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**SHENYIN WANGUO (H.K.) LIMITED**

**申銀萬國(香港)有限公司**

*(Incorporated in Hong Kong with limited liability)*

(Stock code : 218)

## **CONTINUING CONNECTED TRANSACTIONS**

The Board is pleased to announce that on 29 March 2010, the Company entered into (i) the 2010 SWSC MOU in relation to the SWSC Transactions with SWSC to replace the 2007 SWSC MOU as supplemented by the 2008 Supplemental SWSC MOU; and (ii) the 2010 SW Research MOU in relation to the SW Research Transactions with SW Research to replace the 2007 SW Research MOU as supplemented by the 2008 Supplemental SW Research MOU. The 2010 SWSC MOU and the 2010 SW Research MOU shall be effective from 1 June 2010 upon the obtaining of the approval of Independent Shareholders at the EGM and expire on 31 May 2013.

As SWSC is deemed to be beneficially interested in approximately 50.9% of the issued share capital of the Company and a substantial shareholder of the Company, and SW Research is a 90% owned subsidiary of SWSC, each of SWSC and SW Research is a connected person of the Company under the Listing Rules. As such, the SWSC Transactions and the SW Research Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Taking into account SWSC and SW Research are parties associated with each other, the SWSC Transactions and the SW Research Transactions are aggregated. Since the revenue ratio and the consideration ratio as defined under Rule 14.07 of the Listing Rules with reference to the largest Annual Caps in respect of the SWSC Transactions and the SW Research Transactions in aggregate exceed 2.5%, the 2010 SWSC MOU and the 2010 SW Research MOU are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and whether the terms of the Continuing Connected Transactions and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. The Independent Board Committee will advise the Independent Shareholders on how to vote at the EGM on the resolutions in respect of the Continuing Connected Transactions and the Annual Caps, after taking into account the recommendations of the independent financial adviser.

A circular containing, among other things, (i) further details of the Continuing Connected Transactions; (ii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Continuing Connected Transactions and the Annual Caps; (iii) the recommendation of the Independent Board Committee regarding the Continuing Connected Transactions and the Annual Caps to the Independent Shareholders; and (iv) a notice of the EGM will be despatched to the Shareholders as soon as practicable.

## **BACKGROUND**

Reference is made to the announcements of the Company dated 20 June 2007, 11 October 2007 and 3 April 2008 as well as the circular of the Company dated 23 April 2008.

The continuing connected transactions contemplated under the 2007 SWSC MOU as supplemented by the 2008 Supplemental SWSC MOU and the 2007 SW Research MOU as supplemented by the 2008 Supplemental SW Research MOU were approved by the then independent Shareholders at the extraordinary general meeting of the Company held on 16 May 2008. The 2007 SWSC MOU as supplemented by the 2008 Supplemental SWSC MOU and the 2007 SW Research MOU as supplemented by the 2008 Supplemental SW Research MOU will expire on 31 May 2010.

On 29 March 2010, the Company entered into (i) the 2010 SWSC MOU in relation to the SWSC Transactions with SWSC to replace the 2007 SWSC MOU as supplemented by the 2008 Supplemental SWSC MOU; and (ii) the 2010 SW Research MOU in relation to the SW Research Transactions with SW Research to replace the 2007 SW Research MOU as supplemented by the 2008 Supplemental SW

Research MOU. The 2010 SWSC MOU and the 2010 SW Research MOU shall be effective from 1 June 2010 upon the obtaining of the approval of Independent Shareholders at the EGM and expire on 31 May 2013.

## **2010 SWSC MOU**

Date : 29 March 2010

Parties : (1) the Company  
(2) SWSC

Term : 1 June 2010 to 31 May 2013

Services : The scope of services consists of the following:

- (i) services provided by the SWSC Group to the Group relating to the SWSC Brokerage Transactions which consist of B-share brokerage services and potential brokerage services upon the anticipated introduction of the Overseas Individual Investors Securities Trading Scheme, if relevant approvals are granted;
- (ii) SWSC Supporting Services provided by the SWSC Group to the Group which include mainly marketing services and personnel training services in the PRC to support the Group's proposed operations upon the anticipated introduction of new securities and derivatives products, which include, but are not limited to, exchange-traded funds and commodity futures, in the PRC;
- (iii) services provided by the Group relating to the SWHK Brokerage Transactions which consist of brokerage services provided to a connected person beneficially owned by SWSC and potential brokerage services to be provided to SWSC and its associates when they launch their anticipated overseas investment operations in connection with the QDII Scheme, if relevant approvals are granted; and
- (iv) services relating to the Corporate Finance Transactions provided by the Group and the SWSC Group to each other in connection with corporate finance business which includes, but is not

limited to, the following areas: (a) corporate finance projects; (b) mergers and acquisitions projects; and (c) financial advisory projects.

