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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 29 March 2019, the Company entered into the 2019 SWHYG MOU with SWHYG in relation to the transactions between the SWHYG Group and the Group to replace the 2016 SWHYSC MOU and the 2016 SWS Research MOU. The 2019 SWHYG MOU shall be effective from 1 June 2019 upon the obtaining of the approval of the Independent Shareholders at the EGM and shall expire on 31 May 2022.

As SWHYG is deemed to be beneficially interested in 75.0% of the issued share capital of the Company and a substantial shareholder of the Company, SWHYG is a connected person of the Company under the Listing Rules. As such, the SWHYG Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since each of the asset 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 SWHYG Transactions exceeds 5% and the amount of the largest Annual Cap for the SWHYG Transactions is more than HK\$10 million respectively, the 2019 SWHYG MOU is 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 24 April 2019.

BACKGROUND

Reference is made to the announcement published by the Company on 1 April 2016 and the circular issued by the Company on 22 April 2016.

The continuing connected transactions contemplated under the 2016 SWHYSC MOU and the 2016 SWS Research MOU were approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 13 May 2016. The 2016 SWHYSC MOU and the 2016 SWS Research MOU will expire on 31 May 2019.

On 29 March 2019, the Company entered into the 2019 SWHYG MOU with SWHYG to replace the 2016 SWHYSC MOU and the 2016 SWS Research MOU. The 2019 SWHYG MOU shall be effective from 1 June 2019 upon the obtaining of the approval of the Independent Shareholders at the EGM and shall expire on 31 May 2022.

PRINCIPAL TERMS OF THE MOU

2019 SWHYG MOU

Date

29 March 2019

Parties

- (1) SWHYG
- (2) the Company

Duration

1 June 2019 to 31 May 2022

Provisions of services

The scope of services consists of the following:

A. Services provided by the SWHYG Group to the Group:

- (i) ***Brokerage services transactions:*** services provided by the SWHYG Group to the Group relating to brokerage services in the PRC capital markets, which include, but not limited to, B-share trading services, potential securities trading services under the Offshore Investors Schemes (including but not limited to QFII, QFII 2, RQFII, Bond Connect, Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect), and other anticipated securities trading services;
- (ii) ***Investment operational supporting services transactions:*** supporting services provided by the SWHYG Group to the Group in support of the Group's PRC market development and operations, the scope of which include but not limited to the new products services launched or to be launched, such as the QFII, QFII 2, RQFII, Mutual Recognition of Hong Kong and China Fund Programs, domestic commodity futures, domestic bonds (Bond Connect), Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, which include mainly business and market consultation services and personnel training services, including but not limited to (i) providing information on China's macroeconomic environment and business development on a regular basis and as required, (ii) providing logistics services, and (iii) conducting market research and writing the Chinese market research reports for the Group's internal reference;
- (iii) ***Research services transactions:*** provision of various research materials to the Group by the SWHYG Group to support the Group's securities, futures, and corporate finance business, which include, but are not limited to economic analysis reports, investment strategy reports, industry sector reports, Hong Kong and PRC listed company research reports, fixed income product research reports, and derivative product research reports; and
- (iv) ***Corporate finance transactions:*** corporate finance services provided by the SWHYG Group to the Group, which include, but are not limited to, information services and client referrals in connection with corporate finance projects, merger and acquisition projects and financial advisory projects:
 - (a) ***Corporate finance transactions:*** the SWHYG Group utilises its resources of its corporate finance business to provide information to the Group, and jointly develop and cultivate listing projects.
 - (b) ***Merger and acquisition transactions:*** the SWHYG Group provides information to the Group and recommends the Group to the clients of the SWHYG Group to provide financial advisory service in connection with merger and acquisition business.

- (c) **Financial advisory transactions:** the SWHYG Group provides to the Group information of financial advisory business, and introduces clients to the Group, so as to strengthen the market advantages of both parties and to provide more complete services to their clients. The financial advisory services include, but are not limited to, pre-IPO private placement and the introduction of strategic investors, as well as advice on the sale of securities and corporate restructuring.

