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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)**

## **FURTHER ANNOUNCEMENT REGARDING EMPLOYEE STOCK OWNERSHIP SCHEME**

Reference is made to the announcement of China Merchants Bank Co., Ltd. (the “Company”) dated 10 April 2015 (the “Announcement”) in relation to, among others, the Employee Stock Ownership Scheme. Unless otherwise defined herein, capitalized terms used herein shall have the same meaning as those defined in the Announcement.

### **I. OVERVIEW**

On 22 April 2015, the 32nd Meeting of the Ninth Session of the Board of the Company further considered the matters relating to the employee stock ownership scheme and at which meeting the Board considered and approved the 2015 First Phase Employee Stock Ownership Scheme of the Company (Draft) (by way of subscribing A Shares in Private Placement) (the “Employee Stock Ownership Scheme”, “Scheme”), and the implementation of the Scheme shall be it by way of Private Placement of A Shares (the “Private Placement”). Please refer to an announcement of the Company dated 22 April 2015 for the full text of the Employee Stock Ownership Scheme.

The number of A Shares to be issued under the Private Placement will not be more than 434,782,608 Shares (in the event of dividend distribution, bonus issue, capitalization of capital reserves or rights issue, during the period from the pricing reference date to the first day of the issuance period, the number of the A shares to be issued under the Private Placement (the “Underlying Shares”) shall be adjusted according to the issue price subsequent to such ex-rights or ex-dividend events), and the gross proceeds to be raised will not be more than RMB6 billion. The Private Placement shall be targeted at the Scheme and the entrusted Asset Management Agency under the Scheme shall be the specific targeted subscriber of the Private Placement. The Asset Management Agency will establish and manage an asset management scheme to hold the relevant interest in assets on behalf of the Scheme and subscribe the A Shares under the Private Placement in the capacity of subscriber.

The Private Placement shall be subject to obtaining the approval at the Company’s general meetings (including class meetings), obtaining the approval from authorities such as CBRC and CSRC as well as filing with the Hong Kong Stock Exchange.

## II. THE ASSET MANAGEMENT OF THE SCHEME

In order to manage the assets under the Scheme, on 22 April 2015, the Company (on behalf of the Scheme and in its capacity as the custodian) and Asset Management Agency entered into an asset management contract with respect to “GF Securities – China Merchants Bank ESOP” Designated Asset Management Scheme (the “Asset Management Agreement”). Pursuant to the Asset Management Agreement, the Asset Management Agency will establish and manage “GF Securities – China Merchants Bank ESOP” Designated Asset Management Scheme (the “Asset Management Scheme”) to hold the relevant interest in assets on behalf of the Scheme. The Asset Management Scheme is to be funded by the Scheme for the sole purpose of subscribing the Underlying Shares to be issued under the Private Placement, where the total subscription amount shall not be more than RMB6 billion.

Upon receiving the payment by the target participants of the Scheme, the Company will collect the fund and transfer the whole amount into a special entrustment account of the Asset Management Scheme, and the Custodian will issue a receipt notice to the Asset Management Agency after verifying the amount received. After confirming that all entrusted assets are duly received, the Manager will issue a commencement notice with respect to the entrusted assets to the Company, and the commencement date of the Asset Management Scheme shall be the date on which the Manager issues such notice.

### Principal Terms of the Asset Management Agreement

Date	:	22 April 2015
Parties	:	(i) the Company (on behalf of the Scheme) (as trustor) (“Trustor”);  (ii) GF Asset Management (Guangdong) Co., Ltd. (as asset manager) (“Asset Management Agency” or “Manager”); and  (iii) the Company (as asset custodian) (“Custodian”).
Asset management	:	The Manager shall establish the Asset Management Scheme, participate in the Private Placement pursuant to the terms of the Asset Management Agreement, and invest and manage the entrusted assets pursuant to the Trustor’s investment mandate, including but not limited to, the realization/reduction of A Shares vested to the Holders of the Scheme upon the expiry of the 36-month lock-up period, or if not prohibited by the then prevailing laws and regulations and with the support of the system and rules of CSDC, the transferring of the Underlying Shares vested in the relevant Holders of interest under the Scheme to the Holders’ personal accounts.

