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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: 3968)**

## CONTINUING CONNECTED TRANSACTIONS

### **(1) Services for sale of insurance products with CIGNA and CMC Life Insurance**

On 23 January 2008, the Company entered into the Insurance Sales Co-operation Agreement with CIGNA and CMC Life Insurance for a term commencing on 1 January 2008 and expiring on 31 December 2008. Pursuant to the Insurance Sales Co-operation Agreement, the Company will conduct the agency services relating to the sale of insurance products with CIGNA and CMC Life Insurance.

CM Steam Navigation is one of the promoters and a substantial shareholder of the Company. Including the deemed interest held via affiliates, it currently holds 17.63% equity interest in the Company. CM Group in turn holds 100% and 50% equity interest in CM Steam Navigation and CIGNA and CMC Life Insurance, respectively. Pursuant to the Hong Kong Listing Rules, CIGNA and CMC Life Insurance is a connected person of the Company. The transactions contemplated under the Insurance Sales Co-operation Agreement will be carried out on an on-going basis, thus constituting continuing connected transactions of the Company for the purposes of the Hong Kong Listing Rules.

The annual cap of service fees for sale of insurance products to be received from CIGNA and CMC Life Insurance Life for 2008 is set at RMB620 million.

Since the annual cap of the service fees for sale of insurance products to be received from CIGNA and CMC Life Insurance for 2008 shall be less than 2.5% of the relevant percentage ratio calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, those transactions will accordingly be subject only to the reporting and announcement requirements pursuant to Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules, and exempt from the independent shareholders' approval requirement.

### **(2) Services for sale of investment fund with China Merchants Fund Company**

On 23 January 2008, the Company entered into the Investment Fund Agency Sales Agreement with China Merchants Fund Company for a term commencing on 1 January 2008 and expiring on 31 December 2008. Pursuant to the Investment Fund Agency Sales Agreement, the Company will conduct the agency services relating to the sale of investment fund with China Merchants Fund Company.

The Company acquired 33.4% of the equity interest in China Merchants Fund Company while each of CM Securities and ING Asset Management holds 33.3% of the equity interest in China Merchants Fund Company. In accordance with the Hong Kong Listing Rules, China Merchants Fund Company is a connected person to the Company. The transactions contemplated under the Investment Fund Agency Sales Agreement will be carried out on an on-going basis, thus constituting continuing connected transactions of the Company for the purposes of the Hong Kong Listing Rules.

The annual cap of service fees for sale of investment fund to be received from China Merchants Fund Company for 2008 is set at RMB620 million.

Since the annual cap of the service fees for sale of investment fund to be received from China Merchants Fund Company for 2008 shall be less than 2.5% of the relevant percentage ratio calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, those transactions will accordingly be subject only to the reporting and announcement requirements pursuant to Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules, and exempt from the independent shareholders' approval requirement.

**(3) Services relating to provision of the third parties custodian account, agency sales services for financial products and collective investment products with CM Securities**

On 23 January 2008, the Company entered into the Co-operation Agreement with CM Securities for a term commencing on 1 January 2008 and expiring on 31 December 2008. Pursuant to the Co-operation Agreement, the Company will conduct services relating to provision of the third parties custodian account, agency sales services for financial products and collective investment products with CM Securities.

CM Steam Navigation is one of the promoters and a substantial shareholder of the Company. Including the deemed interest held via affiliates, it currently holds 17.63% equity interest in the Company. CM Group in turn holds 100% and 51.65% equity interest in CM Steam Navigation and CM Securities, respectively. Pursuant to the Hong Kong Listing Rules, CM Securities is a connected person of the Company as it is an associate of a connected person. The transactions contemplated under the Co-operation Agreement will be carried out on an on-going basis, thus constituting continuing connected transactions of the Company for the purposes of the Hong Kong Listing Rules.

The annual cap of service fees for to provision of the third parties custodian account, agency sales services for financial products and collective investment products to be received from CM Securities for 2008 is set at RMB620 million.