- Service fees : (i) The brokerage fees charged by the SWSC Group to the Group relating to the SWSC Brokerage Transactions will be determined with reference to the prevailing market rates charged by the SWSC Group to its existing clients.
- (ii) The fees charged by the SWSC Group to the Group relating to the SWSC Supporting Services will be determined with reference to the estimated costs to be incurred in connection with provision of services which include, among others, marketing services and personnel training services.
- (iii) The fees charged by the Group relating to the SWHK Brokerage Transactions will be determined with reference to the prevailing market rates charged by the Group to its existing clients.
- (iv) The fees charged by the Group or the SWSC Group relating to the Corporate Finance Transactions will be based on normal commercial terms and determined with reference to the fees charged by the relevant party to its clients for similar work or services.

#### **2010 SW Research MOU**

Date : 29 March 2010

Parties : (1) the Company  
(2) SW Research

Term : 1 June 2010 to 31 May 2013

Services : Services provided by SW Research to the Group relating to the SW Research Transactions mainly consist of the provision of (i) various research materials, which include, among others, Hong Kong and PRC listed company research reports, industry sector reports, fixed income product research reports, derivative product research reports,

investment strategy reports as well as macro economic analysis reports; and (ii) additional materials covering Hong Kong and PRC listed companies by a designated research team of SW Research which will also participate in investor meetings organised by the Group.

Service : The fees charged by SW Research to the Group relating to the SW fees Research Transactions will be based on normal commercial terms and determined with reference to the prevailing market rates and the estimated operating costs for the provision of such research materials and services.

## PREVIOUS ANNUAL CAPS

Set out below are the Previous Annual Caps:

	<b>Period from 20 June 2007 to 31 December 2007 HK\$</b>	<b>Year ended 31 December 2008 HK\$</b>	<b>Year ended 31 December 2009 HK\$</b>	<b>Five months ending 31 May 2010 HK\$</b>
<b>Cap amounts for services relating to the SWSC Transactions comprising:</b>				
<i>(i) SWSC Brokerage Transactions</i>	4,500,000	10,200,000	14,300,000	8,300,000
<i>(ii) SWSC Supporting Services</i>	-	5,800,000	12,300,000	6,400,000
<i>(iii) SWHK Brokerage Transactions</i>	300,000	5,600,000	10,600,000	5,300,000
<b>SW Research Transactions annual cap</b>	1,200,000	3,700,000	6,200,000	3,100,000
<b>Previous Annual Caps</b>	<b>6,000,000</b>	<b>25,300,000</b>	<b>43,400,000</b>	<b>23,100,000</b>

## HISTORICAL TRANSACTION AMOUNTS

Set out below is a summary of the Group's historical transaction amounts of the SWSC Transactions and the SW Research Transactions for the period from 20 June 2007 to 31 December 2007, each of the two years ended 31 December 2009 and the two months ended 28 February 2010:

	<b>Period from 20 June 2007 to 31 December 2007 HK\$ (Audited)</b>	<b>Year ended 31 December 2008 HK\$ (Audited)</b>		<b>2009 HK\$ (Audited)</b>	<b>Two months ended 28 February 2010 HK\$ (Unaudited)</b>
<b>Actual amounts for services relating to the SWSC Transactions comprising:</b>	4,318,000	5,093,839	4,498,835		628,345
(i) <i>SWSC Brokerage Transactions</i>	4,160,000	5,074,105	4,375,861		615,912
(ii) <i>SWSC Supporting Services</i>	-	-	-		-
(iii) <i>SWHK Brokerage Transactions</i>	158,000	19,734	122,974		12,433
<b>Actual amounts for services relating to the SW Research Transactions</b>	1,175,000	3,150,000	5,150,000		858,333
<b>Historical transaction amounts</b>	<b>5,493,000</b>	<b>8,243,839</b>	<b>9,648,835</b>		<b>1,486,678</b>

## ANNUAL CAPS

Set out below is a summary of the annual cap amounts in respect of the Continuing Connected Transactions proposed for the seven months ending 31 December 2010, each of the two years ending 31 December 2012, and the five months ending 31 May 2013:

	<b>Seven months ending 31 December 2010 HK\$</b>	<b>Year ending 31 December 2011      2012 HK\$      HK\$</b>		<b>Five months ending 31 May 2013 HK\$</b>
<b>Proposed cap amounts for services relating to the SWSC Transactions comprising:</b>	23,310,000	46,142,000	53,135,200	25,543,300
<i>(i) SWSC Brokerage Transactions</i>	<i>11,620,000</i>	<i>21,912,000</i>	<i>24,103,200</i>	<i>11,047,300</i>
<i>(ii) SWSC Supporting Services</i>	<i>1,050,000</i>	<i>2,160,000</i>	<i>2,592,000</i>	<i>1,296,000</i>
<i>(iii) SWHK Brokerage Transactions</i>	<i>6,040,000</i>	<i>12,440,000</i>	<i>14,880,000</i>	<i>7,420,000</i>
<i>(iv) Corporate Finance Transactions</i>				
<i>(a) Services provided by the Group</i>	<i>4,000,000</i>	<i>8,400,000</i>	<i>10,080,000</i>	<i>5,040,000</i>
<i>(b) Services received by the Group</i>	<i>600,000</i>	<i>1,230,000</i>	<i>1,480,000</i>	<i>740,000</i>
<b>Proposed cap amount for services relating to the SW Research Transactions</b>	<b>7,058,000</b>	<b>19,360,000</b>	<b>30,976,000</b>	<b>20,650,000</b>
<b>Annual Caps</b>	<b>30,368,000</b>	<b>65,502,000</b>	<b>84,111,200</b>	<b>46,193,300</b>

## **BASIS OF THE ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS**

### **SWSC Brokerage Transactions**

During the term of the 2007 SWSC MOU as supplemented by the 2008 Supplemental SWSC MOU, the SWSC Brokerage Transactions have been mainly related to B-share brokerage services provided by SWSC to the Group. The Annual Caps in respect of the SWSC Brokerage Transactions are determined with reference to (i) the historical transaction amounts of the B-share brokerage services provided by SWSC to the Group; (ii) the potential increase in demand for the brokerage services to be provided by SWSC to the Group upon the anticipated introduction of the Overseas Individual Investors Securities Trading Scheme, if relevant approvals are granted; and (iii) the estimated annual growth rate of 10% in service fees taking into account of the anticipated growth of the PRC's A-share and B-share markets.

### **SWSC Supporting Services**

With the Group seeking to pursue business opportunities brought about by the anticipated introduction of new securities and derivatives products, which include, but are not limited to, exchange-traded funds and commodity futures, in the PRC, the Directors consider it cost effective and less time consuming to engage the SWSC Group in the provision of certain supporting services which include mainly marketing services and personnel training services.

The Annual Caps in respect of the SWSC Supporting Services are determined based on (i) the estimated costs to be incurred in connection with provision of the supporting services; and (ii) the estimated annual growth rate of 20% in service fees taking into account of the expected rise in demand for such services from the Group and the increase in costs due to inflation.

### **SWHK Brokerage Transactions**

During the term of the 2007 SWSC MOU as supplemented by the 2008 Supplemental SWSC MOU, services relating to the SWHK Brokerage Transactions have been mainly provided by the Group to a connected person beneficially owned by SWSC. The Directors understand that SWSC and its associates are developing their anticipated overseas investment operations, particularly in connection with the QDII Scheme, and the Group would be one of the designated brokers for SWSC and its



associates to provide brokerage services pursuant to the 2010 SWSC MOU upon SWSC and its associates becoming qualified under the QDII Scheme.

The Annual Caps in respect of the SWHK Brokerage Transactions are determined with reference to (i) the historical transaction amounts of the brokerage services provided by the Group to a connected person beneficially owned by SWSC; (ii) the potential increase in demand for the brokerage services to be provided by the Group to SWSC and its associates when they launch their anticipated overseas investment operations in connection with the QDII Scheme; and (iii) the estimated annual growth rate of approximately 20% in service fees taking into account of the anticipated growth in demand for such services.

### **Corporate Finance Transactions**

The Directors believe that the Group and the SWSC Group could further broaden the scope of cooperation in providing corporate finance services in view of the increasing number of dual-listed PRC companies listed on both the Hong Kong and PRC markets as well as H-share companies listed or seeking listing on the Hong Kong stock market.