During the lock-up period, the Manager is prohibited from dealing with any Underlying Shares or shares derived from them which are held under the Scheme on the listing market or in any way transfer the foregoing shares, and is also prohibited from transferring the Underlying Shares to Holders of the Scheme. The privately placed A Shares of the Company acquired by the Asset Management Scheme through the Private Placement or shares derived from events such as share dividend distribution and capitalization of capital reserves shall also comply with the aforementioned lock-up arrangements. Shares obtained through other means shall be subject to the relevant national laws, rules and regulations.

Entrusted assets : Entrusted assets are capital entrusted by the Trustor to the Manager for management and utilization. Properties acquired by the Manager as a result of the management, utilization, handling of such entrusted capital or otherwise will also be assigned to the entrusted assets. The preliminary form of the entrusted assets can be cash assets or non-cash assets. The preliminary entrusted amount is the amount of preliminary entrusted capital received in the designated account of the entrusted assets. Entrusted assets shall primarily invest in the Underlying Shares; and, in compliance with the laws and regulations, the other types of investment designated in writing by the Trustor (being the Management Committee of the Scheme or the authorized representatives of the Trustor).

Entrusted asset are fixed assets independent of the Manager and the Custodian, and which are to be held by the Custodian. The Manager and the Custodian shall not allocate the entrusted assets into its fixed assets.

Voting right : Pursuant to the Scheme, prior to the Underlying Shares being vested in and transferred to the Holders under the Scheme, the Holders and the Scheme shall not be entitled to the right and power to vote attached to the Underlying Shares. As a result, the Manager shall not exercise any voting right attached or resulted from the entrusted assets.

Responsibilities of Custodian : Custodian shall manage the entrusted assets on behalf of the Trustor and fulfill obligations such as safekeeping of the entrusted assets, handle receipt and payment of funds and supervise the investment activities of the Manager.

Expenses : The expenses relating to the asset management included:  
(1) management fee of the Manager;  
(2) custodian fee of the Custodian;

- (3) bank charges required in the appropriation and transfer of entrusted assets and the fees incurred from opening the relevant accounts;
- (4) security trading fee, of which the share trading commission will be charged by the Manager based on the relevant broker service standard;
- (5) tax related to the operation and investment of entrusted assets; and
- (6) other expenses that may be charged under entrusted assets in accordance with the laws and regulations and the agreements of the contract.

Of which, the Manager shall charge RMB1,000,000 per year as the fixed manager's fee, while the Custodian shall charge RMB300,000 per year as the fixed custodian fee.

- Term : No fixed term has been set for the Asset Management Agreement. The Asset Management Scheme can be terminated through written notice by the Trustor. Unless otherwise agreed under the Asset Management Agreement, the Manager shall not terminate the contract unilaterally.
- Effective date of the Asset Management Agreement : The Asset Management Agreement shall come into force on the date of receipt of the CSRC's approval of the Private Placement relating to the Scheme.

### **Information of the Asset Management Agency**

The Asset Management Agency is a company established in the PRC with limited liability, having a registered capital of RMB500 million. It is mainly engaged in security asset management business (including Qualified Domestic Institutional Investors' foreign security investment management business) and is a wholly-owned subsidiary of GF Securities Co., Ltd.

### **Confirmation of Directors**

None of the Directors have material interest in the Asset Management Agreement. The Directors (including independent non-executive Directors) considered that the terms of the Asset Management Agreement are fair and reasonable and on normal commercial terms and are in the interest of the Company and the Shareholders of the Company as a whole.

