

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO THE SECURITIES AND FINANCIAL PRODUCTS,  
TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENT**

**THE AGREEMENT**

As the Group and COSCO Shipping and/or its associates agreed to conduct securities and financial transactions with each other, and provide securities and financial products as well as financial services to each other, in their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates, the Board considered and approved the Agreement between the Company and COSCO Shipping on December 30, 2020. The Company and COSCO Shipping will execute the Agreement in due course, pursuant to which the Company and COSCO Shipping shall mutually offer to each other securities and financial products and transactions, and the Group shall provide financial services to COSCO Shipping and/or its associates. The term of the Agreement shall be from the execution date of the Agreement to December 31, 2021.

**IMPLICATIONS UNDER THE LISTING RULES**

COSCO Shipping became a substantial shareholder of the Company in July 2020. As at the date of this announcement, COSCO Shipping indirectly holds approximately 10.02% in aggregate of the equity interest of the Company. Accordingly, COSCO Shipping and its associates are connected persons of the Company under the Listing Rules. As the highest applicable percentage ratio in respect of the expected caps for the transactions contemplated under the Agreement exceeds 0.1% but is less than 5%, the transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the Group and COSCO Shipping and/or its associates agreed to conduct securities and financial transactions with each other, and provide securities and financial products as well as financial services to each other, in their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates, the Board considered and approved the Agreement between the Company and COSCO Shipping on December 30, 2020. The Company and COSCO Shipping will execute the Agreement in due course, pursuant to which the Company and COSCO Shipping shall mutually offer to each other securities and financial products and transactions, and the Group shall provide financial services to COSCO Shipping and/or its associates. The term of the Agreement shall be from the execution date of the Agreement to December 31, 2021.

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

## **THE AGREEMENT**

### **Date**

The Company and COSCO Shipping will execute the Agreement in due course.

### **Parties**

1. The Company; and
2. COSCO Shipping

### **Term**

The Agreement shall become effective after being executed, sealed and approved by the Company and COSCO Shipping in accordance with applicable procedures. The term of the Agreement will expire on December 31, 2021. Subject to the Company's compliance with the Listing Rules, the Agreement may be automatically renewed for another one year for a maximum of two times upon its expiry date.

## **Scope of the Transactions and Services**

### **1. *Securities and financial products and transactions***

Pursuant to the Agreement, the securities and financial transactions between the Group and COSCO Shipping and/or its associates and the securities and financial products to be provided to each other include (but are not limited to):

- (1) fixed income products or transaction – including bonds, funds with fixed income features, trust, wealth management products, asset management products, asset securitization products, convertible bonds, structured products, interest rates and credit risk derivative products and other fixed income products or transactions;
- (2) equity products or transactions – including stocks, equity, equity funds, trust, wealth management products, asset management products and equity derivative products or transactions;
- (3) financing transactions – capital financing between financial institutions with or without guarantees, including capital lending, repurchase, transfer of income right, asset securitization, pledged loans, reciprocal holding of debt certificates including but not limited to short-term financing bills, beneficiary certificates, subordinated bonds, corporate bonds, etc.; and
- (4) other related securities and financial products and derivative products – including swaps, futures, forward contracts, commodities and foreign exchange.

### **2. *Financial services***

Pursuant to the Agreement, the financial services to be provided by the Group to COSCO Shipping and/or its associates include (but are not limited to):

- (1) underwriting and sponsoring services – including the underwriting and sponsoring of equity and bonds. The Group shall receive underwriting commissions and sponsoring fees for such services;

- (2) other investment banking services – including financial advisory services for, among others, mergers and acquisitions and restructuring. The Group shall receive financial advisory fees and/or other fees for such services; and
- (3) other financial services.

## **PRICING BASIS**

### **1. Securities and financial products and transactions**

The commission rates and fees for the securities and financial products and transactions shall be determined by the prevailing market price or the market prices normally applicable to independent third parties for similar types of products and transactions at the time of the transaction.

### **2. Financial services**

*The pricing basis for the financial services to be provided by the Group to COSCO Shipping and/or its associates is as follows:*

- (1) underwriting and sponsoring services – underwriting commissions and sponsoring fees shall be determined by arm's length negotiation after taking into account numerous factors including the prevailing market conditions, size of the proposed issue and commission rates of recent issues of similar nature and size in the market generally as well as the rates that the Group charges from independent third parties; and
- (2) other investment banking services – financial advisory fees and other service fees shall be determined after taking into account factors including the transaction nature and size, and the prevailing market conditions.

## MISCELLANEOUS

The Company and COSCO Shipping agreed that under Rule 14A.53 of the Listing Rules, if the total transaction amount involved and accumulated in the transactions contemplated under the Agreement may or is expected to exceed the expected cap amounts for the period and thus requires shareholders' approval, the Company shall fulfill the requirements of the Listing Rules as soon as possible. Before fulfilling the requirements of the Listing Rules, the Company and COSCO Shipping agreed to use their best efforts to prevent the aggregated transaction amount for such period from exceeding the expected cap, failing which both parties shall hold off conducting the relevant transactions under the Agreement.

