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*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 6099)**

## **REVISION OF ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE 2022 ADMINISTRATIVE PROCUREMENT FRAMEWORK AGREEMENT**

### **REVISION OF ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE 2022 ADMINISTRATIVE PROCUREMENT FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated March 27, 2022, in relation to, among others, the continuing connected transactions under the 2022 Administrative Procurement Framework Agreement entered into between the Company and China Merchants Group on March 27, 2022. Pursuant to the 2022 Administrative Procurement Framework Agreement, the Group will procure various types of administrative and office supplies and comprehensive administrative services related to its daily operating activities from China Merchants Group and/or its associates for a period from March 27, 2022 to December 31, 2024.

Given that the transaction amount of the continuing connected transactions under the 2022 Administrative Procurement Framework Agreement for the years ending December 31, 2023 and 2024 is expected to exceed the respective existing annual caps, the Board has resolved on December 14, 2023 to (i) increase the annual cap for the year ending December 31, 2023 from RMB86 million to RMB92 million and (ii) increase the annual cap for the year ending December 31, 2024 from RMB90 million to RMB108.5 million.

## **IMPLICATIONS UNDER THE LISTING RULES**

China Merchants Group is a controlling shareholder of the Company. As at the date of this announcement, China Merchants Group indirectly holds approximately 44.17% in aggregate of the equity interest of the Company. Accordingly, China Merchants Group and its associates are connected persons of the Company under the Listing Rules, and the transactions under the 2022 Administrative Procurement Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Revised Annual Caps under the 2022 Administrative Procurement Framework Agreement exceeds 0.1% but is less than 5%, the revision of the annual caps for the years ending December 31, 2023 and 2024 under the 2022 Administrative Procurement Framework Agreement is subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated March 27, 2022, in relation to, among others, the continuing connected transactions under the 2022 Administrative Procurement Framework Agreement entered into between the Company and China Merchants Group on March 27, 2022. Pursuant to the 2022 Administrative Procurement Framework Agreement, the Group will procure various types of administrative and office supplies and comprehensive administrative services related to its daily operating activities from China Merchants Group and/or its associates for a period from March 27, 2022 to December 31, 2024.

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## **THE 2022 ADMINISTRATIVE PROCUREMENT FRAMEWORK AGREEMENT**

Save for the revision of the annual caps for the years ending December 31, 2023 and 2024, all other terms of the 2022 Administrative Procurement Framework Agreement remain unchanged. The principal terms of the 2022 Administrative Procurement Framework Agreement are set forth below:

### **Date**

March 27, 2022

### **Parties**

1. The Company; and
2. China Merchants Group

### **Term**

March 27, 2022 to December 31, 2024

### **Scope**

Pursuant to the 2022 Administrative Procurement Framework Agreement, the Group will procure various types of administrative and office supplies and comprehensive administrative services related to its daily operating activities from China Merchants Group and/or its associates, including (but not limited to):

1. the Group will procure various types of administrative and office supplies from China Merchants Group and/or its associates;
2. the Group will commission China Merchants Group and/or its associates to provide comprehensive property management services for the Company's self-owned properties;
3. the Group will commission China Merchants Group and/or its associates to provide operation service for employee canteen; and
4. the Group will commission China Merchants Group and/or its associates to provide renovation services for the Company.

## Pricing Basis

### 1. Procurement of administrative and office supplies

The procurement prices shall be determined primarily based on the prevailing market prices, with reference to the (i) general market prices normally adopted for the transactions with independent third parties in respect of similar products for the time being, (ii) quantity of procurement, (iii) specifications of the administrative and office supplies, and (iv) fees paid for historical transactions of similar nature.

### 2. Comprehensive property management services, Canteen operation service and Renovation services

The commission fees for comprehensive property management services for the Company's self-owned properties, canteen operation service and renovation services shall be determined primarily based on the prevailing market prices and relevant laws and regulations, if any, with reference to the (i) number, nature, category and location of the properties and canteen, (ii) gross floor areas of the properties and canteen, (iii) anticipated staff costs of China Merchants Group and/or its associates in relation to providing such services, and (iv) fee rate generally offered by China Merchants Group and/or its associates in respect of comparable services.