B. Services provided by the Group to the SWHYG Group:

- (i) **Brokerage services transactions:** brokerage services in Hong Kong and overseas capital markets provided by the Group to the SWHYG Group which consist of securities trading services and client referral services. The Group's business scope includes, but not limited to, brokerage services and related services that provide overseas investment product transactions or related sales product brokerage services, stocks, futures, options, bonds, etc.;

The Group will become one of the designated service providers of the SWHYG Group to provide brokerage services for the overseas investment products, including but not limited to, QDII, QDII 2, RQDII, Bond Connect, Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

- (ii) **Investment operational support and investment advisory services transactions:** Hong Kong and overseas market supporting services provided by the Group to the SWHYG Group. Services coverage include, but not limited to, new products or new arrangements launched or to be launched in the future, such as QDII, QDII 2, RQDII, QFII, QFII 2, Mutual Recognition of Hong Kong and China Fund Programs and overseas commodity futures, Bond Connect, Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

Services to be provided by the Group include (i) assigning relevant professional service personnel to provide consulting services to the SWHYG Group, (ii) providing product basic data such as stocks, funds, bonds, indices, financial news, market trends, policy and regulatory news express, (iii) providing reports on industry, companies, macroeconomics, investment strategies, etc., and (iv) providing special advisory services on matters related to securities investment.

The SWHYG Group can engage the Group to provide asset management services by way of managing the SWHYG Group's capital with investments. The services to be provided by the Group to the SWHYG Group include the provision of investment advisory services for offshore securities investment single orientation asset management and other asset management programs.

- (iii) **Corporate finance business supporting services transactions:** corporate finance services provided by the Group to the SWHYG Group include but not limited to, information services and client referrals in connection with corporate finance projects, merger and acquisition business, and financial advisory business:
- (a) **Corporate finance transactions:** The Group will fully utilise its resources in its corporate finance business to provide relevant information to the SWHYG Group and jointly develop and cultivate listing projects.
 - (b) **Merger and acquisition transactions:** The Group provides information to the SWHYG Group and recommends the SWHYG Group to the clients of the Group to provide financial advisory services in connection with merger and acquisition business.
 - (c) **Financial advisory transactions:** financial advisory services provided by the Group to the SWHYG Group include but not limited to information services and client referrals in connection with introduction of private equity and strategic pre-IPO investors. The Group also provides financial advisory services to the SWHYG Group including but not limited to compliance advisory service in relation to the Listing Rules and Takeovers Code, advice on sales of securities and corporate restructuring, and other types of legal compliance advisory services.

C. *Principal-to-principal transactions of investment products:*

Principal-to-principal transactions between the SWHYG Group and the Group, including but not limited to, trading of debt securities on the primary and secondary debt securities markets; trading of structured products including but not limited to interest rate-linked notes, OTC derivative, equity-linked notes, total return swaps. All the transactions of the aforesaid products are only conducted between the SWHYSC and the Group.

Pricing

The SWHYG Group and the Group have agreed that the fees charged to each other during the cooperation period (including the principal-to-principal transactions and corporate finance transactions) will be based on principles of fairness and reasonableness, co-development, benefit sharing, based on the nature of the work and the nature of the services and the resources used, and are determined on a case-by-case basis in accordance with the general business principles, including reference to market levels. In addition, the terms and the fees in relation to the Continuing Connected Transactions shall be no less unfavorable to the Group than the terms and the fees offered by the SWHYG Group or the Group to the independent third parties for similar comparable services, or the general terms and fees in

the services or products procured from the independent third parties for similar comparable services. In no event shall the total amount received or paid in respect of the connected transactions exceed the annual cap of the connected transactions approved by the shareholders of the Company.

