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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)

**CONNECTED TRANSACTION
IN RELATION TO
THE PROPOSED APPOINTMENT AS UNDERWRITER(S)
BY THE PARENT COMPANY FOR
ITS PROPOSED H SHARE OFFERING**

THE APPOINTMENT MEMORANDUM

On 15 February 2019 (after trading hours), SWHY Group and the Company entered into the Appointment Memorandum whereby the Relevant Subsidiary(ies) is/are conditionally engaged by SWHY Group as its underwriter(s) for the Proposed H Share Offering in accordance with the Underwriting Agreement.

Pursuant to the Appointment Memorandum, the Underwriting Commission rate proposed to be charged by the Relevant Subsidiary(ies) will not be less than 1.5% (exclusive of any incentive fee).

Completion is conditional upon the approval of the Appointment Memorandum and the transactions contemplated thereunder by the Independent Shareholders at the EGM in accordance with the Listing Rules prior to the Long Stop Date.

SWHY Group is expected to enter into the Underwriting Agreement with its underwriters, including the Relevant Subsidiary(ies) (subject to Completion), to set out the specific terms (including the Underwriting Commission rate) for the purposes of the Proposed H Share Offering. Save for the underwriting commitment of each underwriter, the Relevant Subsidiary(ies) is/are expected to be subjected to the terms of the Underwriting Agreement that are the same as all other underwriters that participate in the Proposed H Share Offering.

If Completion does not take place prior to the Long Stop Date, then the Appointment Memorandum and the transactions contemplated thereunder will be terminated. Accordingly, the Relevant Subsidiary(ies) will not enter into the Underwriting Agreement in the capacity of an underwriter(s).

In the event that the Underwriting Commission specified in the Underwriting Agreement is less than 1.5% (exclusive of any incentive fee), the Relevant Subsidiary(ies) will not enter into the Underwriting Agreement in the capacity of an underwriter(s) unless prior approval has been sought and obtained from the Independent Shareholders at another extraordinary general meeting of the Company in connection with such other rate being less than 1.5% (exclusive of any incentive fee).

IMPLICATIONS UNDER THE LISTING RULES

SWHY Group is the parent company of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Appointment Memorandum constitutes a connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek approval from the Independent Shareholders at the EGM for the Appointment Memorandum and the transactions contemplated thereunder in accordance with the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ng Wing Hang Patrick, Mr. Kwok Lam Kwong Larry and Mr. Chen Liqiang has been established to advise the Independent Shareholders on the entering into of the Appointment Memorandum.

Altus Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) the details of the Appointment Memorandum; (ii) a letter of advice from each of the Independent Board Committee and the Independent Financial Adviser regarding the entering into of the Appointment Memorandum; and (iii) a notice convening the EGM is expected to be despatched by the Company to the Shareholders on or before Friday, 8 March 2019.

WARNING

Shareholders and potential investors are reminded to exercise caution when dealing in the Shares since Completion and the Proposed H Share Offering may not take place.

THE APPOINTMENT MEMORANDUM

Set forth below are the principal terms of the Appointment Memorandum:

Date

15 February 2019

Parties

- (i) SWHY Group; and
- (ii) the Company

Subject matters

Pursuant to the Appointment Memorandum, SWHY Group and the Company have agreed that the Relevant Subsidiary(ies) is/are conditionally engaged by SWHY Group as its underwriter(s) to subscribe or procure subscriptions for the H Shares for the Proposed H Share Offering in accordance with the Underwriting Agreement.

Further, pursuant to the Appointment Memorandum, the Underwriting Commission rate proposed to be charged by the Relevant Subsidiary(ies) will not be less than 1.5% (exclusive of any incentive fee).

The final Underwriting Commission rate is expected to be fixed and subjected to the then prevailing market condition when the Underwriting Agreement is entered into for the purposes of the Proposed H Share Offering.

Condition precedent

Completion is conditional upon the approval of the Appointment Memorandum and the transactions contemplated thereunder by the Independent Shareholders at the EGM in accordance with the Listing Rules.

If Completion does not take place prior to the Long Stop Date, then the Appointment Memorandum and the transactions contemplated thereunder will be terminated. Accordingly, the Relevant Subsidiary(ies) will not enter into the Underwriting Agreement in the capacity of an underwriter(s).

