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SHENWAN HONGYUAN (H.K.) LIMITED

申萬宏源(香港)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 218)

CONTINUING CONNECTED TRANSACTIONS

The Board is pleased to announce that on 1 April 2016, the Company entered into (i) the 2016 SWHYSC MOU in relation to the SWHYSC Transactions with SWHYSC to replace the 2013 SWHYG MOU; and (ii) the 2016 SWS Research MOU in relation to the SWS Research Transactions with SWS Research to replace the 2013 SWS Research MOU. The 2016 SWHYSC MOU and the 2016 SWS Research MOU shall be effective from 1 June 2016 upon the obtaining of the approval of the Independent Shareholders at the EGM and shall expire on 31 May 2019.

As SWHYG is deemed to be beneficially interested in 50.98% of the issued share capital of the Company and a substantial shareholder of the Company, and SWHYSC is a 100%-owned subsidiary of SWHYG, and SWS Research is a 90%-owned subsidiary of SWHYG, each of SWHYSC and SWS Research is a connected person of the Company under the Listing Rules. As such, the SWHYSC Transactions and the SWS Research Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Taking into account SWHYSC and SWS Research are parties associated with each other, the SWHYSC Transactions and the SWS Research Transactions are aggregated. Since each of 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 SWHYSC Transactions and the SWS Research Transactions in aggregate exceeds 5% and the amount of the largest Annual Cap is more than HK\$10million, the 2016 SWHYSC MOU and the 2016 SWS Research MOU are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

A circular containing, among other things, (i) further details of the Continuing Connected Transactions; (ii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Continuing Connected Transactions and the Annual Caps; (iii) the recommendation of the Independent Board Committee regarding the Continuing Connected Transactions and the Annual Caps to the Independent Shareholders; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 25 April 2016.

BACKGROUND

Reference is made to the announcement published by the Company on 28 March 2013 and the circular issued by the Company on 22 April 2013.

The continuing connected transactions contemplated under the 2013 SWHYG MOU and the 2013 SWS Research MOU were approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 10 May 2013. The 2013 SWHYG MOU and the 2013 SWS Research MOU expired on 31 May 2016.

On 1 April 2016, the Company entered into (i) the 2016 SWHYSC MOU in relation to the SWHYSC Transactions with SWHYSC to replace the 2013 SWHYG MOU; and (ii) the 2016 SWS Research MOU in relation to the SWS Research Transactions with SWS Research to replace the 2013 SWS Research MOU. The 2016 SWHYSC MOU and the 2016 SWS Research MOU shall be effective from 1 June 2016 upon the obtaining of the approval of the Independent Shareholders at the EGM and shall expire on 31 May 2019.

2016 SWHYSC MOU

Date : 1 April 2016

Parties : (1) the Company
(2) SWHYSC

Term : 1 June 2016 to 31 May 2019

Services : The scope of services consists of the following:

- (i) services provided by the SWHYSC 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);
- (ii) supporting services provided by the SWHYSC 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, etc.;
- (iii) brokerage services in Hong Kong and overseas capital markets provided by the Group to the SWHYSC Group, which consist of securities trading services in relation to the launch and the anticipated launch (subject to relevant authorities' approvals) 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 SWHYSC Group, which include mainly client referrals, business and market consultation services and personnel training services in support of the development and operation of the SWHYSC 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 etc, as well as the launch and the anticipated launch of the Offshore Investors Schemes such as the QFII Scheme, QFII2 Scheme etc.;
- (v) supporting services provided by the Group to the SWHYSC 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 SWHYSC 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 brokerage fees charged by the SWHYSC Group to the Group relating to provision of brokerage services in connection with the PRC capital markets will be based on normal commercial principles including individual negotiation with reference to prevailing market rates and actual circumstances, and the most favourable rates charged by the SWHYSC Group to its existing clients.
- (ii) The fees charged by the SWHYSC Group to the Group relating to the supporting services for developing the PRC market will be determined based on the actual costs incurred in connection with provision of services.