Since the annual cap of the service fees for provision of the third parties custodian account, agency sales services for financial products and collective investment products to be received from CM Securities for 2008 shall be less than 2.5% of the relevant percentage ratio calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, those transactions will accordingly be subject only to the reporting and announcement requirements pursuant to Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules, and exempt from the independent shareholders' approval requirement.

## **CONTINUING CONNECTED TRANSACTIONS WHICH ARE EXEMPTED FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT**

### **(1) Services for sale of insurance products with CIGNA and CMC Life Insurance**

As approved by the Board, the Company entered into the Insurance Sales Co-operation Agreement with CIGNA and CMC Life Insurance on 23 January 2008 for a term commencing on 1 January 2008 and expiring on 31 December 2008. Pursuant to the Insurance Sales Co-operation Agreement, the Company will conduct the agency services relating to the sale of insurance products with CIGNA and CMC Life Insurance.

CM Steam Navigation is one of the promoters and a substantial shareholder of the Company. Including the deemed interest held via affiliates, it currently holds 17.63% equity interest in the Company. CM Group in turn holds 100% and 50% equity interest in CM Steam Navigation and CIGNA and CMC Life Insurance, respectively. Pursuant to the Hong Kong Listing Rules, CIGNA and CMC Life Insurance is a connected person of the Company. The transactions contemplated under the Insurance Sales Co-operation Agreement will be carried out on an on-going basis, thus constituting continuing connected transactions of the Company for the purposes of the Hong Kong Listing Rules.

Pursuant to the Insurance Sales Co-operation Agreement (which is independent of the Investment Fund Agency Sales Agreement and the Co-operation Agreement), the Company will conduct the agency business relating to the sale of insurance products with CIGNA and CMC Life Insurance. The service fee for sale of the insurance products payable by CIGNA and CMC Life Insurance to the Company shall be reached in accordance with the following principles:

- (i) to follow the fee as prescribed by the PRC Government; or
- (ii) where there is no PRC Government prescribed fee but a Government guidance fee exists, to follow the Government guidance fee; or
- (iii) where there is neither a PRC Government prescribed fee nor a Government guidance fee, to follow the fees to be agreed between the parties based on arm's length negotiations.

In any event, the service fees payable by CIGNA and CMC Life Insurance to the Company shall be on terms no less favourable than those granted to independent third parties for provision of similar services. There are no previous transactions between the Company and CIGNA and CMC Life Insurance or its beneficial owners which require aggregation under Rule 14A.25 of the Hong Kong Listing Rules.

The Company intends to set the annual cap for 2008 in respect of service fees for sale of insurance products to be received from CIGNA and CMC Life Insurance Life at RMB620 million.

There has been a strong demand for insurance products during the past few years and hence the service fees for sale of insurance products received from CIGNA and CMC Life Insurance have experienced substantial increase. For the eleven months ended 30 November 2007, the service fees for sale of insurance products paid to us by CIGNA and CMC Life Insurance approximately RMB66.387 million (unaudited). (The annual cap for 2007 is RMB89 million. Please refer to the announcement of the Company dated 6 December 2007). The historical transaction amounts for the eleven months ended 30 November 2007 increased by over 3.75 times of the historical transaction amounts for the year ended 2006 due primarily to the rapid development of the insurance market in the PRC and a number of external factors such as the business environment, the varying income and expenditure patterns of the customers, which are beyond the Company's control. Given that the Company will further strengthen the Company's relationship with CIGNA and CMC Life Insurance, the Company expects that the service fees for sale of insurance products will continue to increase substantially. The setting of the annual cap of service fees for sale of insurance products for 2008 is based on the increasing demand for insurance products and the current and projected operation conditions for the continuing connected transactions between the Company and CIGNA and CMC Life Insurance, with reference to the prevailing market conditions, the underlying transaction volumes and the expected growth in service fee by approximately 6 times of the aggregate transaction amount for 2007. Taking into account that the growth in the service fee for sale of insurance products is market-driven in nature which is considered to be difficult for the Company to estimate, it is therefore reasonable to set the annual cap at RMB620 million so as to allow more room for further expansion of the transaction amounts between the Company and CIGNA and CMC Life Insurance, thus enabling the Company to take full benefit of the continued growth of the PRC economy and the insurance market, and to maximize the Company's revenue generated from such service fees.