- (1) With respect to securities brokerage transactions, the fees charged/chargeable or paid/payable (as the case may be) shall be determined with reference to, among other things, the fees, rates and commission for independent third parties in the market and the expected total brokerage transactions amount. For futures brokerage, the commission per lot per side varies according to (i) the type of futures contract, (ii) the stock exchange on which it is traded; and (iii) whether the trade is executed during the day or overnight in Hong Kong time. With respect to the brokerage ancillary services, for example research services, the fees charged/chargeable or paid/payable (as the case may be) shall be determined with reference to expected costs.
- (2) With respect to investment management and advisory services transactions, the fees charged/chargeable or paid/payable (as the case may be) shall be determined with reference to including, among other things, the fund management fees and performance fees of independent third parties in the market.
- (3) With respect to corporate finance transactions, relevant business departments shall make reference to the fees for comparable transactions of independent third parties in the market and ensure that the pricing is negotiated on an arm's length basis.
- (4) For bonds on the primary debt market, they will be priced at face value. For bonds traded over-the-counter on the secondary debt market, the price and terms will be determined on the basis of arm's length negotiations and respective clients' demand for the market making business.
- (5) The structured products will be priced on normal and ordinary commercial terms and based on either (i) the complexity of the products' structure and market conditions at the time of issue and other factors; or (ii) if the products are tailor-made in accordance with the instructions of the purchasers, a cost-plus basis according to the complexity, structure, nature and volatility of the underlying assets and market conditions at the time of issue.

PREVIOUS ANNUAL CAPS

Set out below are the Previous Annual Caps:

	Seven months ended 31 December 2016 <i>HK\$'000</i>	Year ended 31 December 2017 2018 <i>HK\$'000</i> <i>HK\$'000</i>		Five months ending 31 May 2019 <i>HK\$'000</i>
Annual Caps for services relating to the SWHYSC Group Transactions comprising:	63,251	116,020	124,142	55,346
(i) brokerage services relating to the PRC capital markets from the SWHYSC Group to the Group	8,083	14,826	15,864	7,073
(ii) supporting services for the PRC market from the SWHYSC Group to the Group	8,801	16,143	17,273	7,701
(iii) brokerage services relating to Hong Kong and overseas capital markets from the Group to the SWHYSC Group	5,280	9,686	10,364	4,620
(iv) supporting services relating to Hong Kong and overseas markets from the Group to the SWHYSC Group	24,343	44,651	47,777	21,300
(v) supporting services in connection with corporate finance business from the Group to the SWHYSC Group	9,254	16,975	18,163	8,098
(vi) supporting services in connection with corporate finance business from the SWHYSC Group to the Group	7,490	13,739	14,701	6,554

	Seven months ended 31 December 2016 <i>HK\$'000</i>	Year ended 31 December 2017 2018 <i>HK\$'000</i> <i>HK\$'000</i>		Five months ending 31 May 2019 <i>HK\$'000</i>
Annual Caps for services relating to the SWS Research Transactions comprising:	21,749	39,900	42,674	19,005
(i) supporting services relating to research from SWS Research to the Group	18,482	33,900	36,274	16,172
(ii) supporting services in connection with corporate finance business from SWS Research to the Group	3,267	6,000	6,400	2,833
Annual Caps	85,000	155,920	166,816	74,351

HISTORICAL TRANSACTION AMOUNTS

Set out below is a summary of the Group's historical transaction amounts of the transactions under the 2016 SWHYSC MOU and the 2016 SWS Research MOU for the seven months ended 31 December 2016, and each of the two years ended 31 December 2018:

	Seven months ended 31 December 2016 <i>HK\$'000</i> (Audited)	Year ended 31 December 2017 2018 <i>HK\$'000</i> <i>HK\$'000</i> (Audited) (Audited)
Historical transaction amounts for services relating to the 2016 SWHYSC Group Transactions comprising:	11,111	18,701 9,434
(i) brokerage services relating to the PRC capital markets from the SWHYSC Group to the Group	756	896 718
(ii) supporting services for the PRC market from the SWHYSC Group to the Group	1,000	4,078 3,343
(iii) brokerage services relating to Hong Kong and overseas capital markets from the Group to the SWHYSC Group	—	— —