- (iii) The fees charged by the Group to the SWHYSC Group relating to the brokerage services for Hong Kong and overseas capital markets will be determined based on normal commercial principles including individual negotiation with reference to market levels and actual circumstances, and the prevailing market rates charged by the Group to its existing clients.
- (iv) The fees charged by the Group to the SWHYSC Group relating to the supporting services for developing Hong Kong and overseas markets will be determined based on normal commercial principles (including individual negotiation with reference to market levels and actual circumstances) or the actual costs incurred in connection with provision of services.
- (v) The fees charged by the Group to the SWHYSC Group relating to the corporate finance business will be determined based on normal commercial principles (including with reference to market conventions and actual circumstances).
- (vi) The fees charged by the SWHYSC Group to the Group relating to the corporate finance business will be determined based on normal commercial principles (including with reference to market conventions and actual circumstances).

2016 SWS Research MOU

Date : 1 April 2016

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

Term : 1 June 2016 to 31 May 2019

Services : Scope of services consists of the following:

- (i) provision of various research materials to the Group by SWS Research, 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 SWS Research for investor meetings organized by the Group; and
- (ii) supporting services provided by SWS 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.

Service fees : (i) The fees charged by SWS Research to the Group for the research materials and supporting services relating to research will be determined based on normal commercial principles (including market conventions and actual circumstances).

(ii) The fees charged by SWS Research to the Group for the supporting services relating to corporate finance will be determined based on normal commercial principles (including market conventions and actual circumstances).

PREVIOUS ANNUAL CAPS

Set out below are the Previous Annual Caps:

	Seven months ending 31 December 2013 <i>HK\$'000</i>	Year ending 31 December 2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	Five months ending 31 May 2016 <i>HK\$'000</i>
Annual Caps for services relating to the SWHYG Transactions comprising:				
	130,459	268,731	322,978	161,478
(i)brokerage services relating to the PRC capital markets from the SWHYG Group to the Group	23,920	49,200	59,040	29,520
(ii)supporting services for the PRC market from the SWHYG Group to the Group	3,960	8,148	9,778	4,890
(iii)brokerage services relating to Hong Kong and overseas capital markets from the Group to the SWHYG Group	25,300	52,400	63,360	31,680
(iv)supporting services relating to Hong Kong and overseas markets from the Group to the SWHYG Group	65,590	134, 937	161,944	80,960
(v)supporting services in connection with corporate finance business from the Group to the SWHYG Group	6,789	13,966	16,760	8,380
(vi)supporting services in connection with corporate finance business from the SWHYG Group to the Group	4,900	10,080	12,096	6,048
Annual Caps for services relating to the SWS Research Transactions comprising:				
	19,600	40,320	48,384	24,190
(i)supporting services relating to research from SWS Research to the Group	17,500	36,000	43,200	21,600
(ii)supporting services in connection with corporate finance business from SWS Research to the Group	2,100	4,320	5,184	2,590
Previous Annual Caps	150,059	309,051	371,362	185,668

HISTORICAL TRANSACTION AMOUNTS

Set out below is a summary of the Group's historical transaction amounts of the SWHYG Transactions and the SWS Research Transactions for the seven months ended 31 December 2013, each of the two years ended 31 December 2015:

	Seven months ended 31 December 2013 <i>HK\$'000</i> (Audited)	Year ended 31 December 2014 <i>HK\$'000</i> (Audited)	2015 <i>HK\$'000</i> (Audited)
Historical transaction amounts for services relating to the SWHYG Transactions comprising:			
(i)brokerage services relating to the PRC capital markets from the SWHYG Group to the Group	1,357	6,029	22,963
(ii)supporting services for the PRC market from the SWHYG Group to the Group	1,357	2,026	4,669
(iii)brokerage services relating to Hong Kong and overseas capital markets from the Group to the SWHYG Group	-	2,500	5,800
(iv)supporting services relating to Hong Kong and overseas markets from the Group to the SWHYG Group	-	-	-
(v)supporting services in connection with corporate finance business from the Group to the SWHYG Group	-	1,300	12,494
(vi)supporting services in connection with corporate finance business from the SWHYG Group to the Group	-	203	-
	-	-	-
Historical transaction amounts for services relating to the SWS Research Transactions comprising:			
(i)supporting services relating to research from SWS Research to the Group	4,726	5,000	11,500
(ii)supporting services in connection with corporate finance business from SWS Research to the Group	4,583	5,000	11,500
	143	-	-
Total historical transaction amounts	6,083	11,029	34,463

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 2016, each of the two years ending 31 December 2018, and the five months ending 31 May 2019:

	Seven months ending 31 December		Five months ending 31 May	
	2016	Year ending 31 December 2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Annual Caps for services relating to the SWHYSC Transactions comprising:				
(i)brokerage services relating to the PRC capital markets from the SWHYSC Group to the Group	63,251	116,020	124,142	55,346
(ii)supporting services for the PRC market from the SWHYSC Group to the Group	8,083	14,826	15,864	7,073
(iii)brokerage services relating to Hong Kong and overseas capital markets from the Group to the SWHYSC Group	8,801	16,143	17,273	7,701
(iv)supporting services relating to Hong Kong and overseas markets from the Group to the SWHYSC Group	5,280	9,686	10,364	4,620
(v)supporting services in connection with corporate finance business from the Group to the SWHYSC Group	24,343	44,651	47,777	21,300
(vi)supporting services in connection with corporate finance business from the SWHYSC Group to the Group	9,254	16,975	18,163	8,098
	7,490	13,739	14,701	6,554
Annual Caps for services relating to the SWS Research Transactions comprising:				
(i)supporting services relating to research from SWS Research to the Group	21,749	39,900	42,674	19,005
(ii)supporting services in connection with corporate finance business from SWS Research to the Group	18,482	33,900	36,274	16,172
	3,267	6,000	6,400	2,833
Annual Caps	85,000	155,920	166,816	74,351

BASIS OF THE ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS

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

The brokerage services relating to the PRC capital markets mainly represents the brokerage services related to the B-share 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 SWHYSC 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 SWHYSC Group to the Group upon the anticipated introduction of the Offshore Investors Schemes; and (iii) the estimated annual growth rate of 7% in service fees taking into account the anticipated growth of the PRC capital markets.

Supporting services for PRC market from the SWHYSC 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 SWHYSC 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 7% 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.

Brokerage services relating to Hong Kong and overseas capital markets from the Group to the SWHYSC 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 Scheme (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 SWHYSC and its associates 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 7% 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 SWHYSC 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 SWHYSC 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 7% 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.

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

In view of the increase in cross-border business in relation to securities listings, the Group and the SWHYSC Group could broaden co-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 SWHYSC Group; and (ii) the estimated annual growth rate of approximately 7% in service fees taking into account the fund raising amounts of the PRC companies listed in Hong Kong and the PRC markets in recent years as well as the anticipated growth of the respective markets.

Supporting services relating to research from SWS Research to the Group

In view of the increasing number of dual-listed PRC companies listed in both the 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 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 the 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, SWS Research is principally engaged in securities research business, primarily covering the PRC listed companies. Given the significant and strong research capability of SWS Research, the Directors consider that the Group's service level can be improved through utilizing SWS Research's resources and therefore it is appropriate to engage it to provide such products and services. The Annual Caps in respect of the SWS Research's supporting services for research are determined with reference to (i) the historical transaction amounts of the SWS Research Transactions; and (ii) the estimated annual growth rate of approximately 7% 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.

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

In view of the increase in cross border business in relation to securities listings, SWS 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 SWS 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 SWS Research; and (ii) the estimated annual growth rate of approximately 7% in service fees taking into account the fund raising amounts of the PRC companies listed in Hong Kong markets in recent years as well as the anticipated growth of Hong Kong markets.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Directors believe that the entering into of the 2016 SWHYSC MOU and the 2016 SWS Research MOU will serve as a platform for more extensive cooperation with the SWHYSC Group and SWS Research. The Group, the SWHYSC Group and SWS 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 2016 SWHYSC MOU and the 2016 SWS Research MOU is in the interests of the Company and the Shareholders as a whole.

The terms of the 2016 SWHYSC MOU and the 2016 SWS Research MOU were arrived at after arm's length negotiations between the Company and SWHYSC or SWS Research (as the case may be). The Directors consider that the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Continuing Connected Transactions and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP, SWHYSC AND SWS 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.