Termination

If Completion does not take place prior to the Long Stop Date, being (i) 31 December 2019; and (ii) the date on which the H Shares are listed on the Main Board of the Stock Exchange, whichever is earlier, then the Appointment Memorandum and the transactions contemplated thereunder will be terminated.

UNDERWRITING COMMISSION

Set out below is the possible Underwriting Commission receivable by the Relevant Subsidiary(ies):

Underwriting Commission rate:	A	Not less than 1.5% (exclusive of any incentive fee)
Expected total number of issued A shares of SWHY Group immediately prior to completion of the Proposed H Share Offering:		22,535,944,560
Expected maximum number of H Shares available for the Proposed H Share Offering ⁽¹⁾ , including those allotted and issued pursuant to the exercise of any over-allotment option in full ⁽²⁾ :	B	6,479,084,061
Closing price of A shares of SWHY Group as at 15 February 2019:	C	RMB4.63
Illustrative exchange rate for RMB:HK\$:	D	1.16
Assumed maximum fund raising size: $B \times C \times D$	E	HK\$34,798 million (or US\$4,461 million)
Possible Underwriting Commission: $A \times E$		HK\$522 million

Notes:

1. Represents 20% of the expected total number of issued A shares of SWHY Group immediately after completion of the Proposed H Share Offering but prior to the exercise of any over-allotment option in full, which percentage has been published by SWHY Group in its announcement dated 10 November 2018.
2. Represents 15% of those referred to in Note 1, which percentage has been published by SWHY Group in its announcement dated 10 November 2018.

The possible Underwriting Commission of approximately HK\$522 million represents the Underwriting Commission all receivable by the Relevant Subsidiary(ies) with respect to the total underwriting commitment being equivalent to the assumed maximum fund raising size of approximately HK\$34,798 million (or US\$4,461 million), where the Relevant Subsidiary(ies) is/are assumed to be the only underwriter(s) for the sake of calculation.

Nonetheless, SWHY Group is expected to enter into the Underwriting Agreement with a syndicate of underwriters, including the Relevant Subsidiary(ies) (subject to Completion), to set out the specific terms for the purposes of the Proposed H Share Offering, including, but not limited to:

- (i) the underwriters that participate in the Proposed H Share Offering;
- (ii) the Underwriting Commission rate and any applicable incentive fee;
- (iii) the underwriting commitment of each of the underwriters, i.e. the number of H Shares to be underwritten by each underwriter at the offer price of H Shares; and
- (iv) customary representations and warranties, conditions to closing, termination provisions, indemnification.

As a result, the Underwriting Commission eventually receivable by the Relevant Subsidiary(ies) is/are subject to the terms to be specified in the Underwriting Agreement. In the end, the Relevant Subsidiary(ies) may receive the Underwriting Commission less than HK\$522 million given, among others, that there are other underwriters expected to be sharing the total underwriting commitment with the Relevant Subsidiary(ies).

As at the date of this announcement, no terms of the Underwriting Agreement have been fixed, and it is yet to be determined as to when the Underwriting Agreement will be executed.

Provided that Completion has taken place, the Relevant Subsidiary(ies) is/are expected to be subjected to the terms of the Underwriting Agreement that are the same as all other underwriters that participate in the Proposed H Share Offering, save for the underwriting commitment of each underwriter.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE APPOINTMENT MEMORANDUM

SWHY Group is an investment banking group in the PRC, the A shares of which are listed on the Shenzhen Stock Exchange (stock code: 000166). As at 15 February 2019, SWHY Group is interested in approximately 50.56% and 0.42% of the issued share capital of the Company through a 60.82% indirect subsidiary and a 100% indirect subsidiary respectively.

The Group is principally engaged in financial businesses through five (5) segments comprising (i) brokerage segment; (ii) corporate finance segment; (iii) asset management segment; (iv) financing and loans segment; and (v) investment segment.

The Relevant Subsidiaries comprise (i) Shenwan Hongyuan Securities (H.K.) Limited; and (ii) Shenwan Hongyuan Capital (H.K.) Limited. Both are wholly-owned subsidiaries of the Company. The former is a corporation licensed by the SFC to carry out Type 1 (dealing in securities) regulated activity. The latter is a corporation licensed by the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. Either or both of them is or are expected to become an underwriter(s) for the Proposed H Share Offering. Accordingly, the entering into of the Appointment Memorandum is conducted in the ordinary and usual course of business of the Group.