The Annual Caps in respect of the Corporate Finance Transactions are determined with reference to (i) the estimated level of services to be provided by each of the Group and the SWSC Group; and (ii) the estimated annual growth rate of approximately 20% in service fees taking into account of the number of newly listed PRC companies on the Hong Kong and PRC markets in recent years as well as anticipated growth of both markets.

### **SW Research Transactions**

Recently, in view of the increasing number of dual-listed PRC companies listed on both the Hong Kong and PRC markets, and the growing interest of the Group's foreign clients in investing in PRC related securities, the Directors foresee the demand for research materials covering PRC companies listed on both the Hong Kong and PRC markets is expected to continue to grow. In addition, the Group is actively pursuing business opportunities, in particular, to develop its operations in connection with qualified domestic institutional investors and to attract overseas institutional clients to invest in the Hong Kong stock market. The Directors believe that interest of these institutional clients in investing in PRC related securities would also lead to a rise in demand for research materials covering PRC companies. Headquartered in

Shanghai, the PRC, SW Research is principally engaged in securities research business, primarily covering PRC listed companies. With such a significant and meaningful research capability in existence at SW Research, the Directors consider it natural that the Group would utilise these resources for better productivity, and thus engage SW Research to provide such products.

The Annual Caps in respect of the SW Research Transactions are determined with reference to (i) the historical transaction amounts of the SW Research Transactions; and (ii) the estimated annual growth rate of approximately 60% in service fees taking into account of the expected rise in demand for such services from the Group and the increase in costs due to inflation.

### **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The Directors believe that the entering into of the 2010 SWSC MOU and the 2010 SW Research MOU will serve as a platform for more extensive cooperation with SWSC and SW Research. The Company, SWSC and SW Research would benefit through efficient use of their respective clientele and resources, and a synergy effect is expected to be achieved as a result of the cooperation. The Directors also believe that the service quality to the clients of the Group will be enhanced through the provision of cross-border financial intermediary services. Therefore, the Directors consider that the entering into of the 2010 SWSC MOU and the 2010 SW Research MOU is in the interests of the Company and the Shareholders as a whole.

The terms of the 2010 SWSC MOU and the 2010 SW Research MOU were arrived at after arm's length negotiations between the Company and SWSC or SW Research (as the case may be). The Directors consider that the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Continuing Connected Transactions and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

### **INFORMATION ON THE GROUP, SWSC AND SW RESEARCH**

The Group is principally engaged in the provision of securities broking services, securities financing services, corporate finance services, securities research services and asset management services.

SWSC is principally engaged in securities trading, securities broking and dealing, and provision of investment banking and financial advisory services in the PRC.

SW Research is principally engaged in securities research business covering the PRC and Hong Kong markets.

## **LISTING RULES AND IMPLICATIONS**

As SWSC is deemed to be beneficially interested in approximately 50.9% of the issued share capital of the Company and a substantial shareholder of the Company, and SW Research is a 90% owned subsidiary of SWSC, each of SWSC and SW Research is a connected person of the Company under the Listing Rules. As such, the SWSC Transactions and the SW Research Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Taking into account SWSC and SW Research are parties associated with each other, the SWSC Transactions and the SW Research Transactions are aggregated. Since the revenue ratio and the consideration ratio as defined under Rule 14.07 of the Listing Rules with reference to the largest Annual Caps in respect of the SWSC Transactions and the SW Research Transactions in aggregate exceed 2.5%, the 2010 SWSC MOU and the 2010 SW Research MOU are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and whether the terms of the Continuing Connected Transactions and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. The Independent Board Committee will advise the Independent Shareholders on how to vote at the EGM on the resolutions in respect of the Continuing Connected Transactions and the Annual Caps, after taking into account the recommendations of the independent financial adviser.

A circular containing, among other things, (i) further details of the Continuing Connected Transactions; (ii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Continuing Connected Transactions and the Annual Caps; (iii) the recommendation of the Independent Board Committee regarding the Continuing Connected Transactions and the Annual Caps to the Independent Shareholders; and (iv) a notice of the EGM will be despatched to the Shareholders as soon as practicable.

Voting at the EGM will be conducted by poll. SWSC and its associates shall abstain from voting at the EGM in respect of the Continuing Connected Transactions as well as the Annual Caps.

