
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Shenyin Wanguo (H.K.) Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



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

**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders
ALTUS CAPITAL LIMITED**

A letter from the Independent Board Committee of Shenyin Wanguo (H.K.) Limited (the “Company”) is set out on pages 25 and 26 of this circular. A letter from Altus Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 27 to 49 of this circular.

A notice convening an extraordinary general meeting of the Company (the “EGM”) to be held at the Dragon Room, The Hong Kong Bankers Club at 43rd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong, on Friday, 10 May 2013 at 10:30 a.m. is set out on pages 55 to 57 of this circular. Whether or not you are able to attend the EGM, you are advised to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the Company’s registered office at 28th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the meeting or any adjourned meeting if you so wish.

23 April 2013

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	25
Letter from Altus Capital Limited	27
Appendix – General information	50
Notice of Extraordinary General Meeting	55

DEFINITIONS

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

“2010 SW Research MOU”	the memorandum of understanding entered into between the Company and SW Research on 29 March 2010, details of which have been disclosed in the announcement of the Company dated 29 March 2010
“2010 SWSC MOU”	the memorandum of understanding entered into between the Company and SWSC on 29 March 2010, details of which have been disclosed in the announcement of the Company dated 29 March 2010
“2013 SW Research MOU”	the memorandum of understanding entered into between the Company and SW Research on 28 March 2013
“2013 SWSC MOU”	the memorandum of understanding entered into between the Company and SWSC on 28 March 2013
“Altus Capital Limited”	the independent financial adviser
“Annual Cap”	each of the proposed annual cap amounts of the Continuing Connected Transactions for the seven months ending 31 December 2013, each of the two years ending 31 December 2015 and the five months ending 31 May 2016, 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 of the Company
“B-to-H Share Conversion”	conversion of B shares (shares denominated in RMB, subscribed and traded in foreign currencies on the stock exchanges in the PRC) to H shares (foreign shares registered in PRC and traded on the Stock Exchange of Hong Kong Limited) of Companies established in the PRC
“Company”	Shenyin Wanguo (H.K.) Limited

DEFINITIONS

“connected person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	SWSC Transactions and SW Research Transactions
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 10 May 2013 for the purpose of, among other things, approving the 2013 SWSC MOU, the 2013 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 2013 SWSC MOU and the 2013 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
“Latest Practicable Date”	18 April 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Mutual Recognition of Hong Kong and China Fund Programs”	a mutual recognition fund platform for Hong Kong-domiciled funds to be sold in the PRC and for funds from the PRC to be sold in Hong Kong (subject to relevant authorities’ approvals)
“Offshore Investors Schemes”	The schemes under which offshore investors are permitted to invest directly in the PRC capital markets (subject to relevant authorities’ approvals)
“Onshore Investors Schemes”	The schemes under which the PRC onshore investors are permitted to invest directly in Hong Kong and overseas capital markets (subject to relevant authorities’ approvals)
“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 2010 SWSC MOU and the 2010 SW Research MOU
“PRC” or “China”	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
“QDII Scheme”	the qualified domestic institutional investors scheme of the PRC
“QDII2 Scheme”	the new qualified domestic institutional investors scheme of the PRC (subject to relevant authorities’ approvals)
“QFII Scheme”	the qualified foreign institutional investors scheme of the PRC
“QFII2 Scheme”	the new qualified foreign institutional investors scheme of the PRC (subject to relevant authorities’ approvals)
“RMB”	Renminbi, the lawful currency of the PRC
“RQFII Scheme”	the RMB qualified foreign institutional investors scheme of the PRC

DEFINITIONS

“RQFII2 Scheme”	the new RMB qualified foreign institutional investors scheme of the PRC (subject to relevant authorities’ approvals)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.5 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“SW Research”	Shanghai Shenyin Wanguo Research & Consulting Limited
“SW Research Transactions”	transactions arising from the cooperation between SW Research and the Group pursuant to the 2013 SW Research MOU
“SWSC”	Shenyin & Wanguo Securities Co., Ltd.
“SWSC Group”	SWSC and its subsidiaries
“SWSC Transactions”	transactions arising from the cooperation between SWSC and the Group pursuant to the 2013 SWSC MOU
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Chu Xiaoming (*Chairman*)

Mr. Lu Wenqing

Mr. Guo Chun (*Chief Executive Officer*)

Mr. Lee Man Chun Tony

Registered office:

28th Floor

Citibank Tower

Citibank Plaza

3 Garden Road,

Central

Hong Kong

Non-executive Directors:

Mr. Chang Pen Tsao

Mr. Zhang Lei

Independent non-executive Directors:

Mr. Ng Wing Hang Patrick

Mr. Kwok Lam Kwong Larry

Mr. Zhuo Fumin

23 April 2013

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

Reference is made to the announcement published by the Company on 29 March 2010, the circular issued by the Company on 19 April 2010 and the announcement published by the Company on 28 March 2013.

LETTER FROM THE BOARD

The continuing connected transactions contemplated under the 2010 SWSC MOU and the 2010 SW Research MOU were approved by the then independent Shareholders at the extraordinary general meeting of the Company held on 14 May 2010. The 2010 SWSC MOU and the 2010 SW Research MOU will expire on 31 May 2013.

On 28 March 2013, the Company entered into (i) the 2013 SWSC MOU in relation to the SWSC Transactions with SWSC to replace the 2010 SWSC MOU; and (ii) the 2013 SW Research MOU in relation to the SW Research Transactions with SW Research to replace the 2010 SW Research MOU. The 2013 SWSC MOU and the 2013 SW Research MOU shall be effective from 1 June 2013 upon the obtaining of the approval of the Independent Shareholders at the EGM and shall expire on 31 May 2016.

The purpose of this circular is to provide you with, among other things, (i) further details of the Continuing Connected Transactions; (ii) a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders on the Continuing Connected Transactions and the Annual Caps; (iii) a letter from Altus Capital Limited, the independent financial adviser, to the Independent Board Committee and the Independent Shareholders setting out its opinion on the Continuing Connected Transactions and the Annual Caps; and (iv) a notice of the EGM.

2. CONTINUING CONNECTED TRANSACTIONS

I. 2013 SWSC MOU

Date	:	28 March 2013
Parties	:	(1) the Company (2) SWSC
Term	:	1 June 2013 to 31 May 2016
Services	:	The scope of services consists of the following: (i) services provided by the SWSC Group to the Group relating to brokerage services in the PRC capital markets, which include, but are not limited to, B share trading services and potential securities trading services upon the anticipated introduction of the Offshore Investors Schemes (including but not limited to the QFII2 Scheme and RQFII2 Scheme);

LETTER FROM THE BOARD

- (ii) supporting services provided by the SWSC Group to the Group for developing the PRC market, which include mainly client referrals, business and market consultation services and personnel training services in support of the Group's development and operations including but not limited to the launch and the anticipated launch of the Offshore Investors Schemes, such as the QFII Scheme, QFII2 Scheme, RQFII Scheme, RQFII2 Scheme, Mutual Recognition of Hong Kong and China Fund Programs and overseas commodity futures;
- (iii) brokerage services in Hong Kong and overseas capital markets provided by the Group to the SWSC Group, which consist of securities trading services in relation to the launch and the anticipated launch of the Onshore Investors Schemes which include, but are not limited to, the QDII Scheme and QDII2 Scheme;
- (iv) Hong Kong and overseas market supporting services provided by the Group to the SWSC Group, which include mainly client referrals, business and market consultation services and personnel training services in support of the development and operation of the SWSC Group. Services coverage include, but are not limited to, the launch and the anticipated launch of the Onshore Investors Schemes such as the QDII Scheme, QDII2 Scheme, Mutual Recognition of Hong Kong and China Fund Programs and overseas commodity futures, as well as the launch and the anticipated launch of the Offshore Investors Schemes such as the QFII Scheme and QFII2 Scheme;

LETTER FROM THE BOARD

- (v) supporting services provided by the Group to the SWSC Group which include, but are not limited to, information services and client referrals in connection with corporate finance business, the scope of which includes, but is not limited, to corporate finance projects, merger and acquisition projects and financial advisory projects; and
- (vi) supporting services provided by the SWSC Group to the Group which include, but are not limited to, information services and client referrals in connection with corporate finance business, the scope of which includes, but is not limited to, corporate finance projects, merger and acquisition projects and financial advisory projects.

Service fees : (i) The fees charged by the SWSC Group to the Group relating to provision of brokerage services in connection with the PRC capital markets will be determined with reference to the prevailing market rates charged by the SWSC Group to its existing clients, i.e. prevailing brokerage rates charged by the SWSC Group to its existing independent clients. These fee payments to SWSC Group will generally be settled in cash. In respect of payment terms, (i) payments of brokerage services for Shanghai B shares will be settled on a monthly basis; (ii) payments of brokerage services for Shenzhen B shares will be settled by way of deducting from the proceeds of the transactions; and (iii) in respect of other brokerage service types (e.g. brokerage services in connection with the QFII2 Scheme), payment terms will be subject to negotiation between the relevant parties and will be not less favourable than those provided to independent third parties from time to time.