The Underwriting Commission rate proposed to be charged by the Relevant Subsidiary(ies) will not be less than 1.5% (exclusive of any incentive fee), which has been determined among the parties to the Appointment Memorandum with reference to, among others, market precedents.

In the event that the Underwriting Commission specified in the Underwriting Agreement is less than 1.5% (exclusive of any incentive fee), the Relevant Subsidiary(ies) will not enter into the Underwriting Agreement in the capacity of an underwriter(s) unless prior approval has been sought and obtained from the Independent Shareholders at another extraordinary general meeting of the Company in connection with such other rate being less than 1.5% (exclusive of any incentive fee).

The Directors are of the view that (i) the terms of the Appointment Memorandum and the transactions contemplated thereunder are fair and reasonable and (ii) the entering into of the Appointment Memorandum is (a) on normal commercial terms, (b) in the ordinary and usual course of business of the Group and (c) in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

SWHY Group is the parent company of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Appointment Memorandum constitutes a connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek approval from the Independent Shareholders at the EGM for the Appointment Memorandum and the transactions contemplated thereunder in accordance with the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ng Wing Hang Patrick, Mr. Kwok Lam Kwong Larry and Mr. Chen Liqiang has been established to advise the Independent Shareholders on the entering into of the Appointment Memorandum.

Altus Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) the details of the Appointment Memorandum; (ii) a letter of advice from each of the Independent Board Committee and the Independent Financial Adviser regarding the entering into of the Appointment Memorandum; and (iii) a notice convening the EGM is expected to be despatched by the Company to the Shareholders on or before Friday, 8 March 2019.

DEFINITIONS

In this announcement, the following expressions have the meanings set forth below unless the context otherwise requires:

“Appointment Memorandum”	the appointment memorandum entered into between SWHY Group and the Company on 15 February 2019;
“associates”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	Shenwan Hongyuan (H.K.) Limited, a company incorporated in Hong Kong with limited liability and its Shares are listed on the Main Board of the Stock Exchange (stock code: 00218);
“Completion”	completion of the Appointment Memorandum;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the directors(s) of the Company;
“EGM”	an extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, the Appointment Memorandum and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;
“H Shares”	overseas listed foreign shares in the share capital of SWHY Group with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK\$ and are to be listed on the Main Board of the Stock Exchange;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;

“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, to advise the Independent Shareholders in relation to the entering into of the Appointment Memorandum;
“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Independent Shareholders”	the Shareholders other than SWHY Group and its associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	the long stop date of the Appointment Memorandum;
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM operated by the Stock Exchange;
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purposes of this announcement;
“Proposed H Share Offering”	the proposed global offering in connection with the listing of H Shares on the Main Board of the Stock Exchange;
“Relevant Subsidiary(ies)”	Shenwan Hongyuan Securities (H.K.) Limited; and/or Shenwan Hongyuan Capital (H.K.) Limited, each a wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFC”	Securities and Futures Commission;
“Share(s)”	ordinary share(s) of the Company;

“Shareholders(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“SWHY Group”	Shenwan Hongyuan Group Co., Ltd., a joint stock company incorporated under the laws of the PRC, the A shares of which are listed on the Shenzhen Stock Exchange (stock code: 000166), and the parent company of the Company;
“Underwriting Agreement”	the underwriting agreement(s) for the purposes of the Proposed H Share Offering;
“Underwriting Commission”	the underwriting commission charged by the underwriters in connection with the Proposed H Share Offering;
“US\$”	United States dollars, the lawful currency of the United States; and
“%”	per cent.

Translation of HK\$ into US\$ is made in this announcement at an illustrative exchange rate of US\$1.00 to HK\$7.80.

By Order of the Board
Shenwan Hongyuan (H.K.) Limited
Zhu Minjie
Chairman

Hong Kong, 15 February 2019

As at the date of this announcement, the Board comprises nine Directors, of which Mr. Zhu Minjie, Mr. Chen Xiaosheng, Mr. Zhang Jian, Mr. Guo Chun and Mr. Qiu Yizhou are the executive Directors; Mr. Zhang Lei is the non-executive Director; Mr. Ng Wing Hang Patrick, Mr. Kwok Lam Kwong Larry and Mr. Chen Liqiang are the independent non-executive Directors.