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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 DISPOSAL OF A SUBSIDIARY

THE DISPOSAL

The Company announces that on 27 March 2020, the Vendor (a direct wholly-owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 100% equity interest in the Target Company at a consideration of HK\$28,000,000 (subject to adjustment (if any)). The Target Company is principally engaged in securities brokerage business and fund management.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will not be consolidated with the results of the Group.

LISTING RULES IMPLICATIONS

As at the date of the Sale and Purchase Agreement, the Purchaser directly and indirectly holds approximately 75% of the Company's issued shares and is the controlling shareholder of the Company. Therefore, the Purchaser is regarded as a connected person of the Company, and the Disposal constitutes a connected transaction of the Company under the Listing Rules. As all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is only subject to the reporting and announcement requirements and is exempt from circular (including independent financial advice) and the independent shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

SALE AND PURCHASE AGREEMENT

Date

27 March 2020

Parties

Vendor: First Million
Purchaser: SWHY International
Target Company: SWHY Singapore
Covenantor: Company

Purchase Consideration

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 100% equity interest in the Target Company at the Purchase Consideration (subject to adjustment (if any)), which has been arrived at after arm's length negotiations between the parties, with reference to the valuation of the Target Company by an independent qualified valuer based on market approach.

Details of the payment of the Purchase Consideration are set out in the section headed "Payment of the Purchase Consideration" in this announcement below.

Conditions Precedent

Completion is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

- (a) each of the Purchaser, the Vendor and the Covenantor having obtained approval of its board of directors and (if required) its shareholders in relation to the transactions contemplated in the Sale and Purchase Agreement;
- (b) an approval from the Monetary Authority of Singapore having been obtained in relation to the change of shareholder of the Target Company as a result of the Disposal;
- (c) an approval from the China Securities Regulatory Commission having been obtained by SWHYSC in relation to the Disposal;
- (d) there having been no material breach of the Sale and Purchase Agreement by the Vendor or the Covenantor;
- (e) none of the Purchaser, the Vendor and the Covenantor or their respective group members having received notice of any directive, injunction or other order, which restrains or prohibits the consummation of the Disposal and there having been no action (whether existing, pending or threatened) seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith;

- (f) all of the Warranties being true, correct, complete, accurate and not misleading in all material respects and all undertakings contained in the Sale and Purchase Agreement, to the extent being capable of being fulfilled prior to the Completion Date, having been fulfilled in all respects;
- (g) no material adverse change to the business, licenses or permits, financial condition or results of operations or prospects of the Target Company having occurred; and
- (h) all other necessary consents, waivers, filings and approvals from any governmental body or third party required for the entering into or the performance of the Sale and Purchase Agreement by each of the Purchaser, the Vendor and the Covenantor or its group members having been obtained.

Unless otherwise agreed in writing by the Purchaser, the Vendor and the Covenantor, if any of the conditions precedent above is not satisfied or waived on or before the date falling nine (9) months from the date of the Sale and Purchase Agreement (i.e. 27 December 2020) (or such later date as agreed), the Sale and Purchase Agreement shall terminate automatically whereupon all obligations and liabilities of the Purchaser, the Vendor and the Covenantor thereunder shall (save for certain clauses in relation to costs and expenses, confidentiality and governing law and jurisdiction) *ipso facto* cease and determine and no party shall have any claim against the other parties for costs, compensation, damages or otherwise, save for any claim by a party against another party arising from an antecedent breach of the terms thereof.

PAYMENT OF THE PURCHASE CONSIDERATION

Pursuant to the Sale and Purchase Agreement, the Purchase Consideration is the Completion Payment:

- (a) plus the following amount (if any):

the amount by which the Completion Net Assets exceed the Target Net Assets, multiplied by the PB Ratio (the “Excess Amount”); or

- (b) minus the following amount (if any):

the amount by which the Completion Net Assets fall short of the Target Net Assets, multiplied by the PB Ratio (the “Deficit Amount”).

The Purchaser shall pay the Completion Payment to the Vendor in cash on the Completion Date. Within 120 days after the Completion Date, the Purchaser shall procure that the Auditor delivers the audited Completion Accounts and the Net Assets Statement to the Purchaser and the Seller, and the Purchaser shall pay to the Vendor the Excess Amount or the Vendor shall pay to the Purchaser the Deficit Amount, as appropriate, in cash on or before the Adjustment Date.