CIGNA and CMC Life Insurance is an insurance company limited operated in sizeable scale jointly by sino-foreign entities, providing products for life insurance, accident and health insurance, etc.. It has an advantageous position in banking insurance in that it can model the successful experience and expertise of the CIGNA and CMC Life Insurance Group of the United States which operates throughout various places of the world. The Directors (including the independent non-executive Directors) consider that the terms of the Insurance Sales Co-operation Agreement are: (i) in the ordinary and usual course of business of the Company; and (ii) based on normal commercial terms (in accordance with the terms on arm's length negotiation or terms no less favourable than the terms offered by the Company to independent third parties). Further, having taking into consideration the fact that the transaction amounts for sale of insurance products may vary significantly depending on prevailing market conditions, the Directors (including the independent non-executive Directors) consider that the setting of the annual cap in respect of the service fees for sale of insurance products for 2008 is in the interests of the Company and its shareholders as a whole.

Since the annual cap of the service fees for sale of insurance products for 2008 shall be less than 2.5% of the relevant percentage ratio calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, those transactions will accordingly be subject only to the reporting and announcement requirements pursuant to Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules, and exempt from the independent shareholders' approval requirement. In addition, as regards the sale of insurance products service conducted between the Company and CIGNA and CMC Life Insurance, the Company will comply with the annual audit review on continuing connected transactions as required by Rules 14A.37 to 14A.41 of the Hong Kong Listing Rules.

Should the total amount regarding the sale of insurance product services with CIGNA and CMC Life Insurance for the year ending 31 December 2008 exceed the cap, the Company would further comply with the requirement under Rule 14A.36 of the Hong Kong Listing Rules before such cap is exceeded.

**(2) Services for sale of investment fund with China Merchants Fund Company**

As approved by the Board, the Company entered into the Investment Fund Agency Sales Agreement with China Merchants Fund Company on 23 January 2008 for a term commencing on 1 January 2008 and expiring on 31 December 2008. Pursuant to the Investment Fund Agency Sales Agreement, the Company will conduct the agency services relating to the sale of investment fund with China Merchants Fund Company.

Pursuant to the share transfer agreement signed in June 2006, the Company acquired 33.4% of the equity interest in China Merchants Fund Company. Each of CM Securities and ING Asset Management holds 33.3% of the equity interest in China Merchants Fund Company (please refer to the Company's announcement dated 6 July 2007). The Company's acquisition of the 33.4% equity interest in China Merchants Fund Company completed on or about 28 August 2007. In accordance with the Hong Kong Listing Rules, China Merchants Fund Company became a connected person to the Company. The transactions contemplated under the Investment Fund Agency Sales Agreement will be carried out on an on-going basis, thus constituting continuing connected transactions of the Company for the purposes of the Hong Kong Listing Rules. There are no previous transactions between the Company and China Merchants Fund Company or its beneficial owners which require aggregation under Rule 14A.25 of the Hong Kong Listing Rules.

Pursuant to the Investment Fund Agency Sales Agreement (which is independent of the Insurance Sales Co-operation Agreement and the Co-operation Agreement), the Company will conduct the agency business relating to the sale of investment fund with China Merchants Fund Company in accordance with the relevant funds offering documents and offering prospectus. The service fees for sale of the investment funds payable to the Company by China Merchants Fund Company will be on an arm's length basis and calculated on normal commercial terms, having regard to the fees and charges specified in the funds offering documents and/or the offering prospectus.