LETTER FROM THE BOARD

- (ii) The fees charged by the SWSC Group to the Group relating to the supporting services for developing the PRC market will be determined with reference to the prevailing market rates (for client referral services) and the estimated costs to be incurred (i.e. without mark-up) in connection with provision of services (for business and market consultation services and personnel training services). In respect of the prevailing market rates on client referral services, the SWSC Group will make reference to the prevailing rates applicable to similar kind of cooperation with other independent parties. In respect of the business and market consultation services and personnel training provided to the Group by the SWSC Group, the fees are charged to recover the cost incurred. As the SWSC Group shall be benefited through the economies of scale achieved from the provision of personnel training (which may also be provided concurrently to the SWSC Group's staff) and the enhancement of the SWSC Group's expertise in relevant business areas through the provision of business and market consultation services, the Directors consider that the provision of such services at cost (without mark-up) are commercially justifiable, and is fair and reasonable, and is in the interests of the Company and its shareholders as a whole. For all these supporting services, fee payments will generally be settled in cash, while the payment terms will be subject to negotiation between the relevant parties and will be not less favourable than those provided to independent third parties from time to time.

LETTER FROM THE BOARD

- (iii) The fees charged by the Group to the SWSC Group relating to the brokerage services for Hong Kong and overseas capital markets will be determined with reference to the prevailing market rates charged by the Group to its existing clients, i.e. prevailing brokerage rates charged by the Group to its existing independent clients. These fee payments will generally be settled in cash, while the payment terms will be subject to negotiation between the relevant parties and will be not less favourable than those provided to independent third parties from time to time.

- (iv) The fees charged by the Group to the SWSC Group relating to the supporting services for developing Hong Kong and overseas markets will be determined with reference to the prevailing market rates (for client referral services) and the estimated costs to be incurred (i.e. without mark-up) in connection with provision of services (for business and market consultation services and personnel training services). In respect of the prevailing market rates on client referral services, the Group will make reference to the prevailing rates applicable to similar kind of cooperation with other independent parties. In respect of the business and market consultation services and personnel training provided to the SWSC Group by the Group, the fees are charged to recover the cost incurred. As the Group shall be benefited through the economies of scale achieved from the provision of personnel training (which may also be provided concurrently to the Group's staff) and the enhancement of the Group's expertise in relevant business areas through the provision of business and market consultation services, the Directors consider that the provision of such services at cost (without mark-up) are commercially justifiable, and is fair and reasonable, and is in the interests of the Company and its shareholders as a whole. For all these supporting services, fee payments will generally be settled in cash, while the payment terms will be subject to negotiation between the relevant parties and will be not less favourable than those provided to independent third parties from time to time.

LETTER FROM THE BOARD

- (v) The fees charged by the Group to the SWSC Group relating to the corporate finance business will be based on normal commercial terms (such as references to prevailing market practice and other relevant circumstances, including negotiations with relevant parties, and with reference to fees paid to independent third parties for similar services). These fee payments will generally be settled in cash after completion of individual projects, while the payment terms will be subject to negotiation between the relevant parties and will be not less favourable than those provided to independent third parties from time to time.

- (vi) The fees charged by the SWSC Group to the Group relating to the corporate finance business will be based on normal commercial terms (such as references to the prevailing market practice and other relevant circumstances, including negotiations with relevant parties, and with reference to fees paid to independent third parties for similar services). These fee payments will generally be settled in cash after completion of individual projects, while the payment terms will be subject to negotiation between the relevant parties and will be not less favourable than those provided to independent third parties from time to time.

LETTER FROM THE BOARD

II. 2013 SW Research MOU

Date : 28 March 2013

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

Term : 1 June 2013 to 31 May 2016

Services : Scope of services consist of the following:

- (i) provision of various research materials, which include, but are not limited to, Hong Kong and PRC listed company research reports, industry sector reports, fixed income product research reports, derivative product research reports, investment strategy reports and economic analysis reports, as well as supporting services from SW Research for investor meetings organized by the Group; and
- (ii) supporting services provided by SW Research to the Group, which include, but are not limited to, information services and client referrals in connection with corporate finance business, the scope of which includes, but is not limited to, corporate finance projects, merger and acquisition projects and financial advisory projects.

LETTER FROM THE BOARD

- Service fees : (i) The fees charged by SW Research to the Group for the research materials and supporting services relating to research will be based on normal commercial terms and determined with reference to the estimated operating costs (i.e. without mark-up) for the provision of such research materials and services. These fee payments will generally be settled in cash on a half yearly basis. Payment terms will be subject to negotiation between the relevant parties and will be not less favourable than those provided to independent third parties from time to time.
- (ii) The fees charged by SW Research to the Group for the supporting services relating to corporate finance business will be based on normal commercial terms (such as references to the prevailing market practice and other relevant circumstances, including negotiations with relevant independent third parties, and with reference to fees paid to parties for similar services). These fee payments will generally be settled in cash after completion of individual projects, while the payment terms will be subject to negotiation between the relevant parties and will be not less favourable than those provided to independent third parties from time to time.

LETTER FROM THE BOARD

3. PREVIOUS ANNUAL CAPS

Set out below are the Previous Annual Caps:

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

* “SWSC Transactions”, “SWSC Brokerage Transactions”, “SWSC Supporting Services”, “SWHK Brokerage Transactions”, “Corporate Finance Transactions” and “SW Research Transactions” referred to in this section shall bear the same meanings as in the announcement of the Company made on 29 March 2010.

LETTER FROM THE BOARD

4. 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 seven months ended 31 December 2010, each of the two years ended 31 December 2012, and the two months ended 28 February 2013:

	Seven months ended 31 December 2010 HK\$ (Audited)	Year ended 31 December 2011 HK\$ (Audited)	2012 HK\$ (Audited)	Two months ended 28 February 2013 HK\$ (Unaudited)
Historical transaction amounts for services relating to the SWSC Transactions* comprising:	1,652,183	1,818,132	1,313,157	993,626
(i) SWSC Brokerage Transactions*	1,652,183	1,818,132	1,313,157	993,626
(ii) SWSC Supporting Services*	–	–	–	–
(iii) SWHK Brokerage Transactions*	–	–	–	–
(iv) Corporate Finance Transactions*				
(a) Services provided by the Group	–	–	–	–
(b) Services received by the Group	–	–	–	–
Historical transaction amounts for services relating to the SW Research Transactions*	5,833,333	12,330,000	7,650,000	1,700,000
Total historical transaction amounts	7,485,516	14,148,132	8,963,157	2,693,626

* "SWSC Transactions", "SWSC Brokerage Transactions", "SWSC Supporting Services", "SWHK Brokerage Transactions", "Corporate Finance Transactions" and "SW Research Transactions" referred to in this section shall bear the same meanings as in the announcement of the Company made on 29 March 2010.

LETTER FROM THE BOARD

5. ANNUAL CAPS

Set out below is a summary of the Annual Caps in respect of the proposed Continuing Connected Transactions for the seven months ending 31 December 2013, each of the two years ending 31 December 2015, and the five months ending 31 May 2016:

	Seven months ending 31 December 2013 HK\$	Year ending 31 December 2014 HK\$	2015 HK\$	Five months ending 31 May 2016 HK\$
Annual Caps for services relating to the SWSC Transactions comprising:	130,459,000	268,731,000	322,978,000	161,478,000
(i) brokerage services relating to the PRC capital markets from the SWSC Group to the Group	23,920,000	49,200,000	59,040,000	29,520,000
(ii) supporting services for the PRC market from the SWSC Group to the Group	3,960,000	8,148,000	9,777,600	4,890,000
(iii) brokerage services relating to Hong Kong and overseas capital markets from the Group to the SWSC Group	25,300,000	52,400,000	63,360,000	31,680,000
(iv) supporting services relating to Hong Kong and overseas markets from the Group to the SWSC Group	65,590,000	134,937,000	161,944,400	80,960,000
(v) supporting services in connection with corporate finance business from the Group to the SWSC Group	6,789,000	13,966,000	16,760,000	8,380,000
(vi) supporting services in connection with corporate finance business from the SWSC Group to the Group	4,900,000	10,080,000	12,096,000	6,048,000
Annual Caps for services relating to the SW Research Transactions comprising:	19,600,000	40,320,000	48,384,000	24,190,000
(i) supporting services relating to research from SW Research to the Group	17,500,000	36,000,000	43,200,000	21,600,000
(ii) supporting services in connection with corporate finance business from SW Research to the Group	2,100,000	4,320,000	5,184,000	2,590,000
Annual Caps	150,059,000	309,051,000	371,362,000	185,668,000

LETTER FROM THE BOARD

6. BASIS OF THE ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS

In determining the Annual Caps, the Company has made reference to previous transactions. The Company considers that the low utilization of Previous Annual Caps is due to factors such as unexpected decline in market activities and delay in implementation of various governmental policies (e.g. the anticipated scheme under which overseas individual investors are permitted to invest directly in securities traded on the PRC A-share markets). In consideration of the various reforms of the PRC capital markets that has been recently launched or fermenting (such as relaxation on the existing QFII Scheme and RQFII Scheme, anticipated launch of the QFII2 Scheme and RQFII2 Scheme, B-to-H Share Conversion, Mutual Recognition of Hong Kong and China Fund Programs), the Company further considers that in determining the Annual Caps, it is more appropriate to make reference to the enhanced co-operation with the SWSC Group/SW Research as brought about by various reform programs launched or to be launched.

