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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)

CONNECTED TRANSACTION

On 18 August 2017, the Company, CM Securities and CMFM entered into the Capital Increase Agreement, pursuant to which the Company and CM Securities agreed to increase their capital contribution in CMFM of an aggregate of RMB1.1 billion in proportion to each of their existing shareholding. Upon completion of the Capital Increase, the Company and CM Securities will continue to hold 55% and 45% equity interest in CMFM, respectively. Therefore, CMFM will continue to be a 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 indirectly 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 transaction between the Company and CM Securities and CMFM constitute a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the applicable percentage ratio in relation to the transaction contemplated under the Capital Increase Agreement exceeds 0.1% but below 5%, the Capital Increase, from the Company's perspective, is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

1. INTRODUCTION

On 18 August 2017, the Company, CM Securities and CMFM entered into the Capital Increase Agreement, pursuant to which the Company and CM Securities agreed to increase their capital contribution in CMFM of an aggregate of RMB1.1 billion in proportion to each of their existing shareholding. Upon completion of the Capital Increase, the Company and CM Securities will continue to hold 55% and 45% equity interest in CMFM, respectively. Therefore, CMFM will continue to be a subsidiary of the Company.

2. RELATIONSHIP BETWEEN THE PARTIES

As at the date of this announcement, the Company and CM Securities hold 55% and 45% equity interest in CMFM, respectively. 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 indirectly 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 transaction between the Company, CM Securities and CMFM constitute a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

3. CAPITAL INCREASE AGREEMENT

Date

18 August 2017

Parties

- (i) the Company
- (ii) CM Securities
- (iii) CMFM

Transaction

Pursuant to the Capital Increase Agreement, the Company and CM Securities will increase their capital contribution in CMFM of an aggregate of RMB1.1 billion in proportion to each of their existing shareholding. Among which, the Company will contribute RMB605 million and CM Securities will contribute RMB495 million. Upon completion of the Capital Increase, the registered capital of CMFM will increase from RMB210 million to RMB1.310 billion. The Company and CM Securities will continue to hold 55% and 45% equity interest in CMFM, respectively, and CMFM will continue to be a subsidiary of the Company.

Consideration

Within 30 business days upon satisfaction of all the conditions precedent under the Capital Increase Agreement, the total amount of the Capital Increase of RMB1.1 billion will be fully paid by each of the Company and CM Securities in cash in one lump sum to the designated bank account of CMFM.

Conditions Precedent

The completion of the Capital Increase Agreement is conditional upon the satisfaction of the following conditions precedent:

- (i) all necessary consents, approvals and authorizations (including but not limited to any resolution of the general meeting or the board) have been obtained by the parties in accordance with the articles of association and the relevant laws and regulations; and
- (ii) all necessary approvals from or filing procedures with the relevant administrative authority for industry and commerce have been completed and all necessary consents, permits or approvals (if any) from the relevant regulatory authorities have been obtained.

4. FINANCIAL EFFECTS OF THE CAPITAL INCREASE ON THE COMPANY

The Capital Increase will be contributed by the internal resources of the Company. The funding requirement for contributing to the Capital Increase by the Company is not expected to have any material impact on the Company.

5. REASONS FOR THE CAPITAL INCREASE

The terms of the Capital Increase Agreement have been arrived at after arm's length negotiations between the parties. The Company is of the view that the Capital Increase will provide CMFM with sufficient fund to meet the relevant regulatory requirements and the needs for the continuing development of its business in the future.

The Board (including the independent non-executive directors of the Company) are of the view that the terms of the Capital Increase Agreement: (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms; and (iii) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

6. HONG KONG LISTING RULES IMPLICATIONS

As the applicable percentage ratio in relation to the transaction contemplated under the Capital Increase Agreement exceeds 0.1% but below 5%, the Capital Increase, from the Company's perspective, is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.68(8) of the Hong Kong Listing Rules, Mr. Tian Huiyu and Mr. Li Hao had abstained from voting on the board resolution on the Capital Increase in view of their positions as related directors. The relevant resolution was voted and approved by Directors who are not related to the Capital Increase.

7. 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.

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 the CSRC. As at 30 June 2017, CMFM had total assets of RMB4.366 billion, net assets of RMB2.503 billion. The total size of the asset management business of CMFM amounted to RMB1,046.344 billion. In the first half of 2017, CMFM realised a net profit of RMB421 million.

CM Securities 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 principal businesses of CM Securities include brokerage and wealth management, investment banking, investment management and investment and trading.

8. DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“Capital Increase”	the increase of capital contribution in CMFM of an aggregate of RMB1.1 billion in proportion to each of their existing shareholding by the Company and CM Securities under the Capital Increase Agreement;
“Capital Increase Agreement”	the agreement entered into between the Company, CM Securities and CMFM on 18 August 2017 in relation to the increase of capital contribution in CMFM;
“Board”	the board of Directors of the Company;
“CM Group”	China Merchants Group Limited;
“CM Securities”	China Merchants Securities Co., Ltd. ;
“CM Steam Navigation”	China Merchants Steam Navigation Co., Ltd. ;
“CMFM”	China Merchants Fund Management Company Limited;

“CMFM Group”	CMFM and its subsidiaries;
“Company”	China Merchants Bank Co., Ltd.;
“connected person(s)”	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;
“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(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules.

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

18 August 2017

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, Zhao Jun and Wong See Hong.