## **Implications under the Hong Kong Listing Rules**

To the best of the Directors' knowledge and their beliefs, having made all reasonable enquiries, the Asset Management Agency and its ultimate beneficial owner is an independent third party of the Group and its connected persons. Furthermore, the target participants of the Scheme, which number is limited to 8,500, are core personnel playing a crucial role in the Company's overall performance and mid and long-term development who can participate in this Scheme with equal opportunities, including certain Directors, certain Supervisors, certain senior management personnel, middle-level cadres and key employees of the Company as well as senior management personnel of the Company's wholly-owned subsidiaries, of which Li Jianhong (Chairman), Ma Zehua (Vice Chairman) and Li Xiaopeng (Director) will not participate in the Scheme while the participation of other non-executive Directors and shareholder Supervisors in the Scheme is required to be reported to the relevant authorities for approval, and independent non-executive Directors and external Supervisors will not participate in the Scheme. Pursuant to Rule 14A.12 of the Hong Kong Listing Rules, as the Scheme is an "employees' share scheme established for a wide scope of participants", and the aggregate interest of connected persons in the Scheme will be less than 30%, the Asset Management Agency is not deemed as an associate of the Company's connected person. As a result, the entering into of the Asset Management Agreement by the Company (on behalf of the Scheme) shall not constitute a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

### **III. SUBSCRIPTION OF THE A SHARES UNDER THE PRIVATE PLACEMENT**

On 22 April 2015, the Company (as the issuer) and the Asset Management Agency (on behalf of the entrusted Asset Management Scheme) (as subscriber) entered into a conditional share subscription agreement for the Private Placement ("Share Subscription Agreement"). According to the Share Subscription Agreement, the Asset Management Agency (on behalf of the entrusted Asset Management Scheme) proposes to subscribe for the A Shares under the Private Placement in accordance with the agreed condition, quantity, amount and price under the Share Subscription Agreement.

#### **Principal Terms of the Share Subscription Agreement**

Date	:	22 April 2015
Parties	:	(i) the Company (as issuer); and (ii) the Asset Management Agency (on behalf of the entrusted Asset Management Scheme) (as subscriber).
Amount of shares to be subscribed, subscription price and method of subscription	:	The subscriber agreed to subscribe for up to 434,782,608 A Shares under the Private Placement by the Company (as the issuer) with a subscription amount of not more than RMB6 billion.

The pricing reference date of the Private Placement shall be the date of announcement of resolutions of the 31st Meeting of the Ninth Session of the Board of the Company (i.e. 11 April 2015). The issue price of the A Shares under the Private Placement shall be RMB13.80 per share and shall be no less than 90% of the average trading price of the Company's A Shares over 20 trading days before the pricing reference date (i.e. RMB13.7927 per share). In the event of any ex-rights or ex-dividend event, such as dividend distribution, bonus issue, capitalization of capital reserves or rights issue, during the period from the pricing reference date to the first day of the issuance period, the issue base price and issue price shall be adjusted accordingly.

The subscriber agreed to subscribe for the A Shares under the Private Placement with RMB cash in accordance with the aforementioned price.

- Class and par value of the shares to be issued : The par value per share of the A Shares under the Private Placement is RMB1.
- Payment and Method of Subscription Fees : Upon the Private Placement being approved by the CBRC and CSRC and filed with the Hong Kong Stock Exchange, the principal arranger(s) engaged by the Company shall issue a “Subscription and Payment Notice” to the subscriber in accordance with the placement proposal of the Private Placement of A Shares finally approved by the CSRC. The subscriber shall comply with the requirements set out in the “Subscription and Payment Notice” received from the principal arranger(s), and prior to the payment date fixed in such notice, credit the subscription remittance into the account designated by the principal arranger(s) in one-off payment.
- Delivery of the Shares : The Company shall, within ten working days after the full payment of the subscription fund by the subscriber as agreed under the Share Subscription Agreement, register the Underlying Shares actually subscribed by the subscriber through the share registration system of share registration institutions under the share account opened by the subscriber for the Scheme pursuant to the procedures required by the CSRC and the SSE and the share registration institutions in order to facilitate the delivery of the Underlying Shares.
- Underlying Shares and Lock-up Arrangement : The lock-up period of Underlying Shares to be subscribed shall be thirty-six (36) months, commencing from the time when the Company makes an announcement on the registration of Underlying Shares in the Private Placement under the Scheme. Shares derived from the foregoing Underlying Shares as a result of share dividend distribution and capitalization of capital reserves shall also comply with the above lock-up arrangements. The subscriber further undertakes that, during the aforementioned lock-up period, the subscriber shall not deal with any Underlying Shares or shares derived from them on the listing market or in any way transfer the foregoing shares, and is also prohibited from vesting or transferring the Underlying Shares to Holders of the Scheme.