In addition, the Company has applied an annual growth rate of 20% after making reference to (a) the growth of the Hong Kong and PRC markets in past years including (i) a compound annual growth rate of approximately 25.5% of the total traded value on the Shanghai Stock Exchange for A shares and B shares recorded from 2002 to 2012; (ii) a compound annual growth rate of approximately 29.8% of the total traded value on the Shenzhen Stock Exchange for A shares and B shares recorded from 2002 to 2012; (iii) a compound annual growth rate of approximately 23.5% of the total traded value on the Stock Exchange from 2002 to 2012; (iv) an average growth rate of approximately 19.5% of equity funds raised for PRC companies through the Main Board and the Growth Enterprise Market of the Stock Exchange from 2002 to 2012; and (v) an average growth rate of approximately 79% of equity funds raised for PRC companies through the Shanghai Stock Exchange and the Shenzhen Stock Exchange from 2002 to 2012; (b) the increase in scale of the Onshore Investors Schemes investing directly in Hong Kong and overseas capital markets, including the average annual growth rate of 38.5% in the cumulative investment quota granted under the QDII Scheme from 2004 to 2012; and (c) the potential growth brought about by the launches of the aforesaid governmental reforms or programs.

In light of the above, the Directors consider that the basis of determining the Annual Caps is fair and reasonable.

LETTER FROM THE BOARD

Brokerage services relating to the PRC capital markets from the SWSC Group to the Group

The brokerage services relating to the PRC capital markets mainly represent the brokerage services related to the B shares and the anticipated introduction of the Offshore Investors Schemes (including but not limited to the QFII2 Scheme and RQFII2 Scheme). The Annual Caps in respect of the brokerage services relating to the PRC market are determined with reference to (i) the historical transaction amounts of the B share brokerage services provided by the SWSC Group to the Group and the potential increase in the demand for brokerage services due to B-to-H Share Conversion; (ii) the potential increase in demand for the brokerage services to be provided by the SWSC Group to the Group upon the anticipated introduction of the Offshore Investors Schemes; and (iii) the estimated annual growth rate of 20% in service fees taking into account the anticipated growth of the PRC capital markets.

Supporting services for the PRC market from the SWSC Group to the Group

With the development of the PRC economy, many measures allowing overseas investors to invest in the PRC capital markets have been launched or fermenting, including but not limited to the QFII2 Scheme, RQFII2 Scheme and the Mutual Recognition of Hong Kong and China Fund Programs. In addition, in view of the fact that the central government of the PRC is developing a cross-border special financial services region in Qianhai of Shenzhen, the Group believes that there will be more opportunities allowing investors in the Mainland and Hong Kong to invest directly in their respective markets. The Directors consider it beneficial to market development, cost effective and less time consuming to engage the SWSC Group in the provision of certain supporting services (which include mainly client referrals, business and market consultation services and personnel training services). The Annual Caps in respect of the supporting services are determined based on (i) the prevailing market rates and 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 the expected rise in demand for such services from the Group and the increase in costs due to inflation.

LETTER FROM THE BOARD

Brokerage services relating to Hong Kong and overseas capital markets from the Group to the SWSC Group

The brokerage services for Hong Kong and overseas capital markets provided by the Group include but are not limited to the securities trading services resulting from the launch and the anticipated launch of the Onshore Investors Schemes (including but not limited to the QDII Scheme and QDII2 Scheme). The Annual Caps in respect of such brokerage services are determined with reference to (i) the potential increase in demand for the brokerage services to be provided by the Group to the SWSC Group when they launch their anticipated offshore investment business in connection with the QDII Scheme and QDII2 Scheme; and (ii) the estimated annual growth rate of approximately 20% in service fees taking into account the anticipated growth in demand for such services.

Supporting services relating to Hong Kong and overseas markets from the Group to the SWSC Group

With the development of the PRC economy, many measures allowing overseas investors to invest in the PRC capital markets and the PRC investors to invest in overseas capital markets have been launched or fermenting, including but not limited to the QDII Scheme, QDII2 Scheme, QFII Scheme and QFII2 Scheme. Regardless of whether the relevant measures are in the planning or implementation stage, the Group will provide supporting services to the SWSC Group in areas such as client referrals, business and market consultation services and personnel training services, resulting in a growth of the relevant service fees. The Annual Caps in respect of the Group's supporting services are determined based on (i) the potential increase in number of customers participating in schemes such as the QFII Scheme and QFII2 Scheme, and the potential growth in the corresponding commission income; (ii) the prevailing market rates and the estimated costs to be incurred in connection with provision of the supporting services; and (iii) the estimated annual growth rate of 20% in service fees taking into account the expected rise in demand for such services from the Group and the increase in costs due to inflation.

LETTER FROM THE BOARD

Supporting services in connection with corporate finance business from the Group to the SWSC Group and supporting services in connection with corporate finance business from the SWSC Group to the Group

In view of the increase in cross-border business in relation to securities listings, the Group and the SWSC Group could broaden cooperation in respect of corporate finance business, the scope of which includes, but is not limited to, provision of information services and client referrals. The Annual Caps in respect of the supporting services for corporate finance business 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 the average growth rate of the equity fund raising amounts of PRC companies listed on the Stock Exchange, the Shanghai Stock Exchange and the Shenzhen Stock Exchange in the past 10 years as well as the anticipated growth of the respective markets.

Supporting services relating to research from SW Research to the Group

In view of the increasing number of dual-listed PRC companies listed in both Hong Kong and the PRC markets, and the growing interest of the Group's foreign clients in investing in the PRC related securities, the Directors expect the demand for research materials covering both Hong Kong and the PRC markets will grow continuously. In addition, as the Group is actively developing its business with institutional investors, it is anticipated that more overseas institutional clients will be attracted to invest in Hong Kong stock market, which in turn will lead to a rise in demand for research materials covering the PRC companies. Headquartered in Shanghai, the PRC, SW Research is principally engaged in securities research business, primarily covering the PRC listed companies. Given the significant and strong research capability of SW Research, the Directors consider that the Group's service level can be improved through utilizing SW Research's resources and therefore it is appropriate to engage it to provide such products and services. The Annual Caps in respect of the SW Research's supporting services for research are determined with reference to (i) the historical transaction amounts of the SW Research Transactions; and (ii) the estimated annual growth rate of approximately 20% in service fees taking into account the expected rise in demand for such services from the Group and the increase in costs due to inflation.

LETTER FROM THE BOARD

Supporting services in connection with corporate finance business from SW Research to the Group

In view of the increase in cross border business in relation to securities listings, SW Research shall provide supporting services in respect of corporate finance business to the Group, the scope of which mainly includes, but is not limited to, the provision of information services and client referrals. The Annual Caps in respect of the SW Research supporting services for corporate finance business are determined with reference to (i) the work and the estimated level of services to be provided by the SW Research; and (ii) the estimated annual growth rate of approximately 20% in service fees taking into account the average growth rate of the equity fund raising amounts of PRC companies listed on the Stock Exchange in past 10 years as well as the anticipated growth of Hong Kong markets.

7. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Directors believe that the entering into of the 2013 SWSC MOU and the 2013 SW Research MOU will serve as a platform for more extensive cooperation with the SWSC Group and SW Research. The Group, the SWSC Group 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 their cooperation. The Directors also believe that the Group's service quality will be enhanced through the provision of cross-border financial intermediary services. Therefore, the Directors consider that the entering into of the 2013 SWSC MOU and the 2013 SW Research MOU are in the interests of the Company and the Shareholders as a whole.

The terms of the 2013 SWSC MOU and the 2013 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.

LETTER FROM THE BOARD

8. 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.

9. IMPLICATIONS UNDER THE LISTING RULES

As SWSC is deemed to be beneficially interested in 50.94% of the issued share capital of the Company and a substantial Shareholder, 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 each of the assets ratio, the revenue ratio and the consideration ratio (as defined under Rule 14.07 of the Listing Rules) with reference to the largest Annual Cap in respect of the SWSC Transactions and the SW Research Transactions in aggregate exceeds 5% and the amount of the largest Annual Cap is more than HK\$10 million, the 2013 SWSC MOU and the 2013 SW Research MOU are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Messrs. Chu Xiaoming, Lu Wenqing and Guo Chun are considered to be interested in the SWSC Transactions and the SW Research Transactions for the reason that each of them is a common director of the Company and certain members of the SWSC Group. Accordingly, Messrs. Chu Xiaoming, Lu Wenqing and Guo Chun abstained from voting on the relevant Board resolutions approving the 2013 SWSC MOU, the 2013 SW Research MOU and related matters.

LETTER FROM THE BOARD

10. GENERAL

The terms of the 2013 SWSC MOU and the 2013 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.

The Company proposes to seek approval from the Independent Shareholders in respect of the Continuing Connected Transactions and the Annual Caps at the EGM. Voting at the EGM will be conducted by poll. SWSC and its associates who in aggregate control or are entitled to exercise control over the voting right in respect of 270,379,875 Shares, representing 50.94% of total Shares in issue as at the Latest Practicable Date, shall abstain from voting at the EGM in respect of the Continuing Connected Transactions as well as the Annual Caps.

The Independent Board Committee has been formed to advise the Independent Shareholders in relation to the terms of the 2013 SWSC MOU and the 2013 SW Research MOU as well as the Annual Caps. Altus Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

11. THE EGM

A notice convening the EGM to be held at the Dragon Room, The Hong Kong Bankers Club at 43rd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong, on Friday, 10 May 2013 at 10:30 a.m. is set out on pages 55 to 57 of this circular.