	Seven months ended 31 December 2016 <i>HK\$'000</i> (Audited)	Year ended 31 December 2017 2018 <i>HK\$'000</i> <i>HK\$'000</i> (Audited) (Audited)	
(iv) supporting services relating to Hong Kong and overseas markets from the Group to the SWHYSC Group	8,220	12,950	13,948
(v) supporting services in connection with corporate finance business from the Group to the SWHYSC Group	1,135	—	1,425
(vi) supporting services in connection with corporate finance business from the SWHYG Group to the Group	—	777	—
Historical transaction amounts for services relating to the SWS Research Transactions comprising:	2,405	7,300	3,500
(i) supporting services relating to research from SWS Research to the Group	2,405	7,300	3,500
(ii) supporting services in connection with corporate finance business from SWS Research to the Group	—	—	—
Total historical transaction amounts	13,516	26,001	22,934

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 2019, each of the two years ending 31 December 2021, and the five months ending 31 May 2022:

	Seven months ending 31 December 2019 <i>HK\$'000</i>	Year ending 31 December 2020 2021 <i>HK\$'000</i> <i>HK\$'000</i>		Five months ending 31 May 2022 <i>HK\$'000</i>
Annual Caps for services relating to the SWHYG Transactions comprising:				
Services provided by the SWHYG Group to the Group	70,273	131,874	144,381	65,874
(i) brokerage services relating to the PRC capital markets from the SWHYG Group to the Group	2,102	3,964	4,360	1,998
(ii) supporting services for the PRC market from the SWHYG Group to the Group	9,689	18,271	20,098	9,212
(iii) supporting services relating to research from the SWHYG Group to the Group	13,565	25,579	28,137	12,896
(iv) supporting services in connection with corporate finance business from the SWHYG Group to the Group	44,917	84,060	91,786	41,768
Services provided by the Group to the SWHYG Group	1,242,561	4,156,459	8,207,430	6,791,176
(i) brokerage services relating to Hong Kong and overseas capital markets from the Group to the SWHYG Group	2,907	5,481	6,029	2,763
(ii) supporting services relating to Hong Kong and overseas capital markets and investment advisory services from the Group to the SWHYG Group	53,322	100,550	110,605	50,694
(iii) supporting services in connection with corporate finance business from the Group to the SWHYG Group	5,928	11,178	12,296	5,636
Principal-to-principal trading of financial products	1,180,404	4,039,250	8,078,500	6,732,083
Annual Caps	1,312,834	4,288,333	8,351,811	6,857,050

BASIS OF THE ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS

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

The SWHYG Group's brokerage services relating to the PRC capital markets mainly represents the brokerage services for securities trading related to the B-share and the Offshore Investors Schemes (including but not limited to QFII, QFII 2 and RQFII, Bond Connect, Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect). The Annual Caps in respect of the brokerage services provided by the SWHYG Group relating to the PRC market are determined with reference to (i) the historical transaction amounts of the B-share brokerage services provided by the SWHYG 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 brokerage services to be provided by the SWHYG Group to the Group upon the anticipated introduction of or increase of limits of some Offshore Investors Schemes; and (iii) estimated annual growth rate of 10% in service fees taking into account the anticipated growth of the PRC capital markets.

Supporting services for the PRC market from the SWHYG 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 QFII, QFII 2, RQFII, the Mutual Recognition of Hong Kong and China Fund Programs, domestic commodity futures, Bond Connect, Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. 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 SWHYG 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 in terms of the service fees and 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 10% 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 SWHYG Group

The brokerage services for Hong Kong and overseas capital markets provided by the Group include but 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 QDII, QDII 2, RQDII, Bond Connect, Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect). 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 SWHYG Group and its associates for the growing offshore investment business in connection with QDII, QDII 2 and RQDII, Bond Connect,

Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect Scheme; and (ii) the estimated annual growth rate of approximately 10% in service fees taking into account the anticipated growth in demand for such services.