The Company intends to set the annual cap for 2008 in respect service fees for sale of investment fund to be received from China Merchants Fund Company at RMB620 million.

With the gradual acceptance of fund investment by the general public, there has been an increasing demand for fund investment services. For the period from 28 August 2007 to 30 November 2007, the service fees for sale of the investment funds paid to us by China Merchants Fund Company were approximately RMB60.01 million (unaudited). (The cap for 2007 is RMB195.40 million. Please refer to the announcement of the Company dated 6 July 2007). The transaction amounts for the eleven months ended 30 November 2007 increased significantly due to the booming financial market in the PRC. The decision for investing in fund investment transactions is market-driven, largely determined by customers' decision on their wealth management portfolio which is not within the Company's control. There is no historical track record to account for the growth of the investment fund market in the PRC and the transaction amounts for sale of the investment funds vary significantly due to the unexpected fluctuations of the PRC financial market. The setting of the annual cap of service fees for sale of the investment funds for 2008 is based on the increasing demand for fund investment and the current and projected operation conditions for the continuing connected transactions between

the Company and China Merchants Fund Company, with reference to the prevailing market conditions, the underlying transaction volumes and the expected growth in service fee by approximately 2.5 times of the aggregate transaction amount for 2007. Taking into account that the growth in the service fee for sale of the investment funds is market-driven in nature which is considered to be difficult for the Company to estimate, it is reasonable to set the annual cap at RMB620 million so as to allow more room for further expansion of the transaction amounts between the Company and China Merchants Fund Company, thus enabling the Company to take full benefit of the growth of the PRC economy and the fund investment market, and to maximize the Company's revenue generated from such service fees.

China Merchants Fund Company is the first sino-foreign joint venture company approved by the China Securities Regulatory Commission for fund management and investment, providing various kinds of mutual funds and investment products. It has to-date established its own brandname and occupies a considerable share in the market. The Directors (including the independent non-executive Directors) consider that the terms of the Investment Fund Agency Sales Agreement are: (i) in the ordinary and usual course of business of the Company; and (ii) based on normal commercial terms (in accordance with the terms on arm's length negotiation or terms no less favourable than the terms offered by the Company to independent third parties). Further, having taking into consideration the fact that the transaction amounts for sale of investment funds may vary significantly depending on the prevailing market conditions and the unexpected fluctuations of the financial markets, the Directors (including the independent non-executive Directors) consider that the setting of the annual cap in respect of service fees for sale of the investment funds for 2008 is in the interests of the Company and its shareholders as a whole.

Since the annual cap of the service fees for sale of investment fund to be received from China Merchants Fund Company for 2008 shall be less than 2.5% of the relevant percentage ratio calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, those transactions will accordingly be subject only to the reporting and announcement requirements pursuant to Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules, and exempt from the independent shareholders' approval requirement. In addition, as regards the sale of investment fund service conducted between the Company and China Merchants Fund Company, the Company will comply with the annual audit review on continuing connected transactions as required by Rules 14A.37 to 14A.41 of the Hong Kong Listing Rules.

Should the total amount regarding the sale of investment fund services with China Merchants Fund Company for the year ending 31 December 2008 exceed the cap, the Company would further comply with the requirement under Rule 14A.36 of the Hong Kong Listing Rules before such cap is exceeded.

**(3) Services relating to provision of the third parties custodian account, agency sales services for financial products and collective investment products with CM Securities**

As approved by the Board, the Company entered into the Co-operation Agreement with CM Securities on 23 January 2008 for a term commencing on 1 January 2008 and expiring on 31 December 2008. Pursuant to the Co-operation Agreement, the Company will conduct services relating to provision of the third parties custodian account, agency sales services for financial products and collective investment products with CM Securities.