A form of proxy for use at the EGM is enclosed herewith and is also published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.sywg.com.hk>). Whether or not you are able to attend the EGM, you are advised to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the Company's registered office at 28th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the meeting or any adjourned meeting if you so wish.

LETTER FROM THE BOARD

12. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the EGM must be taken by poll. The Chairman of the EGM will demand a poll for the resolutions to be proposed at the EGM in accordance with the articles of association of the Company. The results of the voting will be published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.sywg.com.hk>) after the conclusion of the EGM.

13. RECOMMENDATION

You are advised to read carefully the letter from the Independent Board Committee set out on pages 25 and 26 of this circular. The Independent Board Committee, having taken into account the advice of Altus Capital Limited, the text of which is set out on pages 27 to 49 of this circular, considers that (i) the Continuing Connected Transactions contemplated under the 2013 SWSC MOU and the 2013 SW Research MOU fall in the ordinary and usual course of business of the Group; (ii) the 2013 SWSC MOU and the 2013 SW Research MOU are in the interests of the Group and the Shareholders as a whole; (iii) the terms of the 2013 SWSC MOU and the 2013 SW Research MOU are on normal commercial terms and are fair and reasonable so far as the Company and the Shareholders are concerned; and (iv) the Annual Caps are fair and reasonable so far as the Company and the Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2013 SWSC MOU, the 2013 SW Research MOU and the transactions contemplated thereunder as well as the Annual Caps.

14. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board
Shenyin Wanguo (H.K.) Limited
Chu Xiaoming
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders for the inclusion in this circular.



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)

23 April 2013

*To the Independent Shareholders of
Shenyin Wanguo (H.K.) Limited*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 23 April 2013 (the “Circular”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the 2013 SWSC MOU, the 2013 SW Research MOU, the terms of the transactions contemplated thereunder as well as the Annual Caps and to advise the Independent Shareholders whether, in our opinion, the terms of the 2013 SWSC MOU, the 2013 SW Research MOU, the terms of the transactions contemplated thereunder as well as 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. Altus Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of their independent advice, together with the principal factors and reasons they have taken into consideration, are set out on pages 27 to 49 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the advice given by, and the principal factors and reasons taken into consideration by Altus Capital Limited in arriving at its advice, we consider that (i) the Continuing Connected Transactions contemplated under the 2013 SWSC MOU and the 2013 SW Research MOU fall in the ordinary and usual course of business of the Group; (ii) the 2013 SWSC MOU and the 2013 SW Research MOU are in the interests of the Group and the Shareholders as a whole; (iii) the terms of the 2013 SWSC MOU and the 2013 SW Research MOU are on normal commercial terms and are fair and reasonable so far as the Company and the Shareholders are concerned; and (iv) the Annual Caps are fair and reasonable so far as the Company and the Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2013 SWSC MOU, the 2013 SW Research MOU and the transactions contemplated thereunder as well as the Annual Caps.

Yours faithfully,

For and on behalf of

the Independent Board Committee

Ng Wing Hang Patrick

Independent non-executive

Director

Kwok Lam Kwong Larry

Independent non-executive

Director

Zhuo Fumin

Independent non-executive

Director

LETTER FROM ALTUS CAPITAL LIMITED

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2013 SWSC MOU and the 2013 SW Research MOU, the terms of the SWSC Transactions and the SW Research Transactions as well as the Annual Caps, which has been prepared for the purpose of incorporation in this circular.

ALTUS CAPITAL LIMITED

21 Wing Wo Street
Central, Hong Kong

23 April 2013

*To the Independent Board Committee and
the Independent Shareholders*

Shenyin Wanguo (H.K.) Limited

28/F Citibank Tower
Citibank Plaza
3 Garden Road
Central, Hong Kong

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2013 SWSC MOU and the 2013 SW Research MOU, the terms of the Continuing Connected Transactions as well as the Annual Caps relating thereto. Details of the terms of the 2013 SWSC MOU, the 2013 SW Research MOU and the Continuing Connected Transactions are set out in the “Letter from the Board” contained in the circular of the Company dated 23 April 2013 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meaning as those defined in the Circular unless the context requires otherwise.

LETTER FROM ALTUS CAPITAL LIMITED

On 28 March 2013, the Company announced that it had entered into (i) the 2013 SWSC MOU with SWSC in respect of the SWSC Transactions involving the provision of brokerage services, market supporting services and supporting services in connection with the corporate finance business between the Group and the SWSC Group; and (ii) the 2013 SW Research MOU with SW Research in respect of the SW Research Transactions involving the provision of various research materials and supporting services in connection with the corporate finance business by SW Research to the Group. Subject to Independent Shareholder's approval at the EGM, the 2013 SWSC MOU and the 2013 SW Research MOU shall be effective from 1 June 2013 and shall expire on 31 May 2016.

SWSC is deemed to be beneficially interested in 50.94% of the issued share capital of the Company and is a substantial Shareholder. SW Research is a 90%-owned subsidiary of SWSC. Hence, each of SWSC and SW Research is a connected person of the Company under the Listing Rules. Accordingly, the SWSC Transactions and the SW Research Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As SWSC and SW Research are parties associated with each other, the SWSC Transactions and the SW Research Transactions are aggregated. Each of the assets ratio, the revenue ratio and the consideration ratio (as defined under Rule 14.07 of the Listing Rules) with reference to the largest Annual Cap in respect of the SWSC Transactions and the SW Research Transactions in aggregate exceeds 5% and the amount of the largest Annual Cap is more than HK\$10 million. The 2013 SWSC MOU, the 2013 SW Research MOU, the Continuing Connected Transactions as well as the Annual Caps are therefore subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

SWSC and its associates will abstain from voting at the EGM in respect of the Continuing Connected Transactions as well as the Annual Caps.

The Independent Board Committee, comprising the independent non-executive Directors, namely Mr. Ng Wing Hang Patrick, Mr. Kwok Lam Kwong Larry and Mr. Zhuo Fumin, has been established to give advice and recommendation to the Independent Shareholders as to whether the terms of the 2013 SWSC MOU and the 2013 SW Research MOU, the Continuing Connected Transactions and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole.

LETTER FROM ALTUS CAPITAL LIMITED

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the 2013 SWSC MOU and the 2013 SW Research MOU, the Continuing Connected Transactions and the Annual Caps are in the interests of Company and the Shareholders as a whole; (ii) whether the terms of the 2013 SWSC MOU and the 2013 SW Research MOU, the Continuing Connected Transactions and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the proposed resolutions relating to the 2013 SWSC MOU and the 2013 SW Research MOU, the Continuing Connected Transactions and the Annual Caps at the EGM.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information

(a) Principal businesses of the Group, SWSC and SW Research

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

LETTER FROM ALTUS CAPITAL LIMITED

SWSC is principally engaged in securities trading, securities brokerage and dealing, and provision of investment banking and financial advisory services in the PRC. We observed from the information published on the website of the Shanghai Stock Exchange that, SWSC ranked high in terms of total trading value (including shares, funds, warrants, bonds and repos, i.e. repurchase agreements) and in terms of trading value of B shares among the B share brokers in the PRC in 2010, 2011 and 2012.

SW Research is principally engaged in securities research business covering the PRC and Hong Kong markets. According to the management of the Company, SW Research had in 2010, 2011 and 2012 published over 9,000, 13,000 and 14,500 research reports covering both Hong Kong and the PRC markets respectively, including but not limited to Hong Kong and PRC listed companies as well as PRC companies which have dual listings in Hong Kong and the PRC.

(b) The 2010 SWSC MOU, 2010 SW Research MOU, 2013 SWSC MOU and 2013 SW Research MOU

According to the management of the Company, the various memorandums of understanding entered into in 2010 and 2013 respectively are intended to formalise the cooperation between SWSC, SW Research and the Group.

(i) Scope of services

Both the 2010 SWSC MOU and the 2010 SW Research MOU are due to expire on 31 May 2013. Hence, the Company proposes to seek Independent Shareholders' approval of the 2013 SWSC MOU and the 2013 SW Research MOU to allow the Group to continue the cooperation in undertaking the SWSC Transactions and the SW Research Transactions respectively for a term of three years from 1 June 2013 to 31 May 2016 subject to the Annual Caps.

Details of the scope of services under the 2013 SWSC MOU and the 2013 SW Research MOU are set out in the "Letter from the Board" of the Circular.

LETTER FROM ALTUS CAPITAL LIMITED

(ii) *Basis of charging of service fees*

Pursuant to the 2013 SWSC MOU, the SWSC Group and the Group will charge service fee for services rendered to each other according to the following basis:

- (aa) the brokerage fees charged for provisions of brokerage services in connection with the PRC and the Hong Kong/overseas capital markets respectively will be determined with reference to the prevailing market rates charged by each of them to their existing clients.

According to the management of the Company, up to and including the Latest Practicable Date, the Group has thus far only utilised B share brokerage services provided by the SWSC Group. Meanwhile, the SWSC Group has yet to utilise the Group's brokerage service. Accordingly, we have compared the brokerage rates charged by the SWSC Group to the Group with those charged by the SWSC Group to its independent third party clients in relation to the provision of B share brokerage services; and noted that the fees are comparable and reflect market rates.

We have also compared the brokerage rates intended to be charged by the Group to the SWSC Group with those charged by the Group to its independent third party clients for the provision of securities trading services for the Hong Kong and overseas markets. We found that they are comparable.