## HISTORICAL FIGURES

### 1. Securities and financial products and transactions

The approximate historical figures of securities and financial products and transactions between the Group and COSCO Shipping and/or its associates for the two years ended December 31, 2019 and from January 1, 2020 to December 10, 2020 were as follows:

	Historical figures (RMB millions)		
	For the year ended December 31, 2018	For the year ended December 31, 2019	From January 1, 2020 to December 10, 2020
<b>Securities and financial products and transactions</b>			
Inflow <sup>(1)</sup>	0	0	44
Outflow <sup>(2)</sup>	595	650	241

*Notes:*

- (1) "Inflow" refers to the Group's total cash inflow arising from the sale of fixed income products and equity products to, transactions of derivative products with, and/or borrowing/repurchase from financing transactions with, COSCO Shipping and/or its associates.
- (2) "Outflow" refers to the Group's total cash outflow arising from the purchase of fixed income products and equity products from, transactions of derivative products with, and/or lending/resale from financing transactions with, COSCO Shipping and/or its associates.

## 2. Financial services

The approximate historical figures of financial services provided by the Group to COSCO Shipping and/or its associates for the two years ended December 31, 2019 and from January 1, 2020 to December 10, 2020 were as follows:

	Historical figures (RMB millions)		
	For the year ended December 31, 2018	For the year ended December 31, 2019	From January 1, 2020 to December 10, 2020
<b>Financial services</b>			
<i>Revenue generated by the Group</i>			
Underwriting and sponsoring services	0.2377	1.5075	0.2139
Financial advisory services	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b><u>0.2377</u></b>	<b><u>1.5075</u></b>	<b><u>0.2139</u></b>

## EXPECTED CAPS

The expected caps for the transaction amounts under the Agreement are as follows:

### 1. Securities and financial products and transactions

The Company considers that it is impracticable and extremely difficult to set a separate cap for each category of the securities and financial products and transactions for the following main reasons: (i) the securities and financial products and transactions are frequently conducted at the prevailing market prices in the ordinary and usual course of our business. Such transactions are market-driven and are entered into depending on various factors including the bidding price and timing of the bids; (ii) most of these transactions are conducted in a very short timeframe and are very sensitive to market prices; (iii) the variety and characteristics of products are experiencing rapid innovations in the ever-changing PRC securities and financial market, hence it is difficult to precisely estimate when new products will be launched; and (iv) all such transactions will continue to be entered into at the prevailing market prices in the ordinary and usual course of our business. In light of the above, the Company considers that it is more practicable to set a cap for the total inflow and outflow of all the securities and financial products and transactions under the Agreement, instead of a separate cap for each category of those products and transactions.

The expected caps of the total inflow<sup>(1)</sup> amount and total outflow<sup>(2)</sup> amount of the securities and financial products and transactions under the Agreement for the year ended 2021 are RMB1,280 million and RMB1,280 million, respectively.

*Notes:*

- (1) “Inflow” refers to the Group’s total cash inflow arising from the sale of fixed income products and equity products to, transactions of derivative products with, and/or borrowing/repurchase from financing transactions with, COSCO Shipping and/or its associates.
- (2) “Outflow” refers to the Group’s total cash outflow arising from the purchase of fixed income products and equity products from, transactions of derivative products with, and/or lending/resale from financing transactions with, COSCO Shipping and/or its associates.

In estimating the expected caps of the total inflow amount and total outflow amount of the securities and financial products and transactions between the Group and COSCO Shipping and/or its associates for the year ended December 31, 2021, the Group has considered, among other things, the following key factors:

- the total inflow amount and total outflow amount of the securities and financial products and transactions between the Group and COSCO Shipping and/or its associates during the period from January 1, 2018 to December 10, 2020; and
- the expected amounts of such securities and financial products and transactions. As COSCO Shipping has become a substantial shareholder of the Company, the cooperation between the Group and COSCO Shipping and/or its associates is expected to deepen gradually, it is expected that such business with COSCO Shipping and/or its associates will grow a lot in 2021.

## **2. Financial services**

The expected cap of the revenue to be generated by the Group from the financial services transactions under the Agreement for the year ended December 31, 2021 is RMB39 million.

In estimating the expected cap of the revenue to be generated by the Group from the provision of financial services to COSCO Shipping and/or its associates for the year ended December 31, 2021, the Group has considered, among other things, the following key factors:

- historical revenue from financial services provided by the Group to COSCO Shipping and/or its associates during the period from January 1, 2018 to December 10, 2020; and

- the expected amounts of such financial services businesses. As COSCO Shipping has become a substantial shareholder of the Company, the cooperation between the Group and COSCO Shipping and/or its associates is expected to deepen gradually, it is expected that such business with COSCO Shipping and/or its associates will grow in 2021.

