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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)

(Stock code: 03968)

ANNOUNCEMENT ON CONTINUING CONNECTED TRANSACTIONS

The Company and CMFM entered into the Fund Business Co-operation Agreement on 13 December 2016 for a term of three years commencing on 1 January 2017 and ending on 31 December 2019.

Pursuant to the Fund Business Co-operation Agreement, each of the applicable percentage ratios (other than the profit ratio) in relation to the annual cap of the service fees for sales of investment funds payable by CMFM Group from 2017 to 2019 is more than 0.1% but less than 5%, the transactions under the Fund Business Co-operation Agreement will accordingly constitute non-exempt continuing connected transactions of the Company which are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

INTRODUCTION

The Investment Fund Agency Sales Agreement entered into between the Company and CMFM on 26 August 2014 will expire on 31 December 2016. To ensure the Group's continual provision of investment fund sales services to CMFM Group after expiry of the agreement, the Company, as approved by the Board, entered into the Fund Business Co-operation Agreement with CMFM on 13 December 2016 for a term of 3 years commencing on 1 January 2017 and ending on 31 December 2019.

RELATIONSHIP BETWEEN THE PARTIES

As at the date of this announcement, CMFM is held as to 55% by the Company and 45% by CM Securities. CMFM is a non-wholly owned subsidiary of the Company.

As at the date of this announcement, CM Steam Navigation is a 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). CM Group also holds 44.09% equity interest in CM Securities which makes CM Securities an associate of the connected person of the Company under the Hong Kong Listing Rules. Accordingly, CMFM is a connected subsidiary of the Company and the transactions between the Group and CMFM Group constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

FUND BUSINESS CO-OPERATION AGREEMENT

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

- Date: 13 December 2016
- Parties: (a) CMFM; and
(b) the Company
- Term: From 1 January 2017 to 31 December 2019 (both days inclusive)
- Description of transaction: The Group will conduct sales and agency business relating to different types of investment products and/or funds under the management of CMFM Group in accordance with the 《中華人民共和國基金法》(Laws on Funds of the People's Republic of China), 《公開募集證券投資基金運作管理辦法》(Management Rules on Public Offering Securities Investment and Fund Management), 《證券投資基金銷售管理辦法》(Management Rules on Sales of Securities Investment Funds), the relevant fund offering documents and offering prospectuses. Members of the Group may enter into separate implementation agreements with CMFM Group for each specific investment product of CMFM Group. The terms of such implementation agreements will be governed by the Fund Business Co-operation Agreement and as such will not constitute new categories of connected transactions
- Pricing principles: The service fees for sales of investment funds payable by CMFM Group will be on an arm's length basis and calculated on normal commercial terms, having regard to the fees and charges specified in the fund offering documents and/or the offering prospectuses. The service fees for sales of investment funds shall be at rate(s) standardised by CMFM Group and no less favourable than those charged to the independent third parties by the Group 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 in the implementation agreements to be entered into between the Group and CMFM Group from time to time

The transactions contemplated under the Fund Business Co-operation Agreement will be conducted on a non-exclusive basis. The Company will conduct enquiries in which the Company will seek quotations from at least two fund providers, or make reference to several other contemporaneous transactions with independent third parties for products and services to determine if the price and terms offered by CMFM Group are fair and reasonable and comparable to the price charged by and terms offered by such independent third parties.

HISTORICAL AMOUNTS AND PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION

With the gradual acceptance of fund investment by the general public, there has been an increasing demand for fund investment services. For the two years ended 31 December 2015 and the nine months ended 30 September 2016, the service fees for sales of investment funds paid to the Company by CMFM Group were approximately RMB876 million, RMB1,509 million and RMB1,273 million (unaudited), respectively. The Company proposes to set the annual caps in respect of service fees for sales of investment funds payable by CMFM Group from 2017 to 2019 at RMB2,500 million, RMB3,800 million and RMB5,800 million, respectively.

In determining the annual caps of the service fees for the transactions under the Fund Business Co-operation Agreement, the Company has taken into account a number of factors, including the activities under the Fund Business Co-operation Agreement which may be affected due to a number of external reasons (including the unexpected fluctuations of the financial markets, customers' general decision on their wealth management portfolio, the current and projected operating conditions for the continuing connected transactions between the Group and CMFM Group which are not within the Company's control), with reference to the prevailing market conditions, the underlying transaction volumes and the expected growth in service fees. Taking into account that the growth in the service fees for sales of the investment funds is market-driven in nature which is difficult for the Company to estimate, and in order to allow more room for further increase of the transaction amounts between the Group and CMFM Group, the Board believes that it is reasonable to set the annual caps for 2017 to 2019 at RMB2,500 million, RMB3,800 million and RMB5,800 million, respectively.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

CMFM is the first sino-foreign joint venture fund management company established under the CSRC's approval, providing various kinds of mutual funds and investment products. It has to-date established its own brand name and occupied a considerable share in the market.

As at the date of this announcement, CMFM is held as to 55% by the Company and is a non-wholly owned subsidiary of the Company. The increase in the service fees for sales of investment funds and hence the growth in CMFM Group will generate higher returns for all the shareholders of the Company as a whole.

BOARD CONFIRMATION

The Board (including the independent non-executive Directors of the Company) considers that the Fund Business Co-operation Agreement was entered into: (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms (in accordance with the terms on arm's length negotiation and on terms no less favourable than the terms offered by the Company to independent third parties); and (iii) that the terms and the proposed annual caps were fair and reasonable and were 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), Ms. Sun Yueying (being a director of CM Securities) and Mr. Li Hao (being a director of CMFM) had abstained from voting on the board resolution on the continuing connected transactions in view of their positions as connected directors. The relevant resolution was voted and approved by Directors who are not connected to the transactions.

IMPLICATIONS UNDER HONG KONG LISTING RULES

Pursuant to the Fund Business Co-operation Agreement, each of the applicable percentage ratios (other than the profit ratio) in relation to the annual cap of the service fees for sales of investment funds payable by CMFM Group from 2017 to 2019 is more than 0.1% but less than 5%, the transactions under the Fund Business Co-operation Agreement will accordingly constitute non-exempt continuing connected transactions of the Company which are subject to the reporting, annual review 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 CMFM

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.

CMFM was the first sino-foreign joint venture fund management company established under the CSRC's approval. CMFM was established on 27 December 2002 with a registered capital of RMB210 million. The principal businesses of CMFM Group include fund establishment, fund management and other operations approved by CSRC and relevant regulatory authorities.

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;
“CM Securities”	China Merchants Securities Co., Ltd. 招商證券股份有限公司;
“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;
“CMFM”	China Merchants Fund Management Company Limited 招商基金管理有限公司;
“CMFM Group”	CMFM and its subsidiaries (for the purpose of this announcement, including their respective associates);
“Company”	China Merchants Bank Co., Ltd. 招商銀行股份有限公司;

“connected person”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s), including the independent non-executive directors, of the Company;
“Fund Business Co-operation Agreement”	the fund business co-operation agreement entered into between the Company and CMFM on 13 December 2016;
“Group”	the Company and its subsidiaries (for the purpose of this announcement only, excluding CMFM Group);
“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(ies)”	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.