The fee payments to be made to the SWSC Group by the Group will generally be settled in cash. In respect of the payment terms, (i) payments of brokerage services for Shanghai B shares will be settled on a monthly basis; (ii) payments of brokerage services for Shenzhen B shares will be settled by way of deducting from the proceeds of the transactions; and (iii) for other types of brokerage service (such as brokerage services in connection with the QFII2 Scheme), payment terms will be subject to negotiation between the relevant parties but will be not less favourable than those provided to independent third parties from time to time.

The fee payments to be made to the Group by the SWSC Group will generally be settled in cash and the payment terms will be subject to negotiation between the relevant parties but will be not less favourable than those provided to independent third parties from time to time.

LETTER FROM ALTUS CAPITAL LIMITED

- (bb) the fees charged for supporting services for developing the PRC and the Hong Kong/overseas markets respectively will be determined with reference to the prevailing market rates (for client referral services) and the estimated costs to be incurred in connection with their provisions of such services (for business and market consultation services and personnel training services).

We understand from the management of the Company that the supporting services include mainly client referrals, business and market consultation services and personnel training services. The provision of business and market consultation services and personnel training services shall be made on a tailor-made basis and vary case-by-case depending on specific requirements. There are therefore no comparable supporting services available and the relevant fees to be charged will be determined on a cost basis without markup. Relevant costs of the SWSC Group for provision of such services are mainly personnel costs, marketing costs and office rentals. In respect of the provision of client referral services, the relevant fees will be made reference to the prevailing market rates. As reference, we have compared the charging basis by the Group to independent third parties relating to projects being referred by the Group to those third parties and found that the charging basis as intended to be adopted by the Group and the SWSC Group to each other is comparable to that adopted by the Group to independent third parties.

Given the varied nature of the supporting services, including business and market consultation services and personnel training services, and in view of the comparable charging basis as intended to be adopted for the provision of client referral services, we concur with the management of the Company that it is fair and reasonable to determine the relevant fees on a cost basis and/or with reference to the prevailing market rates.

LETTER FROM ALTUS CAPITAL LIMITED

In respect of business and market consultation services and personnel training services, the fees are charged to recover the cost incurred. As the Group and/or the SWSC Group shall be benefited through the economies of scale achieved from the provision of personnel training services (which may also be provided concurrently to the Group's and/or the SWSC Group's staff) and the enhancement of the Group's and/or the SWSC Group's expertise in relevant business areas through the provision of business and market consultation services, we concur with the management of the Company that the provision of such services at cost (without markup) is commercially justifiable, and is fair and reasonable.

For all these supporting services, fee payments will generally be settled in cash and the payment terms will be subject to negotiation between the relevant parties but will be not less favourable than those provided to independent third parties from time to time.

- (cc) the fees charged for supporting services in connection with corporate finance business will be based on normal commercial terms (such as making references to prevailing market practice and other relevant circumstances).

We understand from the management of the Company that the supporting services for corporate finance business include mainly information services and client referrals which vary case-by-case depending on specific requirements. The Group and the SWSC Group will pay the relevant fees to each other based on their involvements in the respective corporate finance projects and make reference to the fees to be paid to independent third parties for similar services. For reference, we have compared the fees paid to independent third parties by the Group, which were subject to the then negotiations with those third parties and found that the practice as intended to be adopted by the Group and the SWSC Group to each other is comparable to those adopted by independent third parties to the Group.

These fee payments will generally be settled in cash after completion of individual projects and the payment terms will be subject to negotiation between the relevant parties but will be not less favourable than those provided to independent third parties from time to time.

LETTER FROM ALTUS CAPITAL LIMITED

In summary, including taking into account the fact that the fees charged for business and market consultation services and personnel training services will be determined on a cost basis without markup, we concur with the management of the Company that provision of such services is commercially justifiable and the terms of the 2013 SWSC MOU are on normal commercial terms or on terms no less favourable to the Group than terms available to and from independent third parties and are fair and reasonable when taken as a whole. In particular, overall synergetic effect will be created under the cooperation between the SWSC Group and the Group.

Pursuant to the 2013 SW Research MOU, service fee charged by SW Research to the Group is according to the following basis:

- (aa) the supporting service fees relating to research services will be determined with reference to the estimated operating costs for the provision of such research materials and services.

We understand from the management of the Company that the research services provided by SW Research to the Group are on a tailor-made basis and therefore there are no comparable research service packages available for comparison. Relevant costs of SW Research for the provision of such services are mainly salaries for its research analysts and the management teams, daily operating expenses and office rentals. As such, we consider that it is reasonable to determine the fees to be charged by SW Research with reference to its operating costs on a cost basis without markup.

These fee payments will generally be settled in cash on a half yearly basis and the payment terms will be subject to negotiation between the relevant parties but will be not less favourable than those provided to independent third parties from time to time.

- (bb) the supporting service fees relating to corporate finance will be based on normal commercial terms (such as references to the prevailing market practice and other relevant circumstances). Such services include mainly information services and client referrals.

LETTER FROM ALTUS CAPITAL LIMITED

As reference, we have compared the fees paid to independent third parties by the Group, which were subject to the then negotiations with those third parties and found that the practice as intended to be adopted by SW Research to the Group is comparable to those adopted by independent third parties to the Group.

These fee payments will generally be settled in cash after completion of individual projects and the payment terms will be subject to negotiation between the relevant parties but will be not less favourable than those provided to independent third parties from time to time.

In summary, including taking into account the fact that the fees charged for the supporting services relating to research services will be determined on a cost basis without markup, we concur with the management of the Company that provision of such services is commercially justifiable and the terms of the 2013 SW Research MOU are on normal commercial terms or on terms no less favourable to the Group than terms available to and from independent third parties and are fair and reasonable when taken as a whole. In particular, overall synergetic effect will be created under the cooperation between SW Research and the Group.

2. Reasons for entering into of the 2013 SWSC MOU and the 2013 SW Research MOU

As described above, the principal businesses of the Group, the SWSC Group and SW Research are related and complementary to one another. There are certain scopes of cooperation which will enable more efficient utilisation of their resources and will create synergetic effect among the three parties. As stated in the “Letter from the Board” of the Circular, the management of the Company believes that the Group, the SWSC Group and SW Research would benefit through efficient use of their respective clientele and human resources. The Directors also believe that the service quality to the clients of the Group can be enhanced through such cooperation. Therefore, the Directors consider that the entering into of the 2013 SWSC MOU and the 2013 SW Research MOU is in the interests of the Company and the Shareholders as a whole.

We noted that both the SWSC Group and SW Research possess knowledge and experience in securities trading and market analysis respectively, particularly in the PRC market. There is also potential growth in the cross-border intermediary financial activities with the launches and anticipated launches of the Offshore Investors Schemes and Onshore Investors Schemes. We therefore believe that the continuing cooperation among the Group, the SWSC Group and SW Research can broaden the clientele network of the Group and hence contribute to the Group’s financial performance as well as further enhance the comprehensiveness and quality of services provided to its clients.

LETTER FROM ALTUS CAPITAL LIMITED

In view of the above and that the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and are on normal commercial terms or on terms no less favourable to the Group than terms available to and from independent third parties, we concur with the Directors that the entering into of the 2013 SWSC MOU and the 2013 SW Research MOU are in the interests of the Company and the Shareholders as a whole.

3. Proposed Annual Caps

(a) *Historical transaction amounts, Previous Annual Caps and historical usage of Previous Annual Caps*

Set out below are the summary of historical transaction amounts between the Group and the SWSC Group and between the Group and SW Research, Previous Annual Caps and historical transaction amounts as a percentage of the Previous Annual Caps. Details of this information are set out in the “Letter of the Board” of the Circular.

	Seven months ended 31 December 2010 HK\$	Year ended 31 December 2011 2012 HK\$		Two months ended 28 February 2013 HK\$
Historical transaction amounts				
SWSC Brokerage Transactions*	1,652,183	1,818,132	1,313,157	993,626
Services relating to the SW Research Transactions*	5,833,333	12,330,000	7,650,000	1,700,000
Total historical transaction amounts	7,485,516	14,148,132	8,963,157	2,693,626
	Seven months ended 31 December 2010 HK\$	Year ended 31 December 2011 2012 HK\$		Five months ending 31 May 2013 HK\$
Previous Annual Caps	30,368,000	65,502,000	84,111,200	46,193,300
Total historical transaction amounts as a % of the Previous Annual Caps	24.6%	21.6%	10.7%	5.8%

* “SWSC Brokerage Transactions” and “SW Research Transactions” used in this table shall bear the same meanings as in the announcement of the Company made on 29 March 2010

LETTER FROM ALTUS CAPITAL LIMITED

Up to the two months ended 28 February 2013, the total historical transaction amounts under the 2010 SWSC MOU and the 2010 SW Research MOU as a percentage of the Previous Annual Caps were approximately 24.6%, 21.6%, 10.7% and 5.8% for the seven months ended 31 December 2010, year ended 31 December 2011, year ended 31 December 2012 and two months ended 28 February 2013 (collectively, the “Historical Period”), respectively. There were no provision of market supporting services by the SWSC Group to the Group, brokerage services by the Group to the SWSC Group and supporting services in connection with corporate finance business by the Group and the SWSC Group to each other during the Historical Period. Details of the historical transaction amounts are set out in the “Letter from the Board” of the Circular.