Supporting services relating to Hong Kong and overseas markets and investment advisory services from the Group to the SWHYG 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 QDII, QDII 2, RQDII, QFII, QFII 2, the Mutual Recognition of Hong Kong and China Fund Programs, overseas commodity futures, Bond Connect, Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. Regardless of whether the relevant measures are in the planning or implementation stage, the Group will provide supporting services to the SWHYG Group in areas such as client referrals, business and market consultation services and personnel training services, resulting in growth of the relevant service fees.

The Annual Caps in respect of the Group's supporting services are in terms of the service fees and are determined based on (i) the potential increase in number of customers participating in schemes such as QDII, QDII 2, RQDII, QFII, QFII 2, the Mutual Recognition of Hong Kong and China Fund Programs, overseas commodity futures, Bond Connect, Shanghai-Hong Kong Stock Connect Scheme and Shenzhen-Hong Kong Stock Connect. 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; (iii) the estimated annual growth rate of 10% 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. The Group will also provide asset management service to the SWHYG Group to manage its offshore capital. The expected amount of the service fees to be collected by the Group and its Annual Cap will be based on the expected amount of the capital of the SWHYG Group involved in the asset management service to be provided by the Group.

Supporting services in connection with corporate finance business between the Group and the SWHYG Group

In view of the increase in cross-border business in relation to securities listings, the Group and the SWHYG Group could broaden cooperation in respect of corporate finance business, the scope of which includes, but 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 SWHYG Group; and (ii) the estimated annual growth rate of approximately 10% 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 the SWHYG Group 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 the PRC, the SWHYG Group has its own securities research division principally engaged in securities research business, primarily covering the PRC listed companies. Given the significant and strong research capability of the SWHYG Group, the Directors consider that the Group's service level can be improved through utilizing the SWHYG Group's resources and therefore it is appropriate to engage it to provide such products and services. The Annual Caps in respect of the SWHYG Group's supporting services for research are determined with reference to (i) the historical transaction amounts of the relevant transactions; and (ii) the estimated annual growth rate of approximately 10% 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 principal-to-principal trading between the SWHYG Group and the Group

In view of the increasing demand for structured products and hedging from the market and customers, the Annual Caps for the transactions between the Group and the SWHYG Group are determined with reference to the following factors: (i) historical data (if any) of the relevant transactions; and (ii) expected growth in business demand for such transactions, estimated to grow at an annual rate of 100%.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Directors believe that the entering into of the 2019 SWHYG MOU will serve as a platform for more extensive cooperation between the Group and the SWHYG Group. The SWHYG Group and the Group 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 entering into the 2019 SWHYG MOU is in the interests of the Company and the Shareholders as a whole.

The terms of the 2019 SWHYG MOU were arrived at after arm's length negotiations between the Company and SWHYG. The Directors consider that the SWHYG 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 AND THE SWHYG GROUP

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.

The SWHYG Group is an investment banking group in the PRC. The A shares of SWHYG are listed on the Shenzhen Stock Exchange (stock code: 000166). The SWHYG Group is principally engaged in the provision of comprehensive financial services, including enterprise finance, personal finance, institutional services and trading, as well as investment management.

On 17 January 2019, SWHYG made an application to the Stock Exchange for the Proposed H Share Offering.

LISTING RULES AND IMPLICATIONS

As SWHYG is deemed to be beneficially interested in 75.0% of the issued share capital of the Company and a substantial shareholder of the Company, SWHYG is a connected person of the Company under the Listing Rules. As such, the SWHYG Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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 SWHYG Transactions in aggregate exceeds 5% and the amount of the largest Annual Cap is more than HK\$10 million, the 2019 SWHYG MOU is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A Board meeting held on 25 March 2019 had approved, among other things, the 2019 SWHYG MOU. Among all the directors attending the Board meeting, Messrs. Zhu Minjie, Guo Chun and Qiu Yizhou were considered to be materially interested in the SWHYG Transactions and they voluntarily abstained from voting on the relevant Board resolutions approving the 2019 SWHYG 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 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 24 April 2019.

