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招商銀行股份有限公司

**CHINA MERCHANTS BANK CO., LTD.**

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

**(H Share Stock Code: 03968)**

**(Preference Share Stock Code: 04614)**

## **CONTINUING CONNECTED TRANSACTIONS**

### **ENTERING INTO BUSINESS CO-OPERATION AGREEMENT WITH ANBANG INSURANCE**

The Company, as approved by the Board, has entered into the Business Co-operation Agreement with Anbang Insurance on 20 March 2018, for a term of three years commencing on 1 January 2018.

As at the date of this announcement, Anbang Property Casualty directly holds more than 10% of the equity interests in the total ordinary share capital of the Company, and is a substantial shareholder of the Company. Anbang Property Casualty is one of the members of Anbang Insurance Group and is controlled by Anbang Insurance. Accordingly, Anbang Insurance Group is deemed as a connected person of the Company, and the transactions between the Group and Anbang Insurance Group constitute continuing connected transactions under the Hong Kong Listing Rules.

Since one of the applicable percentage ratios (other than the profit ratio) in relation to the annual cap in respect of the service fees for agency sales receivable from Anbang Insurance Group under the Business Co-operation Agreement for each of 2018, 2019 and 2020 is more than 0.1% but less than 5%, the conduct of those transactions will accordingly constitute non-exempt continuing connected transactions of the Company, which are subject to the reporting and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

## **INTRODUCTION**

The Company, as approved by the Board, has entered into the Business Co-operation Agreement with Anbang Insurance on 20 March 2018, for a term of three years commencing on 1 January 2018.

## **RELATIONSHIP BETWEEN THE PARTIES**

As at the date of this announcement, Anbang Property Casualty directly holds more than 10% of the equity interests in the total ordinary share capital of the Company, and is a substantial shareholder of the Company. Anbang Property Casualty is one of the members of Anbang Insurance Group and is controlled by Anbang Insurance. Accordingly, Anbang Insurance Group is deemed as a connected person of the Company, and the transactions between the Group and Anbang Insurance Group constitute continuing connected transactions under the Hong Kong Listing Rules.

## **BUSINESS CO-OPERATION AGREEMENT**

Principal terms of the Business Co-operation Agreement are as follows:

- Date: 20 March 2018
- Parties: (a) the Company; and  
(b) Anbang Insurance
- Term: From 1 January 2018 to 31 December 2020 (both days inclusive)
- Description of transaction: The Group will provide Anbang Insurance Group with agency sales services of insurance products, and will receive from it the service fees for agency sales. Members of the Group may, from time to time and as necessary, enter into separate implementation agreements with Anbang Insurance Group for each of its specific insurance products. The terms of any such implementation agreement will be governed by the Business Co-operation Agreement, and as such will not constitute new categories of continuing connected transactions
- Pricing principles: The service fees for agency sales payable by Anbang Insurance Group will be on an arm's length basis and calculated on normal commercial terms, and shall be priced in accordance with the following principles:
- (i) to follow the fee as prescribed by the PRC Government; or
  - (ii) where there is no PRC Government prescribed fee but a Government guidance fee exists, to follow the Government guidance fee; or
  - (iii) where there is neither a PRC Government prescribed fee nor a Government guidance fee, to follow the fees to be agreed between the parties based on arm's length negotiations. In any event, the service fees for agency sales shall be at rate(s) no less favourable than those offered to independent third parties in the ordinary and usual course of business
- Payment terms: Payments of the service fees will be settled in arrears by way of cash transfer, or such other manners as agreed by the parties and in accordance with the agreed timing and manners as specified in the implementation agreements to be entered into between the Group and Anbang Insurance Group from time to time

The transactions contemplated under the Business Co-operation Agreement will be conducted on a non-exclusive basis. Payment terms are mainly settled according to the above pricing principles. Nonetheless, the Company will conduct enquiry process by which the Company will seek quotations from at least two other insurance product providers, or make reference to the terms of several other contemporaneous transactions with unrelated third parties for similar products and services to determine if the price and terms offered by Anbang Insurance Group are fair and reasonable and comparable to those offered by independent third parties.