We are advised by the management of the Company that the low level of and/or non utilisation of certain cap amounts under the Previous Annual Caps was mainly due to the following reasons. In respect of brokerage services relating to the PRC capital markets provided by the SWSC Group, the low rate of utilisation was mainly the result of the decline in the trading activity of B shares during the Historical Period. The decline was a result of the contracted global economy and the emergence of investment channels and products from the launches of the Offshore Investors Schemes and Onshore Investors Schemes which diverted the interest of investors in B shares. There were year-to-year decreases in trading volume of B shares recorded by the Shanghai Stock Exchange and the Shenzhen Stock Exchange, in aggregate, of approximately 39.8% and 36.7% in 2011 and 2012 respectively.

In respect of the supporting services in connection with corporate finance business, the non-utilisation of the cap amounts was due to the number of listing projects and financial advisory projects in Hong Kong and the PRC was lower than expected.

In respect of other cap amounts, the pace of the launch and the schedule of obtaining the qualification approval of the relevant Offshore Investors Schemes and Onshore Investors Schemes by the PRC authorities have been slower than anticipated. In particular, implementation of the RQFII Scheme was not announced until December 2011 and the Hong Kong securities trading through-train scheme has not been to-date launched. The approval under the QDII Scheme was only granted to SWSC by the State Administration of Foreign Exchange (“SAFE”) in September 2012. In summary, the unexpected decline in market activities and delays in implementation of various government policies resulted in the low level of utilisation and/or non utilisation of the Previous Annual Caps. We therefore consider that the basis of determining the Annual Caps (as further elaborated below) cannot use the historical transaction amounts as reference alone.

LETTER FROM ALTUS CAPITAL LIMITED

(b) Annual Caps

Set out below are the details of the Annual Caps.

	Seven months ending 31 December 2013 HK\$	Year ending 31 December		Five months ending 31 May 2016 HK\$
		2014 HK\$	2015 HK\$	
Annual Caps for services relating to the SWSC Transactions comprising:	130,459,000	268,731,000	322,978,000	161,478,000
(aa) <i>brokerage services relating to the PRC capital market from the SWSC Group to the Group</i>	23,920,000	49,200,000	59,040,000	29,520,000
(bb) <i>supporting services for the PRC market from the SWSC Group to the Group</i>	3,960,000	8,148,000	9,777,600	4,890,000
(cc) <i>brokerage services relating to Hong Kong and overseas capital markets from the Group to the SWSC Group</i>	25,300,000	52,400,000	63,360,000	31,680,000
(dd) <i>supporting services relating to Hong Kong and overseas capital markets from the Group to the SWSC Group</i>	65,590,000	134,937,000	161,944,400	80,960,000
(ee) <i>supporting services in connection with corporate finance business from the Group to the SWSC Group</i>	6,789,000	13,966,000	16,760,000	8,380,000
(ff) <i>supporting services in connection with corporate finance business from the SWSC Group to the Group</i>	4,900,000	10,080,000	12,096,000	6,048,000

LETTER FROM ALTUS CAPITAL LIMITED

	Seven months ending 31 December 2013 HK\$	Year ending 31 December 2014 HK\$	2015 HK\$	Five months ending 31 May 2016 HK\$
Annual Caps for services relating to the SW Research Transactions comprising:	19,600,000	40,320,000	48,384,000	24,190,000
<i>(gg) supporting services relating to research from SW Research to the Group</i>	17,500,000	36,000,000	43,200,000	21,600,000
<i>(hh) supporting services in connection with corporate finance business from SW Research to the Group</i>	2,100,000	4,320,000	5,184,000	2,590,000
Annual Caps	150,059,000	309,051,000	371,362,000	185,668,000

- (i) Reasons for not referring to the historical transaction amounts alone and the basis of the growth potential of the capital markets*

It is noted and anticipated that the PRC capital markets have been experiencing various reforms where they progressively open up which allow:

- (a) foreign investors to invest in the PRC stock market, i.e. the Offshore Investors Schemes (such as the QFII Scheme, QFII2 Scheme and RQFII2 Scheme). It is expected that the launches and the anticipated launches of such schemes will contribute to the demand for the SWSC Group's brokerage and supporting services by the Group as further elaborated below; and
- (b) the PRC domestic investors to invest in the Hong Kong and overseas stock markets, i.e. the Onshore Investors Schemes (such as the QDII Scheme and QDII2 Scheme). It is expected that the launches and the anticipated launches of such schemes will contribute to the demand for the Group's brokerage and supporting services by the SWSC Group as further elaborated below.

LETTER FROM ALTUS CAPITAL LIMITED

In the recent announcement of the China Securities Regulatory Commission headed “The CSRC Seeks Public Comments on the Revised Drafts of the Trial Administrative Measures for Overseas Securities Investments of Qualified Domestic Institutional Investors and the Rules thereunder” dated 14 March 2013, the central government of the PRC has undertaken to further enhance the terms and guidelines under the relevant Offshore Investors Schemes and Onshore Investors Schemes, including but not limited to, lowering the entry requirements, diversifying the range of investment products and extending the investment platforms coverage under these schemes. The central government of the PRC also indicated its intention to increase the investment quota to foreign institutions and to extend the investors coverage to include individual investors under the QFII2 Scheme, RQFII2 Scheme and QDII2 Scheme.

Mutual Recognition of Hong Kong and China Fund Programs, introduction of new financial products such as cross-border exchange-traded funds and overseas commodity futures, and the establishment of a cross-border special financial services region in Qianhai of Shenzhen (which was publicly announced by Mr. Zhang Ping, the chairman of the National Development and Reform Commission where its main terms and guidelines are expected to be finalised in the first half of 2013, as published on Sing Tao Daily on 6 March 2013.) are also being promoted by the central government of the PRC. Relevant PRC and Hong Kong authorities have expressed their supports in respect of these reforms and strategies. With the success of the first case of the B-to-H Share Conversion in December 2012, it is also expected that there will be more participants in such conversion scheme.

Trading activities of the PRC and Hong Kong markets are expected to increase in anticipation of the abovementioned policies and strategies. Therefore, it is more appropriate to determine the Annual Caps with reference to these potential increases in cross-border investments and financial activities upon the implementation of these policies and strategies. In particular, the management of the Company has applied an estimated annual growth rate of 20% generally when determining each of the Annual Caps as further elaborated below in view of such potential increase in investments and financial activities. We have noted from the data published (i) on the website of the Shanghai Stock Exchange that its total turnover in value increased by approximately 45.2% in the period from January to March 2013 compared with the corresponding period in 2012 and such turnover value recorded a compound annual growth rate of approximately 15.0% from 2008 to 2012. Fund raising activities remain active where total capital raised for A shares and B shares were approximately RMB553.2 billion, RMB320.0 billion and RMB289.0 billion in 2010, 2011 and 2012 respectively; and (ii) on the website of the Shenzhen Stock Exchange that its total turnover in value recorded a compound annual growth rate of approximately 12.4% from 2008 to 2012.

LETTER FROM ALTUS CAPITAL LIMITED

Its total funds raised by listing on its main board, small and medium enterprises board and growth enterprise board were approximately RMB410.1 billion, RMB448.3 billion and RMB204.6 billion in 2010, 2011 and 2012 respectively. Importantly, the launches and anticipated launches of the Offshore Investors Schemes provide an investment channel to PRC domestic investors, which is previously not available, to invest in Hong Kong and overseas stock markets. According to the report published by SAFE headed “Investment Quotas granted under QDII as of 31 January 2013” on 4 February 2013, there was an average annual growth rate of approximately 38.5% in the cumulative investment quota granted under the QDII Scheme from 2004 to 2012, showing an increase in the scale of the Onshore Investors Schemes investing directly in Hong Kong and overseas capital markets. We have also noted there is an increasing trend of costs, including wages, in providing the relevant services under the 2013 SWSC MOU and the 2013 SW Research MOU as further elaborated in paragraph (ii) (bb) below. In view of these, we concur with the management of the Company that the application of such annual growth rate in determining the Annual Caps is fair and reasonable. Also, the low historical transaction amounts alone, which was due to the unexpected decline in market activities and delays in implementation of various government policies, does not provide an appropriate reference.

Taking into account the above factors, we believe that (i) it is justifiable and reasonable for the Company not referring to the historical transaction amounts alone when determining the Annual Caps; and (ii) the basis of the growth potential of the respective capital markets is fair and reasonable.

(ii) Factors determining the Annual Caps for services relating to the SWSC Transactions

(aa) Brokerage services relating to the PRC capital markets from the SWSC Group to the Group

Under the 2013 SWSC MOU, the SWSC Group will provide the Group brokerage services in the PRC capital markets, including mainly B share trading services and potential securities trading services upon the anticipated introduction of the Offshore Investors Schemes (including but not limited to the QFII2 Scheme and RQFII2 Scheme).

LETTER FROM ALTUS CAPITAL LIMITED

The annual caps for such services are determined with reference to (i) the historical B share brokerage services provided by the SWSC Group to the Group; (ii) the potential increase in the demand for brokerage services in anticipation of the various abovementioned governmental policies and strategies, including the B-to-H Share Conversion and the Offshore Investors Schemes; and (iii) the estimated annual growth rate of 20% in service fees taking into account the anticipated growth of the PRC capital markets as mentioned above. The increase in such caps as compared with the historical transaction amounts is mainly attributable to the aforesaid expected growth in demand for the SWSC Group's brokerage services. Comparatively, the Previous Annual Caps were related mainly to only B share market activities.