## Historical Transaction Amounts and Existing Annual Caps

The historical transaction amounts and existing annual caps for the continuing connected transactions under the 2022 Administrative Procurement Framework Agreement are set out as follows:

	Historical Transaction Amount (RMB million)			Annual cap (RMB million)	
	For the year ended December 31, 2022	For the ten months ended October 31, 2023	For the year ended December 31, 2022	For the year ending December 31, 2023	For the year ending December 31, 2024
Administrative procurement fees	78.72	63.57	83.00	86.00	90.00

The Directors have been monitoring the transaction amounts of the continuing connected transactions under the 2022 Administrative Procurement Framework Agreement. For the year ended December 31, 2022 and the ten months ended October 31, 2023 and as at the date of this announcement, the existing annual caps for the continuing connected transactions under the 2022 Administrative Procurement Framework Agreement for the year ended December 31, 2022 and the year ending December 31, 2023 have not been exceeded.

### **Revised Annual Caps**

The Board has resolved on December 14, 2023 to revise the annual caps for the years ending December 31, 2023 and 2024 for the continuing connected transactions under the 2022 Administrative Procurement Framework Agreement as follows:

	<b>Revised Annual Caps</b>	
	<i>(RMB million)</i>	
	<b>For the year ending December 31, 2023</b>	<b>For the year ending December 31, 2024</b>
Administrative procurement fees	92.00	108.50

### **BASIS FOR DETERMINATION OF THE REVISED ANNUAL CAPS**

In determining the aforesaid Revised Annual Caps for the years ending December 31, 2023 and 2024, the Directors have mainly considered the following factors:

- the historical transaction amounts of the administrative procurement fees paid by the Group to China Merchants Group and/or its associates for the year ended December 31, 2022 and the ten months ended October 31, 2023; and

- in view of the substantial increase in the number of and demand for fintech projects of the Group since 2023, especially those large projects such as the project related to the new generation of core trading system, the number of project outsourcing personnel and project on-site personnel that based on project progress has significantly increased. At the same time, the Group's Operation Management Center's staff are expected to completely be relocated in 2024, which rapidly increases the demand for new workstations of the Group. From the end of 2023 to the beginning of 2024, the Group has an urgent need to renovate the office space of the Jiangsu Building, the Group's self-owned property. The Group plans to engage China Merchants Real Estate (Shenzhen) Co., Ltd. \*(深圳招商房地產有限公司), a subsidiary of China Merchants Group, to provide entrusted construction and renovation services for the office space of the Jiangsu Building, resulting in an expected increase in the costs for entrusted construction and renovation services by not exceeding RMB6 million and RMB17 million in 2023 and 2024, respectively. At the same time, subsidiaries of the Company plan to build a new office building together with China Merchants Group's associates and plan to engage China Merchants Group's associates to provide entrusted construction services, resulting in an expected increase in the entrusted construction and management fees to be paid by the Group to China Merchants Group's associates in 2024 by RMB1.5 million.

## **REASONS FOR AND BENEFITS OF THE REVISION OF THE ANNUAL CAPS**

Having considered the basis for determining the Revised Annual Cap as stated in the section headed "Basis for Determination of the Revised Annual Cap", the Board considers that the revision of the annual caps for the years ending December 31, 2023 and 2024 for the continuing connected transactions under the 2022 Administrative Procurement Framework Agreement will provide more room for the Group's procurement of renovation services from China Merchants Group and its subsidiaries. In addition, due to the historical and long-term cooperation relationship between the Group and China Merchants Group and its subsidiaries, China Merchants Group and its associates have developed a better understanding of the Group's operations, thus can provide more expedient and efficient services to the Group as compared to independent third parties. Accordingly, the Board considers that the revision of the annual caps for the years ending December 31, 2023 and 2024 for the continuing connected transactions under the 2022 Administrative Procurement Framework Agreement is in the interests of the Company and the Shareholders as a whole.

\* *For identification purpose only*

## **INTERNAL CONTROL MEASURES OF CONTINUING CONNECTED TRANSACTIONS**

To safeguard the interests of the Shareholders as a whole, including minority Shareholders, the Group has implemented internal approval and monitoring procedures for its connected transactions, which include but are not limited to the following:

- in order to ensure that the prices for the goods and services to be procured under the 2022 Administrative Procurement Framework Agreement are more favourable to the Group than those quoted by independent suppliers, such procurement prices will be determined pursuant to the requirements set out in the management measures for procurement of the Group.
- before considering placing a purchase order with China Merchants Group and/or its associates, the Group will select suppliers and determine the relevant terms of the procurements through inquiry, tender and bidding and other procedures, determine qualified suppliers based on the categories of the services or products to be procured, the monetary amount involved and the specific nature of the procurement and carry out the procurement through public tender, invitation to tender, inquiry and other means. The procurement management department and procurement evaluation team of the Group will review and assess the price and other terms offered by the candidates with a view to ensuring the quality, reliability, and service standards of the relevant administrative and office supplies and comprehensive administrative services and that the fees in connection with the administrative and office supplies and comprehensive administrative services payable by the Group to China Merchants Group and/or its associates are fair and reasonable and comparable to those offered by independent third party suppliers. In any event, any offer from China Merchants Group and/or its associates has to pass such selection process before they could be selected and accepted as the Group's supplier.
- the Group has internal guidelines which provide additional approval procedures, including prior assessment and approval by independent non-executive Directors before the matter is submitted for consideration by the Board for transactions exceeding certain monetary amounts.

