (after trading hours)

Parties : (1) CMS Investment (as the purchaser);
(2) Zhuhai Yiyun (as the vendor); and
(3) Changsha Renhui.

Equity interest to be acquired : approximately 18.4% equity interest of Changsha Renhui, which will be held by CMS Investment through a joint venture to be established and controlled by Zhuhai Yiyun as to 51% interest and CMS Investment as to 49% interest.

Earnest Money and basis of determination : Pursuant to the Changsha Cooperation Framework Agreement, CMS Investment agreed to pay to Zhuhai Yiyun the following amount in cash as earnest money for the proposed acquisition of equity interest in Changsha Renhui:

(a) an amount of RMB284,512,280 as first instalment of the earnest money on or before 24 December 2020 determined based on (A) 18.4% of the total purchase price of the Changsha Land; and (B) relevant tax and expenses and other capital commitment previously made by Changsha Renhui; and

- (b) a supplemental earnest money at request of Changsha Renhui in satisfaction of its cash needs for development, construction and operation of the Changsha Land before the completion of the Proposed Changsha Acquisition.

The parties to the Changsha Cooperation Framework Agreement agreed that the total amount of earnest money to be paid by CMS Investment shall not exceed RMB300,000,000, and may later be settled as part of the final consideration.

The final consideration for the Proposed Changsha Acquisition will be agreed between CMS Investment and Zhuhai Yiyun in the final definitive cooperation agreement in relation to Changsha Renhui, which is expected to be entered into on or before December 2021. Further, the final consideration will be arrived with reference to the valuation of Changsha Renhui as of a base date no later than 31 December 2020.

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

Definitive Agreement : Based on the principles of equality and mutual benefit, the parties to the Changsha Cooperation Framework Agreement agreed that they will continue to negotiate the terms of the final definitive cooperation agreement in relation to Changsha Renhui with an aim to reach an agreement in principle on or before 31 December 2021, which may be further extended by agreement among the parties. In the event where the parties fail to reach a definitive cooperation agreement within the period as mentioned above, Zhuhai Yiyun will return the earnest money paid to CMS Investment, with a fund occupation fee.

Purpose : Based on the principles of equality and mutual benefit, mutual cooperation, mutual support and mutual development, CMS Investment and Zhuhai Yiyun (among others) agreed to jointly develop and construct, through Changsha Renhui, certain projects on the Changsha Land.

INFORMATION ON HANGZHOU ZHAOYING AND CHANGSHANG RENHUI

Hangzhou Zhaoying is a company established under the laws of the PRC on 7 July 2020. As the date of this announcement, Hangzhou Zhaoying has reached a land transfer agreement with Hangzhou government and will hold the land use right of the Hangzhou Land and intends to develop and construct certain projects on the Hangzhou Land.

Based on the unaudited management accounts of Hangzhou Zhaoying for the period from its incorporation to 30 November 2020, the total assets of Hangzhou Zhaoying as at 30 November 2020 is approximately RMB1,933,303,278.45, and the unaudited net loss of Hangzhou Zhaoying for the period from its incorporation up to 30 November 2020 is RMB3,584,421.53.

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

Location	: Xiangbei Unit, Xiaoshan District, Hangzhou, Zhejiang, the PRC
Area of the Hangzhou Land	: Approximately 37,265 square meters
Land use	: Residential Land, Land for Service Facilities and Office Administration, Commercial Land
Term of the land use rights	: 70 years commencing from Hangzhou Zhaoying's formal acquisition of the Hangzhou Land (with respect to residential land) and 40 years commencing from Hangzhou Zhaoying's formal acquisition of the Hangzhou Land (with respect to land for service facilities and office administration, and commercial land)

Changsha Renhui is a company established under the laws of the PRC on 1 September 2020. As the date of this announcement, Changsha Renhui holds the land use right of the Changsha Land and intends to develop and construct certain projects on the Changsha Land.

Based on the unaudited management accounts of Changsha Renhui for the period from its incorporation to 30 November 2020, the total assets of Changsha Renhui as at 30 November 2020 is approximately RMB1,527,529,855.95, and the unaudited net loss of Changsha Renhui for the period from its incorporation up to 30 November 2020 is RMB200,692.75.

