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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 FORMATION OF PARTNERSHIP**

### **FORMATION OF PARTNERSHIP**

The Board is pleased to announce that on April 18, 2022, CMS Investment (a wholly-owned subsidiary of the Company, as a Limited Partner) entered into the Partnership Agreement with CMGX (as the General Partner), CM Capital Holding (as a Limited Partner) and Nantong Zhaohua (as a Limited Partner), pursuant to which, the total capital contribution of the Partnership shall be RMB1,601.101 million, of which RMB1,500 million shall be contributed by CMS Investment, RMB100 million shall be contributed by CM Capital Holding, RMB1.001 million shall be contributed by Nantong Zhaohua and RMB0.1 million shall be contributed by CMGX. The Partnership is formed to invest principally in industry sectors including but not limited to, technology, internet, consumer, healthcare and education.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, both CMGX (as the General Partner) and CM Capital Holding (as a Limited Partner) are wholly-owned subsidiaries of CM Capital Investment which is in turn ultimately owned as to 50% by China Merchants Group, the controlling shareholder of the Company, and thus are associates of China Merchants Group. Therefore, CMGX and CM Capital Holding are connected persons of the Company under the Listing Rules. Accordingly, the formation of the Partnership will constitute a connected transaction under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios (as defined in the Listing Rules) of the transaction contemplated under the Partnership Agreement exceeds 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements, but is exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## **PRINCIPAL TERMS OF THE PARTNERSHIP AGREEMENT**

Principal terms of the Partnership Agreement are set forth below:

**Date** : April 18, 2022

**Parties** : (i) CMGX (as the General Partner);

(ii) CMS Investment (a wholly-owned subsidiary of the Company, as a Limited Partner);

(iii) CM Capital Holding (as a Limited Partner); and

(iv) Nantong Zhaohua (a co-investing platform established and owned by certain management team members of CMGX, as a Limited Partner).

<b>Name of the Partnership</b>	:	Nantong Zhaohua China Merchants Securities Equity Investment Partnership (Limited Partnership)* (南通招華招證股權投資合夥企業(有限合夥))
<b>Term of the Partnership</b>	:	The term of industrial and commercial existence of the Partnership shall be eight years, and the term of operation as the fund shall be six years, commencing from the date when the initial capital contributions from the Partners are made. Among them, the investment period shall be one year, and the exit period shall be five years, which can be extended by one year, respectively.
<b>Fund manager</b>	:	The Manager shall be CMGX (as the General Partner).
<b>Purpose and business scope of the Partnership</b>	:	The purpose of the Partnership is to invest principally in industry sectors including but not limited to, technology, internet, consumer, healthcare services and education.
<b>Capital contribution</b>	:	The total capital contribution to be made by all partners to the Partnership shall be RMB1,601,101,000. The capital contribution to be made by each of the Partners is set out as follows:

<b>Partner</b>	<b>Type</b>	<b>Capital contribution (RMB)</b>	<b>Approximate percentage of interest in the Partnership (%)</b>
CMGX	General Partner	100,000	0.006
CMS Investment	Limited Partner	1,500,000,000	93.686
CM Capital Holding	Limited Partner	100,000,000	6.246
Nantong Zhaohua	Limited Partner	1,001,000	0.063
<b>Total</b>		<b>1,601,101,000</b>	<b>100</b>

The respective capital contribution to the Partnership was determined after arm's length negotiation among the Partners with reference to the capital needs of the Partnership and the Partners' proportionate interests therein.

All capital contribution shall be made in cash, and each of the Partners shall make their respective capital contribution according to the requirements specified in the demand notes (including the payment deadline) to be issued by the Manager at least five business days prior to the prescribed payment deadline. The initial contribution for each Limited Partner shall be no less than RMB1,000,000. Capital contributions made by all Partners to the Partnership shall not be later than December 31, 2024.

The capital contribution to be made by CMS Investment will be funded by internal resources.

**Management of  
the Partnership**

: (1) Manager and management fee

The Manager will be appointed to provide management services to the Partnership and the Partnership shall pay management fee to the Manager. During the investment period (including the extended investment period), the daily management fee shall be 1% of the balance of total paid-in capital contribution of CMS Investment and CM Capital Holding divided by 365. During the exit period (including the extended exit period), the daily management fee shall be 0.8% of the balance of total paid-in capital contribution of CMS Investment and CM Capital Holding divided by 365.

The Manager shall be responsible for (i) analyzing investment projects, conducting due diligence work, designing transaction structures, participating in business negotiations and submitting investment plans to the investment decision committee; (ii) supervising and controlling the invested projects, and submitting an exit plan to the investment decision committee; (iii) performing fund filings and information disclosure obligations in accordance with the requirements of the Asset Management Association of China (中國證券投資基金業協會); and (iv) other responsibilities and authorities in relation to fund management.

