

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.



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)

(Stock code: 03968)

ANNOUNCEMENT ON CONNECTED TRANSACTION WITH CMC

On 13 December 2016, the Company and CMC entered into the Business Co-operation Framework Agreement to jointly establish a fund partnership enterprise (limited partnership).

Since the applicable percentage ratios of the fund partnership enterprise to be established under the Business Co-operation Framework Agreement are more than 0.1% but less than 5%, the transaction contemplated under the Business Co-operation Framework Agreement is subject to the reporting, annual review and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

INTRODUCTION

On 13 December 2016, the Company and CMC entered into the Business Co-operation Framework Agreement to jointly establish the fund partnership enterprise (limited partnership).

RELATIONSHIP BETWEEN THE PARTIES

As at the date of this announcement, CMC is an indirectly wholly-owned subsidiary of CM Steam Navigation, which is the substantial shareholder of the Company. CM Group directly holds 100% equity interest in CM Steam Navigation and indirectly holds 29.97% equity interest in the Company (including the shares of the Company held through equity interest/controlling interest/parties acting in concert). CMC, under the Hong Kong Listing Rules, is an associate of the connected person of the Company. Accordingly, the transaction between the Group and CMC constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

DESCRIPTION OF CONNECTED TRANSACTION

The Company proposes to jointly establish the investment fund with CMC with wealth management funds. The temporary name of the investment fund is 深圳市招商招銀股權投資基金合夥企業 (有限合夥) Shenzhen China Merchants Zhaoyin Equity Investment Fund Partnership (Limited Partnership)*. The principal details are as follows:

Name of fund:	深圳市招商招銀股權投資基金合夥企業 (有限合夥) Shenzhen China Merchants Zhaoyin Equity Investment Fund Partnership (Limited Partnership)* (temporary name)
Means of partnership:	Limited partnership enterprise

Capital contribution:	The total capital contribution for the partnership enterprise is RMB10,000 million, of which RMB8,000 million is to be contributed by the Company with wealth management funds and RMB2,000 million is to be contributed by CMC
Means of capital contribution:	All capital contribution to be made by the partners shall be in cash (Renminbi)
Term of partnership:	The limited partnership enterprise shall have a valid term of 15 years
Purpose of the partnership:	To generate investment returns for partners through sub-fund(s) investment or direct investment projects
Scope of investment:	<ol style="list-style-type: none"> (1) Private equity investment funds, risk investment funds, growth mergers and acquisitions funds as well as industry funds relating to One-Belt-One-Road, new energy and healthcare with project equity investments as the main investment direction (excluding non-performing asset funds) (2) Private placement funds etc. (3) Low risk investment products such as currency funds and cash management (4) Direct investment projects

REASONS FOR AND BENEFITS OF THE BUSINESS CO-OPERATION FRAMEWORK AGREEMENT

The purpose of entering into of the Business Co-operation Framework Agreement is to fully capitalise on the resource advantages of the parties and enhance the market competitiveness of the parties' cooperation business to achieve a win-win outcome for the parties.

The conditions of the above connected transaction are no more favourable than those offered for other similar non-related party transactions. The Company jointly establishes the investment fund with CMC in line with the new development trends of the capital market with reference to the prevailing model in the market on arm's length basis. The transaction between the Company and CMC is entered into on normal commercial terms.

The connected transaction is entered into in the ordinary course of business of the Company and has no material impacts on the normal operating activities and financial conditions of the Company.

BOARD CONFIRMATION

The Board (including the independent non-executive Directors of the Company) considers that the Business Co-operation Framework Agreement and the fund partnership enterprise to be established thereunder were entered into on normal commercial terms and that the conditions and terms were fair and reasonable and in the interests of the Company and its shareholders as a whole.

Pursuant to Rule 14A.68(8) of the Hong Kong Listing Rules, Mr. Li Jianhong, Mr. Li Xiaopeng, Mr. Fu Gangfeng, Mr. Hong Xiaoyuan, Ms. Su Min and Mr. Zhang Jian (all being Directors connected with CM Group, and Mr. Li Xiaopeng is also the chairman of CMC) had abstained from voting on the board resolutions on the connected transaction in view of their position as connected directors. The relevant resolution was voted and approved by Directors who are not connected to the transaction.

IMPLICATIONS UNDER HONG KONG LISTING RULES

Since the applicable percentage ratios of the fund partnership enterprise to be established under the Business Co-operation Framework Agreement are more than 0.1% but less than 5%, the transaction contemplated under the Business Co-operation Framework Agreement is subject to the reporting, annual review and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

GENERAL INFORMATION

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.

CMC was established in 2012 with registered capital of RMB500 million. It is an indirectly wholly-owned subsidiary of CM Steam Navigation and is principally engaged in equity investment and other related investments.

As at the end of 2015, the total assets of CMC amounted to RMB4,637 million and the net asset value was RMB1,052 million. In 2015, net profits amounted to RMB106 million.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“Board”	the board of Directors of the Company;
“CM Group”	China Merchants Group Limited 招商局集團有限公司;
“CMC”	China Merchants Capital Holdings Co., Ltd. 招商局資本控股有限公司;
“CM Steam Navigation”	China Merchants Steam Navigation Co., Ltd. 招商局輪船股份有限公司, a substantial shareholder of the Company;
“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), including the independent non-executive directors, of the Company;

“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“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”	has the meaning ascribed to it under the Hong Kong Listing Rules.

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

13 December 2016

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, Li Xiaopeng, Sun Yueying, Fu Gangfeng, 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, Guo Xuemeng and Zhao Jun.

* *The English transliteration of the Chinese name(s) is included for information purpose only.*