The Company's independent non-executive Directors and auditors will conduct annual review on the continuing connected transactions of the Group (including the prices offered by China Merchants Group and/or its associates) and provide annual confirmations in accordance with the Listing Rules, that the relevant transactions are conducted in the ordinary and usual course of business of the Group and in accordance with their corresponding agreement, the terms of which are fair and reasonable and in the interests of the Shareholders as a whole, on normal commercial terms or better and in accordance with the pricing policy of the Group.

## **BOARD CONFIRMATION**

The Directors (excluding Mr. HUO Da, Mr. ZHANG Jian, Mr. DENG Weidong, Mr. LIU Weiwu, Mr. WU Zongmin and Mr. LI Xiaofei but including the independent non-executive Directors) are of the view that the terms and the Revised Annual Caps for the continuing connected transactions under the 2022 Administrative Procurement Framework Agreement are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to Rule 14A.68(8) of the Listing Rules, as Mr. HUO Da, Mr. ZHANG Jian, Mr. DENG Weidong, Mr. LIU Weiwu, Mr. WU Zongmin and Mr. LI Xiaofei are Directors connected to China Merchants Group, they have abstained from voting on the relevant board resolution in relation to the revision of the existing annual caps for the continuing connected transactions under the 2022 Administrative Procurement Framework Agreement. Save as mentioned above, none of the other Directors has any material interest in the transactions under the 2022 Administrative Procurement Framework Agreement and thus be required to abstain from voting on the relevant board resolution.

## **GENERAL INFORMATION OF THE COMPANY AND CHINA MERCHANTS GROUP**

The Company is a joint stock company incorporated in the PRC with limited liability, the domestic shares of which are listed on the SSE and the H Shares of which are listed on the Main Board of the Stock Exchange. The Group mainly engages in brokerage and wealth management and institutional business, investment banking business, investment management business, and investment and trading business.

China Merchants Group is a large-scale conglomerate with diversified businesses incorporated in the PRC and directly administered by Stated-owned Assets Supervision and Administration Commission of the State Council. At present, China Merchants Group mainly focuses on three core industries: comprehensive transportation, featured finance, holistic development and operation of residential communities and industrial parks. It has also been engaging in the transformation from these three primary industries to the three platforms of industrial management, financial services, and investment and capital operation.



## **IMPLICATIONS UNDER THE LISTING RULES**

China Merchants Group is a controlling shareholder of the Company. As at the date of this announcement, China Merchants Group indirectly holds approximately 44.17% in aggregate of the equity interest of the Company. Accordingly, China Merchants Group and its associates are connected persons of the Company under the Listing Rules, and the transactions under the 2022 Administrative Procurement Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Revised Annual Caps under the 2022 Administrative Procurement Framework Agreement exceeds 0.1% but is less than 5%, the revision of the annual caps for the years ending December 31, 2023 and 2024 under the 2022 Administrative Procurement Framework Agreement is subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

“2022 Administrative Procurement Framework Agreement”	the administrative procurement framework agreement (2022-2024) entered into between the Company and China Merchants Group on March 27, 2022
“A Share(s)”	PRC domestic listed share(s) with a nominal value of RMB1.00 each in the share capital of the Company, listed on the SSE and traded in RMB
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“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

“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 SSE (stock code: 600999), respectively
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“connected transaction”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas-listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company, listed on the Stock Exchange and traded in Hong Kong dollars
“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
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“Revised Annual Caps”	the revised annual caps in respect of the transactions under the 2022 Administrative Procurement Framework Agreement for the years ending December 31, 2023 and 2024

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, comprising A Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“SSE”	the Shanghai Stock Exchange
“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  
December 14, 2023

*As at the date of this announcement, the executive directors of the Company are Mr. HUO Da and Mr. WU Zongmin; the non-executive directors of the Company are Mr. ZHANG Jian, Mr. DENG Weidong, Mr. LIU Weiwu, Mr. LI Xiaofei, Mr. HUANG Jian and Ms. DING Lusha; and the independent non-executive directors of the Company are Mr. XIANG Hua, Mr. XIAO Houfa, Mr. XIONG Wei, Mr. HU Honggao and Mr. FENG Jinhua.*