CM Steam Navigation is one of the promoters and a substantial shareholder of the Company. Including the deemed interest held via affiliates, it currently holds 17.63% equity interest in the Company. CM Group in turn holds 100% and 51.65% equity interest in CM Steam Navigation and CM Securities, respectively. Pursuant to the Hong Kong Listing Rules, CM Securities is a connected person of the Company as it is an associate of a connected person. The transactions contemplated under the Co-operation Agreement will be carried out on an on-going basis, thus constituting continuing connected transactions of the Company for the purposes of the Hong Kong Listing Rules.

Pursuant to the Co-operation Agreement (which is independent of the Insurance Sales Co-operation Agreement and the Investment Fund Agency Sales Agreement), the Company will conduct services relating to provision of the third parties custodian account, agency sales services for financial products and collective investment products with CM Securities. The service fees for provision of the third parties custodian account, agency sales services for financial products and collective investment products shall be reached in accordance with the following principles:

- (i) to follow the fee as prescribed by the PRC Government; or
- (ii) where there is no PRC Government prescribed fee but a Government guidance fee exists, to follow the Government guidance fee; or
- (iii) where there is neither a PRC Government prescribed fee nor a Government guidance fee, to follow the fees to be agreed between the parties based on arm's length negotiations.

In any event, the service fees payable by CM Securities to the Company shall be on terms no less favourable than those granted to independent third parties for provision of similar services. There are no previous transactions between the Company and CM Securities or its beneficial owners which require aggregation under Rule 14A.25 of the Hong Kong Listing Rule.

The Company intends to set the annual cap for 2008 in respect of service fees for provision of the third parties custodian account, agency sales services for financial products and collective investment products to be received from CM Securities at RMB620 million.

For the eleven months ended 30 November 2007, the Company has received from CM Securities approximately RMB470 million (unaudited) being the service fees for Bank-Securities Express, services relating to the third parties custodian account, agency sales services for financial products and collective investment products. (The annual cap for 2007 is RMB868.2 million. Please refer to the Company's announcement dated 28 September 2007 and the Company's circular dated 8 October 2007). To comply with the regulatory requirement, the Bank Securities Express Services between the Company and CM Securities was discontinued on 31 August 2007. The Company has been working closely with CM Securities to expand the agency sales of financial services and products. CM Securities has specialized teams to analyse the market trends, thus enabling it to devise diversified and enhanced financial services and products to capture the market growth. Given the background of the Company with CMG Group, the Company has over the years established a good and quality co-operation relationship with CM Securities. The historical transaction amounts for the eleven months ended 30 November 2007 increased significantly as compared to the historical transaction amounts for the year ended 2006 due primarily to the booming financial market during 2007 and a number of external factors such as the buoyancy of the business environment that are beyond the control of the Company. The setting of the annual cap of service fees for 2008 is based on the internal assessment according to the prevailing operation conditions and the uprising demands for

financial services in the PRC market, with reference to the prevailing market conditions, the external factors that may give rise to unexpected fluctuations of the financial markets and the underlying transaction volumes. Taking into account that the growth in the service fee for the third parties custodian account, agency sales services for financial products and collective investment products is market-driven in nature which is considered to be difficult for the Company to estimate, it is therefore reasonable to set the annual cap at RMB620 million so as to allow more room for further expansion of the transaction amounts between the Company and CM Securities, thus enabling the Company to take full benefit of the continued growth of the PRC economy and the financial markets, and to maximize the Company's revenue generated from such service fees. The Directors (including the independent non-executive Directors) consider that the terms of the Co-operation Agreement are: (i) in the ordinary and usual course of business of the Company; and (ii) based on normal commercial terms (in accordance with the terms on arm's length negotiation or terms no less favourable than the terms offered by the Company to independent third parties). Further, having taking into consideration the fact that the transaction amounts relating to provision of the third parties custodian account, agency sales services for financial products and collective investment products may vary significantly depending on the prevailing market conditions and the unexpected fluctuations of the financial markets, the Directors (including the independent non-executive Directors) consider that the setting of the annual cap in respect of the service fees for provision of the third parties custodian account, agency sales services for financial products and collective investment products for 2008 is in the interests of the Company and its shareholders as a whole.