(2) Investment decision committee

The Manager shall be responsible for establishing an investment decision committee as a decision-making body for the Partnership. The investment decision committee shall be comprised of five members. CM Capital Management shall be entitled to appoint three members and CMGX shall be entitled to appoint two members. Each member of the investment decision committee shall have one vote. All decisions shall be passed by the written resolutions approved by more than two-thirds of all members of the investment decision committee.

The responsibilities of the investment decision committee include (i) approving the decisions in relation to the investment projects, (ii) approving the revisions to principal terms of the investment projects, (iii) reviewing the decisions in relation to the exiting of the invested projects, and (iv) reviewing and approving the related party transactions the Partnership involved.

(3) Partners meeting

The Partners meeting consists of all Partners to the Partnership which is responsible for resolving the following matters:

- (a) approving the non-cash distribution proposal made by the general partner;
- (b) appointing new manager to the Partnership upon the resignation of the existing manager;
- (c) deciding the dissolution and liquidation plan of the Partnership proposed by the general partner;
- (d) deciding the extension of the investment or exiting period of the Partnership;

- (e) removing the general partner;
- (f) deciding the change of escrow agent; and
- (g) approving any others matters as stipulated under the Partnership Agreement.

**Distribution of profit  
and loss sharing**

: (1) Cash distributable income

Cash distributable income obtained in the form of dividends before the exit of the Partnership project investment and cash distributable income received after the exit (in part or in whole), net of distributable income after incurred and reasonably reserved other Partnership fees other than management fees, shall be distributed within 20 working days after receipt of income in the following order:

- (a) Step 1: distributed in proportion to the Project Investment Principal made by each Partner until all Partners have recovered their respective paid-in capital contribution to the Project;
- (b) Step 2: if any income remains after step 1, distributed to each Limited Partner in proportion to the Project Investment Principal made until the cumulative amount receive by each of the Limited Partners reaches an amount equivalent to a single interest of 6.5% per annum on its respective paid-up capital contribution (from the date of capital contribution to the date on which Partners have received the returned paid-in capital contribution);
- (c) Step 3: if there is any surplus after step 1 and 2 (the “**Remaining Surplus**”), 80% of the Remaining Surplus shall be distributed to the Limited Partners in proportion to the Project Investment Principal and 20% of the Remaining Surplus shall be distributed to the General Partner and Nantong Zhaohua.

(2) Non-cash distributable income

Prior to the liquidation of the Partnership, the General Partner shall make its best efforts to realize the investment of the Partnership and avoid non-cash distribution. Upon the proposal of the General Partner and the approval of the partners' meeting, non-cash distribution is permissible, provided that the value of such non-cash assets shall be determined by the independent asset appraiser.

(3) Loss sharing

Losses of the Partnership shall be shared by all partners based on their respective proportions of the paid-in capital contribution.

**REASONS FOR AND BENEFITS OF THE FORMATION OF THE PARTNERSHIP**

The Group has endeavoured to explore opportunities for potential investments with a view to generate revenue and achieve better returns for its Shareholders. The formation of the Partnership represents a good investment opportunity for the Group to diversify the Group's investment portfolio and generate stable income for the Group. Investment in the industries in line with the new economic growth model of China will enable the Group to increase its asset allocation and investment return in strategic emerging industries.

The Directors (including the independent non-executive Directors, excluding Mr. HUO Da, Mr. LIU Weiwu, Ms. SU Min, Ms. PENG Lei and Mr. GAO Hong) consider that the terms of the formation of the Partnership are conducted on normal commercial terms, entered into in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

As Mr. HUO Da, Mr. LIU Weiwu, Ms. SU Min, Ms. PENG Lei and Mr. GAO Hong are Directors connected to China Merchants Group, they have abstained from voting on the relevant Board resolutions in respect of the formation of the Partnership. Save as mentioned above, none of the other Directors has a material interest in such transaction and is required to abstain from voting on the relevant resolution at the Board meeting.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, both CMGX (as the General Partner) and CM Capital Holding (as a Limited Partner) are wholly-owned subsidiaries of CM Capital Investment which is in turn ultimately owned as to 50% by China Merchants Group, the controlling shareholder of the Company, and thus are associates of China Merchants Group. Therefore, CMGX and CM Capital Holding are connected persons of the Company under the Listing Rules. Accordingly, the formation of the Partnership will constitute a connected transaction under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios (as defined in the Listing Rules) of the transaction contemplated under the Partnership Agreement exceeds 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements, but is exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INFORMATION ON THE COMPANY, THE PARTNERSHIP AND THE PARTNERS**

### **Information on the Company**

The Company is principally engaged in wealth management and institutional business, investment banking business, investment management business, and investment and trading business.