The Group intends to participate in the QFII2 Scheme and RQFII2 Scheme upon their implementations by the central government of the PRC. In determining the annual caps for such services, the management of the Company has taken into account (i) the expected investment quota to be granted by SAFE under these schemes when approved, with reference to the investment quotas being granted to other securities brokerage firms under the QFII Scheme and RQFII Scheme in recent months; and (ii) the expected amount of trading volume to be generated if the relevant investment quota is granted based on their estimates.

According to the report published by SAFE headed "Investment quotas granted under QFII as of 31 January 2013" on 4 February 2013, the investment quotas granted ranged from US\$0.5 billion to US\$3.0 billion in recent months and in particular, an investment quota of US\$1.0 billion was granted to a securities brokerage firm of similar size as the Group in November 2012.

In respect of the B share market, despite there being a decline as mentioned above, the management of the Company expects revived interests in this market following the first successful case of B-to-H Share Conversion in December 2012. According to the management of the Group, investors' interest in B shares may be revived with an expectation that such shares may be converted to H shares afterwards. In view of this, it is expected that there will be an increase in demand for the brokerage services from the SWSC Group.

Based on our discussion with the management of the Company and review of public information regarding the above governmental policies and strategies announced, we consider the Company's basis of determining such annual cap is fair and reasonable.

LETTER FROM ALTUS CAPITAL LIMITED

(bb) Supporting services for the PRC market from the SWSC Group to the Group

Under the 2013 SWSC MOU, the SWSC Group will provide the Group with supporting services for the PRC market, which include mainly client referrals, business and market consultation services and personnel training services in support of the Group's development and operations in anticipation of the various abovementioned governmental policies and strategies announced.

The annual caps for such services are determined with reference to (i) the prevailing market rates and the estimated costs of the SWSC Group in connection with its provision of supporting services; and (ii) the estimated annual growth rate of 20% in service fees taking into account the expected rise in demand for such services from the Group and the increase in costs due to inflation.

There were no supporting Services provided by the SWSC Group during the Historical Period as the Hong Kong securities trading through-train scheme, which was expected to be implemented by the central government of the PRC, has not been to-date launched. We understand from the management of the Company that in determining such annual cap, they have taken into account (i) the prevailing market rates and the estimated monthly cost of the SWSC Group for its provision of supporting services, (including personnel training costs, marketing costs and office rentals) to facilitate the anticipated launches of the various governmental policies and strategies; and (ii) the expected increase in costs mainly average wage in Shanghai, where SWSC is located.

We have reviewed the wage information of Shanghai sourced from the database of the National Bureau of Statistics of China and noted that the city recorded year-to-year increases in annual average wage of approximately 13.1% and 22.1% in 2010 and 2011 respectively.

Having considered the above, we are of the view that the basis as adopted by the Company in determining such annual cap is fair and reasonable.

LETTER FROM ALTUS CAPITAL LIMITED

(cc) Brokerage services relating to Hong Kong and overseas capital markets from the Group to the SWSC Group

Under the 2013 SWSC MOU, the Group will provide the SWSC Group with brokerage services relating to Hong Kong and overseas capital markets. Such securities trading services include mainly those expected to materialise under the various governmental policies and strategies announced.

The annual caps for such services are determined with reference to (i) the potential increase in demand for the Group's brokerage services to the SWSC Group when the SWSC Group launches its anticipated offshore investment business in connection with the QDII Scheme and QDII2 Scheme; and (ii) the estimated annual growth rate of approximately 20% in service fees taking into account the anticipated growth in demand for such services.

There were no brokerage services provided by the Group to the SWSC Group during the Historical Period as the approval for the QDII Scheme was only granted to SWSC by SAFE for SWSC in September 2012 and the SWSC Group's relevant investment products were at planning stage during the Historical Period. These investment products are currently expected to be launched in May 2013. In assessing the fairness and reasonableness of such caps, we understand from the management of the Company that in determining such annual cap, they have taken into account (i) the expected investment quota to be granted by SAFE under the QDII2 Scheme when approved, with reference to the investment quota obtained by SWSC under the QDII Scheme; and (ii) the expected amount of trading volume to be generated under the QDII Scheme and QDII2 Scheme based on their estimates.

Based on our discussion with the management of the Company and the basis of estimating the investment quota under the QDII2 Scheme which is made reference to that obtained under the QDII Scheme, and the fact that, the launches and the anticipated launches of the QDII Scheme and QDII2 Scheme provide PRC domestic investors with an investment channel which is previously not available, to invest in Hong Kong and overseas stock markets, we consider the Company's basis of determining such annual cap is fair and reasonable.

LETTER FROM ALTUS CAPITAL LIMITED

(dd) Supporting services relating to Hong Kong and overseas markets from the Group to the SWSC Group

Under the 2013 SWSC MOU, the Group will provide supporting services to the SWSC Group for Hong Kong and overseas capital markets, which include mainly client referrals, business and market consultation services and personnel training services in support of SWSC's development and operations in response to the various governmental policies and strategies announced.

The annual caps for such services are determined with reference to (i) the potential increase in number of customers interested in participating in schemes such as the QFII Scheme and QFII2 Scheme which the Group can refer to the SWSC Group; (ii) the prevailing market rates and the estimated costs of the Group in providing such supporting services; and (iii) the estimated annual growth rate of 20% in service fees taking into account the expected rise in demand for such services from the Group and the increase in costs due to inflation.

In assessing the fairness and reasonableness, we understand from the management of the Company that in determining such annual cap, they have taken into account (i) the expected commission income to be generated from client referrals associated with the QFII Scheme and QFII2 Scheme; and (ii) the prevailing market rates and the estimated cost of the Group in providing such supporting services, including personnel training costs and consultancy fee, to cope with the launches and anticipated launches of the QDII Scheme and QDII2 Scheme.

Taking into account the Group's clientele network and the SWSC Group's capacity and resources, synergetic effect in terms of client referrals may be created when there is a growth in the demand of brokerage services associated with the QFII Scheme and QFII2 Scheme. As such, we consider the Company's basis of determining such annual cap is fair and reasonable.

(ee)&(ff) Supporting services in connection with corporate finance business from the Group and the SWSC Group to each other

Under the 2013 SWSC MOU, the Group and the SWSC Group will provide supporting services to each other in connection with corporate finance business, the scope of which includes, but is not limited to, provision of information services and client referrals.

LETTER FROM ALTUS CAPITAL LIMITED

The annual caps for such services 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 the average growth rate of the equity fund raising amounts of the PRC companies listed on the Stock Exchange, the Shanghai Stock Exchange and the Shenzhen Stock Exchange in the past 10 years as well as the anticipated growth of the respective markets.

The Group and the SWSC Group did not provide supporting services in connection with corporate finance business to each other in the Historical Period due to the number of listing projects and financial advisory projects in Hong Kong and the PRC was lower than expected. According to the statistics published by the Stock Exchange, there were year-to-year decreases in the number of newly listed companies of approximately 17.0% and 40.9% in 2011 and 2012 respectively; and according to the statistics published by the Shanghai Stock Exchange and the Shenzhen Stock Exchange, there were year-to-year decreases in the aggregate number of newly listed companies of approximately 23.1% and 44.8% in 2011 and 2012 respectively.

In assessing the fairness and reasonableness of such caps, we have discussed with the management of the Company who are of the view that there will be a potential growth in the corporate finance business in both Hong Kong and the PRC markets taking into account the various abovementioned governmental policies and strategies announced such as the QFII Scheme, QFII2 Scheme, RQFII2 Scheme, QDII Scheme and QDII2 Scheme. Such policies and strategies may strengthen the understanding and generate interest among Hong Kong and the PRC investors in the investment products and corporate finance activities in each of Hong Kong and the PRC capital markets and hence may contribute to the cooperation opportunities between the Group and the SWSC Group. In addition, as noted from the data published on the websites of the Stock Exchange, the Shanghai Stock Exchange and the Shenzhen Stock Exchange that there was an average growth rate of approximately 19.5% of equity funds raised for PRC companies through the main board and the growth enterprise market of the Stock Exchange from 2002 to 2012 and an average growth rate of approximately 79% of equity funds raised for PRC companies through the Shanghai Stock Exchange and the Shenzhen Stock Exchange from 2002 to 2012. We therefore concur with the view of the management of the Company that the basis of determining such annual cap is fair and reasonable.

LETTER FROM ALTUS CAPITAL LIMITED

(iii) Factors determining the Annual caps for services relating to the SW Research Transaction

(gg) Supporting services relating to research from SW Research to the Group

Under the 2013 SW Research MOU, SW Research will provide the Group with research services which include, but are not limited to, Hong Kong and PRC listed company research reports and industry sector reports, and also supporting services for investor meetings organised by the Group.

The annual caps for such services are determined with reference to (i) the historical transaction amounts of the SW Research Transactions; and (ii) the estimated annual growth rate of approximately 20% in service fees taking into account the expected rise in demand for such services from the Group and the increase in costs due to inflation.

We understand from the management of the Company that in determining such annual caps, they have taken into account (i) the increasing number of dual-listing PRC companies listed in both the Hong Kong and PRC markets, and the growing interest of the Group's clients in investing in the PRC related securities, which will contribute to the demand for SW Research's research services; and (ii) the expected cost of SW Research in the provision of such services.