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:

“2016 SWHYSC MOU”	the memorandum of understanding entered into between the Company and SWHYSC on 1 April 2016, details of which have been disclosed in the announcement of the Company dated 1 April 2016
“2016 SWS Research MOU”	the memorandum of understanding entered into between the Company and SWS Research on 1 April 2016, details of which have been disclosed in the announcement of the Company dated 1 April 2016
“2019 SWHYG MOU”	the memorandum of understanding entered into between SWHYG and the Company on 29 March 2019
“Annual Cap”	each of the proposed annual cap amounts of the Continuing Connected Transactions for the seven months ending 31 December 2019, each of the two years ending 31 December 2021 and the five months ending 31 May 2022, as set out in the paragraph headed “Annual Caps” in this announcement
“associates”	shall have the meaning ascribed thereto under the Listing Rules
“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
“Board”	the board of Directors of the Company
“Bond Connect”	a mutual market access scheme that allows investors from Mainland China and overseas to trade in each other’s bond markets through connection between the related Mainland and Hong Kong financial infrastructure institutions
“Company”	Shenwan Hongyuan (H.K.) Limited
“Connected Person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	SWHYG 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 2019 SWHYG 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 the 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. Chen Liqiang, formed to advise the Independent Shareholders in relation to the terms of the 2019 SWHYG MOU and the transactions contemplated thereunder, as well as the Annual Caps
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a corporation licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders with regard to the terms of the 2019 SWHYG MOU and the transactions contemplated thereunder
“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)

“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 the PRC and Taiwan
“Previous Annual Caps”	the maximum aggregate annual value of various payments receivable from, or payable to the SWHYSC Group and/or SWS Research arising from the continuing connected transactions under the 2016 SWHYSC MOU and the 2016 SWS Research MOU
“QDII”	the qualified domestic institutional investors program of the PRC, a program which allows either licensed domestic institutional investors or qualified domestic investors to invest in capital markets outside the PRC (for example Hong Kong) through institutions that have obtained QDII status
“QDII 2”	the new qualified domestic institutional investors program of the PRC (subject to relevant authorities’ approvals)
“QFII”	the qualified foreign institutional investors program of the PRC, a program which allows either licensed foreign institutional investors or qualified foreign investors to buy and sell Renminbi-denominated A shares and other financial instruments permitted by the PRC regulators in the PRC’s securities and/or futures markets through institutions that have obtained QFII status
“QFII 2”	the new qualified foreign institutional investors program of the PRC (subject to relevant authorities’ approvals)
“RMB”	Renminbi, the lawful currency of the PRC
“RQDII”	the Renminbi qualified foreign institutional investors scheme of the PRC, a program which allows either licensed domestic institutional investors or qualified domestic investors to invest in the capital markets outside the PRC through institutions that have obtained RQDII status
“RQFII”	the Renminbi qualified foreign institutional investors scheme of the PRC, a program which allows either licensed foreign institutional investors or qualified foreign investors to invest in the PRC’s securities and/or futures markets through institutions that have obtained RQFII status
“Shanghai-Hong Kong Stock Connect”	is a cross-boundary investment channel that connects the Shanghai Stock Exchange and the Hong Kong Stock Exchange
“Shareholders”	shareholders of the Company

“Shenzhen-Hong Kong Stock Connect”	is a cross-boundary investment channel that connects the Shenzhen Stock Exchange and the Hong Kong Stock Exchange
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“SWHYG”	Shenwan Hongyuan Group Co., Ltd.
“SWHYG Group”	SWHYG and its subsidiaries
“SWHYG Transactions”	transactions arising from the cooperation between the SWHYG Group and the Group pursuant to 2019 SWHYG MOU
“SWHYSC”	Shenwan Hongyuan Securities Co., Ltd
“SWHYSC Group”	SWHYSC and its subsidiaries
“SWHYSC Transactions”	transactions arising from the cooperation between the SWHYSC Group and the Group pursuant to the 2016 SWHYSC 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
“Takeover Code”	The Code on Takeovers and Mergers
“%”	per cent.

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

Hong Kong, 29 March 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.