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

Location	: Leifeng Avenue, Wang Yue Street, Yuelu District, Changsha, Hunan, the PRC
Area of the Changsha Land	: Approximately 111,084.56 square meters
Land use	: Residential Land
Term of the land use rights	: 70 years, from 1 September 2020 to 1 September 2090

REASONS FOR AND BENEFITS OF PROPOSED ACQUISITIONS

The Proposed Acquisitions 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, the chairman of the Board, 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 each of the Proposed Acquisitions have been negotiated on an arm's length basis and are on normal commercial terms and are fair and reasonable, and each of the Proposed Acquisitions is in the interests of the Group and the Shareholders as a whole.

APPROVALS FOR PROPOSED ACQUISITIONS

The Proposed Acquisitions are 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, 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.

Each of CMRE Hangzhou and Zhuhai Yiyun is 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), and 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 Proposed Acquisitions and the Previous Acquisition were entered into with entities controlled by CM Shekou within a 12-month period prior to and inclusive of the date of the Cooperation Framework Agreements, the Proposed Acquisitions and the Previous Acquisition are aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable ratio (as defined in the Listing Rules) for the Proposed Acquisitions (when aggregated with the Previous Acquisition) exceeds 0.1% but less than 5%, the Proposed Acquisitions are 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 industrial parks, residential and commercial real-estate and cruise homeport.

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

The principal scope of business of Zhuhai Yiyun 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:

“A Shares”	domestic shares of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi and are listed for traded in the Shanghai Stock Exchange
“associate(s)”	has the meaning ascribed to this term under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of the Company
“Changsha Cooperation Framework Agreement”	the cooperation framework agreement dated 23 December 2020 entered into between CMS Investment, Zhuhai Yiyun and Changsha Renhui in relation to the transfer of equity interest in Changsha Renhui
“Changsha Land”	Leifeng Avenue, Wang Yue Street, Yuelu District, Changsha, Hunan, the PRC (中國湖南省長沙市岳麓區望岳街道雷鋒大道)
“Changsha Renhui”	Changsha Renhui Real Estate Development Co., Ltd.* (長沙仁惠房地產有限公司), a company incorporated in the PRC
“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 Hangzhou”	China Merchants Real Estate (Hangzhou) Co., Ltd.* (招商局地產(杭州)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 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 Framework Agreements”	Hangzhou Cooperation Framework Agreement and Changsha Cooperation Framework Agreement
“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
“Hangzhou Cooperation Framework Agreement”	the cooperation framework agreement dated 23 December 2020 entered into between CMS Investment, CMRE Hangzhou and Hangzhou Zhaoying in relation to the transfer of equity interest in Hangzhou Zhaoying
“Hangzhou Land”	Xiangbei Unit, Xiaoshan District, Hangzhou, Zhejiang, the PRC (中國浙江省杭州市蕭山區湘北單元)

“Hangzhou Zhaoying”	Hangzhou Zhaoying Real Estate Development Co., Ltd.* (杭州招盈房地產開發有限公司), a company incorporated in the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purposes of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Previous Acquisition”	the proposed acquisition of 24.5% equity interest in Wuxi Ruishang Real Estate Development Co., Ltd.* (無錫瑞商房地產開發有限公司) by CMS Investment from China Merchants Real Estate (Suzhou) Co., Ltd.* (招商局地產(蘇州)有限公司) pursuant to a cooperation agreement dated 27 November 2020, details of which is set out in the Company’s announcement dated 27 November 2020
“Proposed Acquisitions”	Proposed Hangzhou Acquisition and Proposed Changsha Acquisition
“Proposed Changsha Acquisition”	the proposed acquisition of approximately 18.4% equity interest of Changsha Renhui from Zhuhai Yiyun pursuant to the Changsha Cooperation Framework Agreement
“Proposed Hangzhou Acquisition”	the proposed acquisition of 24% equity interest in Hangzhou Zhaoying by CMS Investment from CMRE Hangzhou pursuant to the Hangzhou Cooperation Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Zhuhai Yiyun”

Zhuhai Yiyun Real Estate Co., Ltd.* (珠海依雲房地產有限公司), a company incorporated in the PRC and is a wholly-owned subsidiary of CM Shekou

“%”

per cent.

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

Shenzhen, the PRC

23 December 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*