Upon the completion of the Private Placement, the subscriber, based on its shareholding proportion in the Company, shall be entitled to the cumulative retained earnings before the share record date along with other existing and new Shareholders of the Company. However, the Underlying Shares held by the subscriber shall have no voting right and power attached, prior to the vesting and transferring of the Underlying Shares to the Holders of the Scheme upon the expiration of the aforementioned lock-up period, neither the subscriber nor the Scheme enjoys the voting right and power in respect of the Underlying Shares. After the vesting and transferring of the Underlying Shares to the Holders of the Scheme upon the expiration of the aforementioned lock-up period, the Holders shall, in respect of the Underlying Shares, enjoy equal voting right, power and other Shareholder's right with other Shareholders of the Company.

Conditions precedent : The Share Subscription Agreement will become effective upon fulfillment of all of the following conditions:

- (1) the approval of the Private Placement by the Board and at the general meeting, A Share class meeting and H Share class meeting of the Company and the approval of the Share Subscription Agreement by the Board and at the general meeting of the Company;
- (2) the approval of the Private Placement from the CBRC;
- (3) the approval of the Private Placement from the CSRC;
- (4) the filing of the Private Placement with the Hong Kong Stock Exchange;
- (5) the approvals of the relevant resolutions of the Scheme by the Board and at the general meeting of the Company;
- (6) the establishment of the Asset Management Scheme in accordance with laws.

Obligation on Default : In the event of a material breach of the Share Subscription Agreement by any party and within 30 days after the non-defaulting party issued a written notice to require the defaulting party to take immediate remedial measure and failing which, the non-defaulting party shall be entitled to terminate the Share Subscription Agreement unilaterally through written notice.

## **Confirmation of Directors**

The Directors (including independent non-executive Directors) considered that the Scheme is in compliance with the relevant laws, regulation, rules and normative documents and there is no circumstance where the relevant laws and regulations restrict or may prejudice the interest of the Company and the Shareholders as a whole and there is no circumstance where employees are forced to participate in the Scheme by way of apportionment, mandatory distribution and other methods. The implementation of the Scheme can boost the corporate governance, further improve the Company's incentive and restraint mechanism, increase the cohesiveness of employees and the competitiveness of the Company, which is beneficial to the effective alignment of Shareholders' interest, the Company's interest and the employees' interest and the healthy and sustainable development of the Company; furthermore, the terms of the Share Subscription Agreement are fair and reasonable and on normal commercial terms and are in the interest of the Company and the Shareholders of the Company as a whole.

The Private Placement and related connected transactions are in compliance with the principles of open, fair and just, with a fair pricing, in the long-term interest of the Company and all Shareholders as a whole and under which there is no circumstance where the interests of the minority or mid-sized shareholders are prejudiced; the voting procedures on the related connected transactions under the Private Placement are legal. The related connected Directors of the Company, namely Zhang Guanghua, Tian Huiyu, Li Yinquan, Sun Yueying, Su Min, Fu Junyuan, Li Hao, Fu Gangfeng and Hong Xiaoyuan had abstained from voting on the Board resolution to consider and approve the passing of the issue of A Shares to the Scheme by way of Private Placement (including, among others, the Share Subscription Agreement and the transactions contemplated thereunder), and the resolutions were voted for by the other nine unrelated Directors. Save as disclosed above, none of the Directors have material interest in the related resolutions of the Share Subscription Agreement or were required to abstain from voting on the Board resolutions to consider and approve the passing of the issue of A Shares to the Scheme by way of Private Placement (including, among others, the Share Subscription Agreement and the transactions contemplated thereunder) pursuant to the Hong Kong Listing Rules and/or the Articles of Association of the Company.