## **DEFINITIONS**

In this announcement, the following expressions shall have the meaning set out below unless the context requires otherwise:

“2007 SW Research MOU”	the memorandum of understanding entered into between the Company and SW Research on 20 June 2007, details of which have been disclosed in the announcement of the Company dated 20 June 2007
“2007 SWSC MOU”	the memorandum of understanding entered into between the Company and SWSC on 20 June 2007, details of which have been disclosed in the announcement of the Company dated 20 June 2007
“2008 Supplemental SW Research MOU”	the supplemental memorandum of understanding entered into between the Company and SW Research on 3 April 2008, which formed part of the 2007 SW Research MOU and details of which have been disclosed in the announcement of the Company dated 3 April 2008 and the circular of the Company dated 23 April 2008

“2008 Supplemental SWSC MOU”	the supplemental memorandum of understanding entered into between the Company and SWSC on 3 April 2008, which formed part of the 2007 SWSC MOU and details of which have been disclosed in the announcement of the Company dated 3 April 2008 and the circular of the Company dated 23 April 2008
“2010 SW Research MOU”	the memorandum of understanding entered into between the Company and SW Research on 29 March 2010
“2010 SWSC MOU”	the memorandum of understanding entered into between the Company and SWSC on 29 March 2010
“Annual Caps”	the proposed annual cap amounts of the Continuing Connected Transactions for the seven months ending 31 December 2010, each of the two years ending 31 December 2012 and the five months ending 31 May 2013, as set out in the paragraph headed “Annual Caps” in this announcement
“associates”	shall have the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Shenyin Wanguo (H.K.) Limited
“connected person”	shall have the meaning ascribed thereto under the Listing Rules
“Continuing Connected Transactions”	SWSC Transactions and SW Research Transactions
“Corporate Finance Transactions”	transactions arising from the cooperation between SWSC and the Group pursuant to the 2010 SWSC MOU in relation to corporate finance business

“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of, among other things, approving the 2010 SWSC MOU, the 2010 SW Research MOU and the transactions contemplated thereunder as well as the Annual Caps
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Independent Board Committee”	the independent board committee of the Company, comprising the independent non-executive Directors, namely Mr. Ng Wing Hang Patrick, Mr. Kwok Lam Kwong Larry and Mr. Zhuo Fumin, formed to advise the Independent Shareholders in relation to the terms of the 2010 SWSC MOU and the 2010 SW Research MOU as well as the Annual Caps
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the relevant matters at the EGM
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Overseas Individual Investors Securities Trading Scheme”	the anticipated scheme under which overseas individual investors are permitted to invest directly in securities traded on the PRC A-share markets, if relevant approvals are granted
“PRC”	The People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of PRC and Taiwan

“Previous Annual Caps”	the maximum aggregate annual value of various payments receivable from, or payable to SWSC and/or SW Research arising from the continuing connected transactions under the 2007 SWSC MOU as supplemented by the 2008 Supplemental SWSC MOU and the 2007 SW Research MOU as supplemented by the 2008 Supplemental SW Research MOU
“QDII Scheme”	the qualified domestic institutional investors scheme of the PRC
“Shareholders”	shareholders of the Company
“substantial shareholder”	shall have the meaning ascribed thereto under the Listing Rules
“SW Research”	Shanghai Shenyin Wanguo Research & Consulting Company Limited
“SW Research Transactions”	transactions arising from the cooperation between SW Research and the Group pursuant to the 2010 SW Research MOU
“SWHK Brokerage Transactions”	provision of brokerage services by the Group to SWSC and its associates pursuant to the 2010 SWSC MOU
“SWSC”	Shenyin & Wanguo Securities Company Limited
“SWSC Brokerage Transactions”	provision of brokerage services by the SWSC Group to the Group pursuant to the 2010 SWSC MOU
“SWSC Group”	SWSC and its subsidiaries
“SWSC Supporting Services”	provision of certain supporting services by the SWSC Group to the Group pursuant to the 2010 SWSC MOU

“SWSC Transactions” SWSC Brokerage Transactions, SWSC Supporting Services, SWHK Brokerage Transactions and Corporate Finance Transactions

“%” per cent.

By order of the Board  
**Shenyin Wanguo (H.K.) Limited**  
**Feng Guorong**  
*Chairman*

Hong Kong, 29 March 2010

*As at the date of this announcement, the Board comprises 10 Directors, of which Mr. Feng Guorong, Mr. Lu Wenqing, Mr. Lee Man Chun Tony, Mr. Guo Chun and Mr. Ying Niankang are the executive Directors, Mr. Chang Pen Tsao and Mr. Huang Gang are the non-executive Directors, Mr. Ng Wing Hang Patrick, Mr. Kwok Lam Kwong Larry and Mr. Zhuo Fumin are the independent non-executive Directors.*