## **HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION**

For each of the three years ended 31 December 2017, the service fees for agency sales of insurance products paid to the Group by Anbang Insurance Group were approximately RMB907 million, RMB1,270 million and RMB843 million, respectively.

The Company proposes to set the annual cap for each of 2018, 2019 and 2020 in respect of service fees for agency sales of insurance products to be received from Anbang Insurance Group at RMB1,500 million.

In determining the annual caps of the service fees for the transactions under the Business Co-operation Agreement, the Company has taken into account a number of factors, including the fact that the Business Co-operation Agreement involves activities that may vary from year to year due to a number of external reasons (including the unexpected changes of the bancassurance markets, the decision on insurance product investment transactions being market-driven and largely determined by customers' decision on their investment and wealth management portfolio (which is beyond the control of the Company), the current and expected operating conditions for the continuing connected transactions between the Group and Anbang Insurance Group), with reference to the prevailing market conditions, the domestic and international economic and financial conditions, and policies and guidelines for insurance business formulated by regulatory authorities, the underlying transaction volumes and the expected growth in service fees. Taking into account the fact that the growth in the service fees for sales of insurance products is market-driven in nature which the Company considers difficult to estimate, the Board believes that it is reasonable to set the annual cap for each of 2018, 2019 and 2020 at RMB1,500 million, so as to allow more room for further expansion of the transaction amounts between the Group and Anbang Insurance Group, thereby enabling the Company to benefit from the growth of the PRC economy and the insurance product investment markets, and to maximize the Company's revenue generated from such service fees.

## **REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS**

The Group has been providing services for agency sales of insurance products to Anbang Insurance Group. The entering into of the Business Co-operation Agreement, on the one hand, is conducive to the regulation and supervision of the continuing connected transactions between the Group and Anbang Insurance Group. On the other hand, it lays a sound foundation for future business development, and is able to promote the cross-industry, cross-border cooperation of the parties going forward.

## **INTERNAL CONTROL MEASURES FOR IMPLEMENTATION OF THE CONTINUING CONNECTED TRANSACTIONS**

The Company has established a series of internal control measures in order to ensure that the pricing mechanism and terms of the above transactions are fair and reasonable and no less favorable than the terms provided by third parties so as to ensure that they are in the interests of the Company and the Shareholders as a whole. Such internal control measures mainly include:

- (1) The external auditors of the Company will conduct a year-end audit annually, and will issue their opinion and letter to the Board in relation to the pricing policies and annual caps of the continuing connected transactions of the Company conducted during the financial year pursuant to the Hong Kong Listing Rules. In addition, according to the Hong Kong Listing Rules, the independent non-executive Directors of the Company will also conduct an annual review of the continuing connected transactions of the Company conducted during the financial year, and provide a confirmation regarding the transactional amounts and terms of the transactions in the annual report of the Company.
- (2) The Board of Supervisors is also responsible for, among others, the supervision of the continuing connected transactions of the Company and the review of the fairness of the transactions and whether the pricing of the transactions is fair and reasonable.
- (3) The Audit Committee under the Board of the Company shall each conduct regular internal assessments on the internal control measures and the financial information of the Company annually, in order to ensure that the internal control measures in respect of the connected transactions remain intact and effective. Furthermore, they convene relevant meetings at least once a year to discuss and assess the implementation of connected transactions. Meanwhile, the Legal and Compliance Department of the Company shall conduct prudent review and appraisal of the contracts to be entered into by the Company, and the Financial Accounting Department of the Company shall monitor the transactional amounts in a timely manner and manage the compliance during the process of business operations. The Board of Supervisors of the Company shall also effectively monitor the Board (including the audit committee thereunder) and senior management in respect of the performance of their duties relating to connected transactions and the implementation of relevant procedures.
- (4) The Company has formulated a series of seamless measures relating to the management of connected transactions, such as internal regulations, internal control management handbook and internal control assessment management methods, to ensure that the pricing mechanism is transparent and the implementation of such pricing mechanism is subject to strict scrutiny by the Group and that connected transactions are conducted in a fair and reasonable manner and in the interests of the Company and its shareholders as a whole in all respect.