## **Implications under the Hong Kong Listing Rules**

The subscription targets in the Private Placement of A Shares are core personnel playing a crucial role in the Company's overall performance and mid and long-term development, including, inter alia, certain Directors and certain Supervisors, while participation of non-executive Directors and shareholder Supervisors in the Scheme is required to be reported to the relevant authorities for approval and independent non-executive Directors as well as external Supervisors shall not participate in the Scheme. The Group's Directors and Supervisors constitute the connected persons of the Company within the meaning of the Hong Kong Listing Rules, their participation in the Scheme to subscribe for the A Shares under the Private Placement shall constitute a connected transaction of the Company under the Hong Kong Listing Rules.



The total amount of Scheme Entitlements (Note) to be subscribed by the Company's Directors and Supervisors ("Connected Participants") as well as senior management personnel in aggregate (the Initial Entitlements) shall be no more than 7,070,000 units, representing not more than 1.63% of the Scheme Entitlements (Initial Entitlements). The specific total amount of Scheme Entitlements to be subscribed by the Connected Participants and senior management personnel shall be determined in accordance with the approval of the relevant authorities and the actual payment made by the aforementioned parties.

Note: Scheme Entitlement(s) refer to the equal portions of the Scheme divided in accordance with the amount of Underlying Shares held, while each entitlement corresponds to one Underlying Share (such one share of Underlying Share included the cash assets (if any) corresponding to the Scheme).

Since the Scheme Entitlements (Initial Entitlements) that Connected Participants who are interested in the Scheme intend to subscribe (including those to be subscribed by the senior management personnel) shall be no more than 7,070,000 units, pursuant to the requirements of Rule 14.07 of the Hong Kong Listing Rule, the applicable percentage ratios are all less than 0.1%. As a result, the contemplated participation in the Scheme by the Connected Participants and the contemplated subscription of the A Shares under the Private Placement shall be exempt from requirements of reporting, announcement and independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules. However, the contemplated participation in the Scheme and the subscription of the A shares under the Private Placement by the Connected Participants and the senior management personnel shall constitute related party transactions of the Company under the relevant PRC law and regulation and shall be subject to approval by non-related Shareholders at general meeting.

A general meeting, A Share class meeting (where applicable) and H Share class meeting (where applicable) will be convened on 19 June 2015 by the Company to consider and approve, if thought fit, among others, the Scheme and matters to be carried out for the purpose of implementing the Scheme, including the Private Placement, and authorize the Board and its delegate to deal with the matters relating to the Scheme at sole discretion.

A circular containing, among others, (i) further information regarding to the resolution of the Scheme (Draft) (by way of subscribing A Shares in Private Placement); (ii) further information regarding to the proposal of Private Placement of A Shares to designated placees; (iii) further information regarding the plan of the Private Placement of A Shares; (iv) further information regarding to the submission of the proposal to the general meeting to authorize the Board and authorized persons by the Board to handle the relevant matters of the Private Placement of A Shares with full authorization; and (v) the general mandate to issue Shares and/or share option is expected to be dispatched to Shareholders on or around 20 May 2015.

By the order of the board  
**CHINA MERCHANTS BANK CO., LTD.**  
**Li Jianhong**  
*Chairman*

22 April 2015

*As at the date of this announcement, the executive directors of the Company are Tian Huiyu, Zhang Guanghua and Li Hao; the non-executive directors of the Company are Li Jianhong, Ma Zehua, Li Xiaopeng, Li Yinquan, Fu Gangfeng, Sun Yueying, Su Min, Fu Junyuan and Hong Xiaoyuan; 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.*