### **Information on CMS Investment**

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

### **Information on China Merchants Group**

China Merchants Group is a state-owned enterprise incorporated in the PRC, which is directly administered by State-owned Assets Supervision and Administration Commission of the State Council and is a controlling shareholder of the Company. Its business focuses on three areas, namely transportation (harbor and related services, toll roads, shipping, logistics, ocean engineering and trade), finance (banking, securities, funds and insurance) and comprehensive development and operation of cities and parks.



### **Information on CMGX**

CMGX is a wholly-owned subsidiary of CM Capital Management. CM Capital Management is wholly owned by CM Capital Investment which is in turn ultimately owned as to 50% by China Merchants Group, the controlling shareholder of the Company, and as to 50% by GLP Capital Investment 5 (HK) Limited, an Independent Third Party. CMGX is primarily engaged in entrusted asset management, investment management, entrusted management of equity investment funds, equity investment, investment in setting up industries; investment consulting.

### **Information on CM Capital Holding**

CM Capital Holding is a wholly-owned subsidiary of CM Capital Investment which is in turn ultimately owned as to 50% by China Merchants Group, the controlling shareholder of the Company, and as to 50% by GLP Capital Investment 5 (HK) Limited, an Independent Third Party. CM Capital Holding is primarily engaged in equity investment, investment in setting up industries, business management consulting, investment consulting.

### **Information on Nantong Zhaohua**

Nantong Zhaohua is a co-investing platform established and owned by certain management team members of CMGX, namely Mr. Yang Baiqian and Mr. Liu Ping as to 99.9993% and 0.0007%, respectively, all of whom are Independent Third Parties. Nantong Zhaohua is primarily engaged in equity investment.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Nantong Zhaohua is an Independent Third Parties and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

## DEFINITIONS

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

“associate”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“China Merchants Group”	China Merchants Group Limited (招商局集團有限公司), a state-owned enterprise established in the PRC in October 1986, which is directly administered by State-owned Assets Supervision and Administration Commission of the State Council and is a controlling shareholder of the Company
“CM Capital Holding”	China Merchants Capital Holdings Co., Ltd. * (招商局資本控股有限責任公司), a company established in the PRC, an associate of China Merchants Group and a limited partner of the Partnership
“CM Capital Investment”	China Merchants Capital Investment Co., Ltd. * (招商局資本投資有限責任公司), a company established in the PRC and an associate of China Merchants Group
“CM Capital Management”	China Merchants Capital Management Co., Ltd. * (招商局資本管理有限責任公司), a company established in the PRC and an associate of China Merchants Group
“CMGX”	Shenzhen China Merchants GuoXie No. 2 Equity Investment Fund Management Co., Ltd. * (深圳市招商國協貳號股權投資基金管理有限公司), a company established in the PRC, an associate of China Merchants Group and the general partner of the Partnership
“CMS Investment”	China Merchants Securities Investment Co., Ltd. (招商證券投資有限公司), a company incorporated in the PRC, a wholly-owned subsidiary of the Company and a limited partner of the Partnership

“Company”	China Merchants Securities Co., Ltd., a joint stock company incorporated in the PRC with limited liability, the H Shares and domestic shares of which are listed on the Main Board of the Stock Exchange (stock code: 6099) and on the Shanghai Stock Exchange (stock code: 600999), respectively
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“General Partners”	the general partner of the Partnership, namely CMGX
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an individual or a company which is not a connected person of the Company within the meaning of the Listing Rules
“Limited Partner(s)”	the limited partners of the Partnership, namely CMS Investment, CM Capital Holding and Nantong Zhaohua
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Manager”	the manager of the fund, namely CMGX
“Nantong Zhaohua”	Nantong Zhaohua Investment Partnership (Limited Partnership)* (南通招華投資合夥企業(有限合夥)), a limited partnership established in the PRC and an Independent Third Parties
“Partner(s)”	the partners of the Partnership, including the General Partners and the Limited Partners
“Partnership”	Nantong Zhaohua China Merchants Securities Equity Investment Partnership (Limited Partnership)* (南通招華招證股權投資合夥企業(有限合夥)), a limited partnership established in the PRC

“Partnership Agreement”	the partnership agreement dated April 18, 2022 entered into among CMGX (as the general partner), CMS Investment (as a limited partner), CM Capital Holding (as a limited partner); and Nantong Zhaohua (as a limited partner) in relation to the formation of the Partnership and the rights and obligations of the partners
“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 Investment Principal”	the corresponding parts in respect of the paid-in capital contribution to the transaction prices of the investment projects actually borne by the Partners
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Shenzhen, the PRC

April 18, 2022

*As at the date of this announcement, the executive director of the Company is Mr. HUO Da; the non-executive directors of the Company are Mr. LIU Weiwu, 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