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

To safeguard the interests of our Shareholders as a whole, including minority Shareholders, the Group has implemented internal approval and monitoring procedures for our connected transactions, which include the following:

- the Group has formulated and established internal guidance and policies for various securities and financial products and transactions and financial services, as well as internal procedures and system for the approval and monitoring of such transactions. The Group has set up a connected transaction management working group, which is responsible for coordinating the management of connected transactions. All departments and subsidiaries have set up a connected transaction management and control group, which is responsible for auditing the compliance and fairness of the department's or subsidiary's connected transactions, data statistics and predictions, and ensuring that the transaction amount does not exceed the Proposed Annual Caps;
- the connected transaction management working group will regularly or irregularly collect data from all departments, to ensure the total transaction amount of the Company will not exceed the Proposed Annual Caps and will remind relevant departments to control such connected transactions;
- in the offer or sale of the same batch of securities or financial products to customers (including both connected persons and independent third parties), the Group will offer the same pricing terms to all the customers and no preferential terms shall be provided to the customers who are the Group's connected persons; and
- the Group has internal guidelines which provide that additional approval procedures, including prior assessment and approval by independent Directors before the matter is submitted for consideration by the Board, shall be required for transactions that exceed certain monetary amounts.

The Group's independent non-executive Directors and auditors will conduct an annual review on the continuing connected transactions of the Group (including the rates offered by and to COSCO Shipping and/or its associates) and provide annual confirmations in accordance with the Listing Rules that the individual transactions are conducted in accordance with the terms of the agreement, on normal commercial terms and in accordance with the pricing policy of the Group.



## **REASONS FOR CONDUCTING THE TRANSACTION AND THE BENEFITS**

In order to fully capitalize on the resource advantages of the Group and COSCO shipping, and to enhance the market competitiveness of the parties' cooperation business, the transaction under the Agreement are carried out to help provide comprehensive and quality services to both parties and their customers as well as increase revenue of the parties, thereby increasing the interests of the Company and the Shareholders as a whole.

## **BOARD CONFIRMATION**

The Board (including the independent non-executive Directors) is of the view that the Agreement was: (i) entered into in the ordinary and usual course of business of the Company; (ii) on normal commercial terms (in accordance with the terms determined after arm's length negotiation or those no less favorable than the terms offered by the Company to independent third parties); and (iii) with fair and reasonable terms and the expected caps and in the interests of the Company and Shareholders as a whole.

Pursuant to Rule 14A.68(8) of the Listing Rules, as Mr. HUANG Jian and Mr. WANG Daxiong are Directors connected to COSCO Shipping, they are regarded as being interested in the transaction contemplated under the Agreement and thus have abstained from voting on the relevant board resolution in respect of the entering into the Agreement and the transactions contemplated thereunder (including each of the proposed annual caps). Save as disclosed above, none of the Directors has any material interest in the transaction contemplated under the Agreement and thus be required to abstain from voting on the relevant board resolution.

## **IMPLICATIONS UNDER THE LISTING RULES**

COSCO Shipping became a substantial shareholder of the Company in July 2020. As at the date of this announcement, COSCO Shipping indirectly holds approximately 10.02% in aggregate of the equity interest of the Company. Accordingly, COSCO Shipping and its associates are connected persons of the Company under the Listing Rules. As the highest applicable percentage ratio in respect of the expected caps for the transactions contemplated under the Agreement exceeds 0.1% but is less than 5%, the transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **GENERAL INFORMATION OF THE COMPANY AND COSCO SHIPPING**

The Company is a joint stock company incorporated in the PRC with limited liability, the domestic shares of which are listed on the Shanghai Stock Exchange 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 business, investment banking business, investment management business, and investment and trading business.

COSCO Shipping is a state-owned enterprise incorporated in the PRC and directly wholly owned by the State Council and is a substantial shareholder of the Company. Its business mainly focuses on shipping, logistic, shipping finance, equipment manufacturing, and shipping services.

## **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
“Agreement”	the Securities and Financial Products, Transactions and Services Framework Agreement to be entered into between the Company and COSCO Shipping
“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
“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(s)”	has the meaning ascribed to this term under the Listing Rules
“COSCO Shipping”	China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司), a state-owned enterprise established in the PRC in February 2016, which is directly wholly owned by the State Council and is a substantial shareholder of the 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
“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
“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
“substantial shareholder(s)”	has the meaning ascribed to this term under the Listing Rules
“%”	per cent.

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

Shenzhen, the PRC, December 30, 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 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 are Mr. XIANG Hua, Mr. XIAO Houfa, Mr. XIONG Wei, Mr. HU Honggao and Mr. WONG Ti.*