## **BOARD CONFIRMATION**

The Directors (including the independent non-executive Directors) considers that the Business Co-operation Agreement was: (i) entered into in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or better (in accordance with the terms on arm's length negotiation or terms no less favourable than the terms offered by the Company to independent third parties); and (iii) the terms and the proposed annual caps are fair and reasonable and in the interests of the Company and its shareholders as a whole. Also, having taken into consideration the fact that the transaction amounts for agency sales of insurance products of Anbang Insurance Group may vary significantly depending on the prevailing market conditions and the unexpected changes of the bancassurance markets, the Directors (including the independent non-executive Directors) considers that the setting of the annual cap in respect of service fees for agency sales for each of 2018, 2019 and 2020 under the Business Co-operation Agreement is in the interests of the Company and its shareholders as a whole.

The Board has approved the relevant resolution in relation to the Business Co-operation Agreement and the transactions contemplated thereunder (including the annual caps). No Director was required to abstained from voting on the relevant resolution.

## **IMPLICATIONS UNDER HONG KONG LISTING RULES**

Since one of the applicable percentage ratios (other than the profit ratio) in relation to the annual cap in respect of the service fees for agency sales receivable from Anbang Insurance Group under the Business Co-operation Agreement for each of 2018, 2019 and 2020 is more than 0.1% but less than 5%, the conduct of those transactions will accordingly constitute non-exempt continuing connected transactions of the Company, which are subject to the reporting and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

## **GENERAL INFORMATION RELATING TO THE COMPANY AND ANBANG INSURANCE**

The Company is a joint stock company incorporated in the PRC with limited liability, the A Shares and the H Shares of which are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively. The Group provides customers with various wholesale and retail banking products and services, and maintains treasury businesses with proprietary purpose and on behalf of customers.

Anbang Insurance is one of the conglomerates in the insurance industry of China. It is mainly engaged in investments in establishment of insurance companies; supervision and management of various domestic and overseas businesses of investment enterprises under control; investment businesses as approved by relevant laws and regulations; insurance businesses as approved by relevant laws and regulations; and other businesses as approved by the CIRC.

Anbang Property Casualty is a joint stock limited company incorporated in the PRC, and one of the members of Anbang Insurance Group. It is mainly engaged in property insurance; liability insurance; credit and guarantee insurance; short-term health insurance and casualty insurance; reinsurance of the above said insurance; insurance funds investment as approved by relevant laws and regulations; and other businesses as approved by the CIRC.

## DEFINITIONS

“Anbang Insurance”	Anbang Insurance Group Co., Ltd. 安邦保險集團股份有限公司;
“Anbang Insurance Group”	Anbang Insurance and its subsidiaries (for the purpose of this announcement, includes their respective associates);
“Anbang Property Casualty”	Anbang Property Casualty Insurance Company Ltd. 安邦財產保險股份有限公司;
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“Board”	the Board of Directors of the Company;
“Business Co-operation Agreement”	the business co-operation agreement entered into between the Company and Anbang Insurance on 20 March 2018;
“CIRC”	China Insurance Regulatory Commission;
“Company”	China Merchants Bank Co., Ltd. 招商銀行股份有限公司;
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“PRC” or “China”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;

“Hong Kong  
Stock Exchange”

The Stock Exchange of Hong Kong Limited; and

“subsidiary(ies)”

has the meaning ascribed to it under the Hong Kong Listing Rules.

By order of the Board of Directors  
**China Merchants Bank Co., Ltd.**  
**Wang Liang Seng Sze Ka Mee Natalia**  
*Joint Company Secretaries*

20 March 2018

*As at the date of this announcement, the executive directors of the Company are Tian Huiyu and Li Hao; the non-executive directors of the Company are Li Jianhong, Fu Gangfeng, Sun Yueying, Hong Xiaoyuan, Su Min, Zhang Jian and Wang Daxiong; and the independent non-executive directors of the Company are Leung Kam Chung, Antony, Wong Kwai Lam, Pan Chengwei, Pan Yingli, Zhao Jun and Wong See Hong.*