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

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

LISTING RULES AND IMPLICATIONS

As SWHYG is deemed to be beneficially interested in 50.98% of the issued share capital of the Company and a substantial shareholder of the Company, and SWHYSC is a 100%-owned subsidiary of SWHYG, and SWS Research is a 90%-owned subsidiary of SWHYG, each of SWHYSC and SWS Research is a connected person of the Company under the Listing Rules. As such, the SWHYSC Transactions and the SWS Research Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Taking into account SWHYSC and SWS Research are parties associated with each other, the SWHYSC Transactions and the SWS Research Transactions are aggregated. Since each of 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 SWHYSC Transactions and the SWS Research Transactions in aggregate exceeds 5% and the amount of the largest Annual Cap is more than HK\$10million, the 2016 SWHYSC MOU and the 2016 SWS Research MOU are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A Board meeting held on 4 March 2016 had approved, among other things, the 2016 SWHYSC MOU and the 2016 SWS Research MOU. Messrs. Chu Xiaoming (the then director), Lu Wenqing, Guo Chun and Zhang Lei were considered to be interested in the SWHYSC Transactions and the SWS Research Transactions for the reason that each of them was a common director of the Company and certain members of SWHYG. Accordingly, Messrs. Chu Xiaoming (the then director), Lu Wenqing, Guo Chun and Zhang Lei abstained from voting on the relevant Board resolution approving the 2016 SWHYSC MOU, the 2016 SWS Research MOU and related matters.

GENERAL

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

A circular containing, among other things, (i) further details of the Continuing Connected Transactions; (ii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Continuing Connected Transactions and the Annual Caps; (iii) the recommendation of the Independent Board Committee regarding the Continuing Connected Transactions and the Annual Caps to the Independent Shareholders; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 25 April 2016.

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

DEFINITIONS

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

“2013 SWS Research MOU”	the memorandum of understanding entered into between the Company and SWS Research on 28 March 2013, details of which have been disclosed in the announcement of the Company dated 28 March 2013
“2013 SWHYG MOU”	the memorandum of understanding entered into between the Company and SWHYG on 28 March 2013, details of which have been disclosed in the announcement of the Company dated 28 March 2013
“2016 SWS Research MOU”	the memorandum of understanding entered into between the Company and SWS Research on 1 April 2016
“2016 SWHYSC MOU”	the memorandum of understanding entered into between the Company and SWHYSC on 1 April 2016
“Annual Cap”	each of the proposed annual cap amounts of the Continuing Connected Transactions for the seven months ending 31 December 2016, each of the two years ending 31 December 2018 and the five months ending 31 May 2019, 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 the PRC and traded on The Stock Exchange of Hong Kong Limited) of companies established in the PRC
“Company”	Shenwan Hongyuan (H.K.) Limited

“Connected Person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	SWHYSC Transactions and SWS Research Transactions
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of, among other things, approving the 2016 SWHYSC MOU, the 2016 SWS 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 2016 SWHYSC MOU and the 2016 SWS Research MOU as well as the Annual Caps
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the relevant matters at the EGM
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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 SWHYSC Group and/or SWS Research arising from the continuing connected transactions under the 2013 SWHYG MOU and the 2013 SWS 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
“QDII 2 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
“QFII 2 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
“RQFII 2 Scheme”	the new RMB Qualified Foreign Institutional Investors scheme of the PRC (subject to relevant authorities’ approvals)
“Shareholders”	shareholders of the Company
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

“SWHYG”	Shenwan Hongyuan Group Co., Ltd. (formerly known as Shenyin & Wanguo Securities Co., Ltd. until 19 January 2015)
“SWHYG Group”	SWHYG and its subsidiaries
“SWHYG Transactions”	transactions arising from the cooperation between SWHYG Group and the Group pursuant to the 2013 SWHYG MOU
“SWS Research”	SWS Research Co., Ltd.
“SWS Research Transactions”	transactions arising from the cooperation between SWS Research and the Group pursuant to the 2016 SWS Research MOU
“SWHYSC”	Shenwan Hongyuan Securities Co., Ltd
“SWHYSC Group”	SWHYSC and its subsidiaries
“SWHYSC Transactions”	transactions arising from the cooperation between SWHYSC Group and the Group pursuant to the 2016 SWHYSC MOU
“%”	per cent.

By order of the Board
Shenwan Hongyuan (H.K.) Limited
Guo Chun
Chief Executive Officer

Hong Kong, 1 April 2016

As at the date of this announcement, the Board comprises 9 directors, of which Mr. Zhu Minjie, Mr. Lu Wenqing, Mr. Chen Xiaosheng, Mr. Guo Chun and Mr. Lee Man Chun Tony are the executive directors, Mr. Zhang Lei is the non-executive director, Mr. Ng Wing Hang Patrick, Mr. Kwok Lam Kwong Larry and Mr. Zhuo Fumin are the independent non-executive directors.