Since the annual cap of the service fees for provision of the third parties custodian account, agency sales services for financial products and collective investment products to be received from CM Securities for 2008 shall be less than 2.5% of the relevant percentage ratio calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, those transactions will accordingly be subject only to the reporting and announcement requirements pursuant to Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules, and exempt from the independent shareholders' approval requirement. In addition, as regards the services for provision of the third parties custodian account, agency sales services for financial products and collective investment products conducted between the Company and CM Securities, the Company will comply with the annual audit review on continuing connected transactions as required by Rules 14A.37 to 14A.41 of the Hong Kong Listing Rules.

Should the total amount for provision of the third parties custodian account, agency sales services for financial products and collective investment products with CM Securities for the year ending 31 December 2008 exceed the cap, the Company would further comply with the requirement under Rule 14A.36 of the Hong Kong Listing Rules before such cap is exceeded.

### **General information relating to the Company, CIGNA and CMC Life Insurance, China Merchants Fund Company and CM Securities**

The Company is a leading retail bank in China, with a market capitalization of approximately RMB555 billion as at 31 December 2007. As at 30 June 2007, we had approximately RMB1,108.78 billion in total assets, RMB629.55 billion in total loans and RMB844.57 billion in total deposits from customers.

CIGNA and CMC Life Insurance is a company incorporated in the PRC. Its principal business includes the life insurance, accidents and health insurance products.



China Merchants Fund Company is a company incorporated in the PRC. Its principal business includes the establishment and management of investment fund.

CM Securities is a company incorporated in the PRC. Its principal business includes dealing in securities, provision of financial products and advisory services.

## DEFINITIONS

“associates”	has the meaning ascribed to it in the Hong Kong Listing Rules;
“China Merchants Fund Company”	means 招商基金管理有限公司 (China Merchants Fund Management Company Limited), a company incorporated in the PRC on 27 December 2002, of which the Company holds 33.4% of its equity interests;
“CIGNA and CMC Life Insurance”	means CIGNA and CMC Life Insurance Company Limited (招商信諾人壽保險有限公司), a company incorporated on 8 September 2003;
“CM Group”	means 招商局集團有限公司 (China Merchants Group Limited) and its subsidiaries and associates;
“CM Securities”	means 招商證券股份有限公司 (China Merchants Securities Co. Ltd.), a member of the CMG Group;
“CM Steam Navigation”	means 招商局輪船股份有限公司 (China Merchants Steam Navigation Co., Ltd.), a substantial shareholder and promoter of the Company;
“Company”	means 招商銀行股份有限公司 (China Merchants Bank Co., Ltd.), a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the Hong Kong Stock Exchange;
“Co-operation Agreement”	means the co-operation agreement entered into between the Company and CM Securities on 23 January 2007;
“Directors”	the director(s), including the independent non-executive directors of the Company;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“Insurance Sales Co-operation Agreement”	means the co-operation agreement entered into between the Company and CIGNA and CMC Life Insurance on 23 January 2008;

“Investment Fund Agency Sales Agreement”	means the agency sales agreement entered into between the Company and China Merchants Fund Company on 23 January 2008;
“PRC” or “China”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited; and
“subsidiaries”	has the meaning ascribed to it in the Hong Kong Listing Rules.

By order of the Board of Directors of  
**China Merchants Bank Co., Ltd.**  
**Qin Xiao**  
*Chairman*

23 January 2008

*As at the date of this announcement, the executive directors of the Company are Ma Weihua, Zhang Guanghua and Li Hao; the non-executive directors of the Company are Qin Xiao, Wei Jiafu, Fu Yunning, Li Yinquan, Hong Xiaoyuan, Ding An Hua Edward, Sun Yueying, Wang Daxiong and Fu Junyuan; and the independent non-executive directors of the Company are Wu Jiesi, Yan Lan, Song Lin, Chow Kwong Fai Edward, Liu Yongzhang and Liu Hongxia.*