According to the statistics published by the Stock Exchange, there were, in aggregate, 689 and 737 H share companies, red chip stock companies and mainland private enterprises listed on it as of March 2012 and March 2013 respectively, showing an increasing presence of the PRC enterprises in Hong Kong stock markets. In view of this, and the abovementioned estimated growth in cross-border financial activities and the increasing trend of wage in Shanghai where SW Research located, we consider the Company's basis of determining such annual cap is fair and reasonable.

(hh) Supporting services in connection with corporate finance business from SW Research to the Group

Under the 2013 SW Research MOU, SW Research will provide the Group with supporting services in connection with corporate finance business which include, but are not limited to, provision of information services and client referrals.

LETTER FROM ALTUS CAPITAL LIMITED

The annual caps for such services are determined with reference to (i) the estimated level of services to be provided by the SW Research; and (ii) the estimated annual growth rate of approximately 20% in service fees taking into account the average growth rate of the equity fund raising amounts of the PRC companies listed on the Stock Exchange in the past 10 years as well as anticipated growth of Hong Kong markets.

Taking into account the increasing presence of the PRC companies in Hong Kong stock markets as abovementioned and as noted from the data published on the website of the Stock Exchange that there was an average growth rate of approximately 19.5% of equity funds raised for PRC companies through its main board and growth enterprise market board from 2002 to 2012, there will be an expected increase in demand for SW Research's information provision and client referral services. We concur with the view of the management of the Company that the basis of determining the annual cap for such services is fair and reasonable.

4. Continuing connected transactions requirements under the Listing Rules

Pursuant to Rule 14A.37 of the Listing Rules, the Independent Non-Executive Directors are required to review the Continuing Connected Transactions annually and confirm in the Company's annual report that the Continuing Connected Transactions under the 2013 SWSC MOU and the 2013 SW Research MOU respectively have been (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms, or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Non-Executive Directors have confirmed the above in the annual reports of the Company for each of the three years ended 31 December 2010, 2011 and 2012.

Also, pursuant to Rule 14A.38 of the Listing Rules, each year the auditors must provide a letter to the Board confirming that the Continuing Connected Transactions (i) have received the approval of the listed issuer's board of directors; (ii) are in accordance with the pricing policies of the listed issuer if the transactions involve provision of goods or services by the listed issuer; (iii) have been entered into in accordance with the relevant agreement governing the transactions; and (iv) have not exceeded the cap disclosed in previous announcement(s). In compliance with the Listing Rules, the Company has also engaged Ernst & Young, the Company's auditor, to report on the Group's Continuing Connected Transactions. Ernst & Young had issued unqualified letters for each of the three years ended 31 December 2010, 2011 and 2012.

LETTER FROM ALTUS CAPITAL LIMITED

Given the above, we consider that there exist appropriate procedures and arrangements to ensure that the Continuing Connected Transactions will be conducted on terms in compliance with the provisions of the Listing Rules.

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the 2013 SWSC MOU and the 2013 SW Research MOU, the Continuing Connected Transactions, which are in the ordinary course of business of the Group and the Annual Caps are in the interests of the Company and the Shareholders as a whole; (ii) the terms of the 2013 SWSC MOU and the 2013 SW Research MOU, the Continuing Connected Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned when taken as a whole, in particular, after considering the overall synergetic effect that will be created under the cooperation between the Group with the SWSC Group and SW Research respectively; and (iii) the Annual Caps have been fairly and reasonably arrived at. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the 2013 SWSC MOU, the 2013 SW Research MOU, the Continuing Connected Transactions as well as the Annual Caps.

Yours faithfully

For and on behalf of

Altus Capital Limited

Arnold Ip

Chang Sean Pey

Executive Director

Executive Director

1. RESPONSIBILITY STATEMENT

This document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register required to be kept by the Company pursuant to Section 336 of the SFO and so far as is known to the Directors and chief executive of the Company, the following persons or corporations had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who/which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions in Shares

Name	Capacity and nature of interests	Number of Shares held	Approximate percentage of the Shares in issue
Shenyin Wanguo Holdings (B.V.I.) Limited ("SWHBVI")	Directly beneficially owned	268,334,875*	50.56
Venture-Some Investments Limited ("VSI")	Through controlled corporation	268,334,875*	50.56

Name	Capacity and nature of interests	Number of Shares held	Approximate percentage of the Shares in issue
Shenyin Wanguo (H.K.) Holdings Limited (“SWHKH”)	Through controlled corporation	268,334,875*	50.56
	Directly beneficially owned	2,045,000*	0.38
SWSC	Through controlled corporation	270,379,875*	50.94

* *SWHBVI was held directly as to 50.51% by VSI. VSI was wholly-owned by SWHKH. SWHKH was wholly-owned by SWSC. Hence, VSI, SWHKH and SWSC were deemed to be interested in the same parcel of 268,334,875 Shares held by SWHBVI under the SFO. SWHKH also held directly 2,045,000 Shares. Hence, SWSC was also deemed to be interested in the same parcel of 2,045,000 Shares held by SWHKH.*

According to the register required to be kept by the Company pursuant to Section 336 of the SFO and so far as is known to the Directors and chief executive of the Company, save as disclosed above, there were no other persons or corporations who/which, as at the Latest Practicable Date, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who/which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

As at the Latest Practicable Date, Messrs. Chu Xiaoming, Lu Wenqing and Guo Chun, being Directors, were also directors or employees of SWSC or its subsidiaries.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, the following Director was considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group:

Name of Director	Name of entity	Nature of interest of the Director in the entity	Description of business of the entity
Zhang Lei	SIIC Asset Management Company Limited	Director	Asset management

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. DIRECTORS' INTERESTS IN ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2012, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' INTERESTS IN CONTRACTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the date hereof which was significant in relation to the business of the Group.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service agreement with any member of the Group (which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation)).

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, being the date to which the latest published audited accounts of the Company were made up.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
Altus Capital Limited	a corporation licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Altus Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, Altus Capital Limited did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Altus Capital Limited did not have any interest, direct or indirect, in any assets which had been since 31 December 2012, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

The letter of advice from Altus Capital Limited is given as of the date of this circular for incorporation herein.

10. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Wong Che Keung Leslie, who is a Fellow of the Hong Kong Institute of Certified Public Accountants.
- (b) The share registrar of the Company is Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The English text of this circular and form of proxy shall prevail over the Chinese text in the case of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of following documents will be available for inspection at 28th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

- (a) the 2013 SWSC MOU;
- (b) the 2013 SW Research MOU;
- (c) the memorandum and articles of association of the Company;
- (d) the written consent of Altus Capital Limited;
- (e) 2011 and 2012 annual reports of the Company;
- (f) 2011 and 2012 interim reports of the Company; and
- (g) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Shenyin Wanguo (H.K.) Limited (the “Company”) will be held at the Dragon Room, The Hong Kong Bankers Club at 43rd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong, on Friday, 10 May 2013 at 10:30 a.m. for the purposes of considering and, if thought fit, passing the following resolutions of the Company. Unless otherwise indicated, capitalised terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 23 April 2013 (the “Circular”):

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the 2013 SWSC MOU entered into between SWSC and the Company (a copy of which has been produced to the meeting marked “A” and signed by the Chairman of the meeting for identification purpose) in relation to the SWSC Transactions as more particularly set out in the Circular and all the transactions contemplated thereunder as well as the Annual Caps for the transactions contemplated under the 2013 SWSC MOU for the seven months ending 31 December 2013, each of the two years ending 31 December 2015, and the five months ending 31 May 2016 as shown in the Circular be and are hereby approved; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the Directors be and are hereby authorized to do all acts and execute all documents they consider necessary or expedient in connection with the 2013 SWSC MOU and the transactions contemplated thereunder.”

2. “**THAT**

- (a) the 2013 SW Research MOU entered into between SW Research and the Company (a copy of which has been produced to the meeting marked “B” and signed by the Chairman of the meeting for identification purpose) in relation to the SW Research Transactions as more particularly set out in the Circular and all the transactions contemplated thereunder as well as the Annual Caps for the transactions contemplated under the 2013 SW Research MOU for the seven months ending 31 December 2013, each of the two years ending 31 December 2015, and the five months ending 31 May 2016 as shown in the Circular be and are hereby approved; and
- (b) the Directors be and are hereby authorized to do all acts and execute all documents they consider necessary or expedient in connection with the 2013 SW Research MOU and the transactions contemplated thereunder.”

By order of the Board
Shenyin Wanguo (H.K.) Limited
Wong Che Keung Leslie
Company Secretary

Hong Kong, 23 April 2013

As at the date of this notice, the Board comprises 9 Directors, of which Mr. Chu Xiaoming, Mr. Lu Wenqing, Mr. Guo Chun and Mr. Lee Man Chun Tony are the executive Directors, Mr. Chang Pen Tsao and Mr. Zhang Lei 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.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. The register of members of the Company will be closed from Monday, 6 May 2013 to Friday, 10 May 2013, both days inclusive, during which period no transfers of shares of the Company will be registered. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars, Tricor Tengis Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Friday, 3 May 2013.
2. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf and such proxy need not be a member of the Company.
3. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of the power of attorney or authority, must be deposited at the registered office of the Company at 28th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong not later than 48 hours before the time appointed for the holding of the EGM (or the adjourned meeting as the case may be).
4. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. In the case of joint holders of a share, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto; and if more than one of such joint holders are present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. The ordinary resolutions to be considered at the EGM will be decided by poll.