INFORMATION OF THE COMPANY

The Company and its subsidiaries are principally engaged in (i) brokerage business; (ii) corporate finance business; (iii) asset management business; (iv) financing and loans business; and (v) investment and other loan business. It is incorporated in Hong Kong and directly holds 100% equity interests in the Vendor.

INFORMATION OF THE PURCHASER

The Purchaser is an investment holding company. It is incorporated in Hong Kong and directly and indirectly holds approximately 75% of the Company's issued shares. The Purchaser is wholly owned by SWHYSC. SWHYSC is wholly-owned by SWHYG, which is an investment banking group in the PRC and is principally engaged in the provision of comprehensive financial services, including enterprise finance, personal finance, institutional services and trading, as well as investment management. The A shares of SWHYG are listed on the Shenzhen Stock Exchange (stock code: 000166) and the H shares of SWHYG are listed on the Main Board of the Stock Exchange (stock code: 6806).

INFORMATION OF THE VENDOR

The Vendor is an investment holding company. It is incorporated in the British Virgin Islands and directly holds 100% equity interests in the Target Company. The Company directly holds 100% equity interests in the Vendor.

INFORMATION OF THE TARGET COMPANY

The Target Company is principally engaged in securities brokerage business and fund management. Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will not be consolidated with the results of the Group.

The following are the financial information of the Target Company based on its financial statements:

	For the year ended	
	31 December	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
Revenue	2,677	3,357
Profit before tax	505	990
Profit after tax	383	849
Net assets	4,090	3,731

REASONS FOR AND THE BENEFITS OF THE DISPOSAL

The Directors are of the view that the Disposal enables the Group to focus its resources on its core business in Hong Kong, which will improve the Group's operation efficiency and simplify the Group's administrative structure. Further, the Disposal represents a good opportunity for the Company to realise its interest in the Target Company at a gain, which can strengthen its financial resources for the general working capital.

The Directors (including the independent non-executive directors), having considered the terms and conditions of the Sale and Purchase Agreement, are of the view that its terms and conditions are on normal commercial terms, which are fair and reasonable and in the interests of the Company and its shareholders as a whole. Certain Directors may have material interest in the Disposal and therefore they have voluntarily abstained from voting on the Board resolution for considering and approving the Sale and Purchase Agreement.

FINANCIAL EFFECT OF THE DISPOSAL

Based on the Purchase Consideration (subject to adjustment (if any)) for the disposal of the Target Company and the net assets of the Target Company as at 31 December 2019 to be disposed of by the Company of S\$4,090,000 (equivalent to approximately HK\$23,681,000), it is expected that the Group will record a gain of approximately HK\$4,319,000 due to the disposal of the Target Company.

Subject to audit, the actual amount of the gain from the disposal of the Target Company to be recognised by the Group will depend on the net asset value of the Target Company as at the Completion Date and therefore may be different from the amount as set out above.

USE OF PROCEEDS

The sale proceeds will be applied towards the general working capital and other future development of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of the Sale and Purchase Agreement, the Purchaser directly and indirectly holds approximately 75% of the Company's issued shares and is the controlling shareholder of the Company. Therefore, the Purchaser is regarded as a connected person of the Company, and the Disposal constitutes a connected transaction of the Company under the Listing Rules. As all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is only subject to the reporting and announcement requirements and is exempt from circular (including independent financial advice) and the independent shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

DEFINITIONS

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

“Adjustment Date”	the fifth Business Day following the date on which the audited Completion Accounts and the Net Assets Statement are delivered by the Auditor in accordance with the Sale and Purchase Agreement
“Auditor”	an independent firm of chartered accountants of international repute appointed by the Purchaser (after consultation in good faith with the Vendor)
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or a public holiday in Singapore or Hong Kong) on which commercial banks are open for business in Singapore and Hong Kong
“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: 218)
“Completion”	completion of the Sale and Purchase Agreement
“Completion Accounts”	the statement of financial position of the Target Group as at the close of business on the Business Day before the Completion Date, as prepared and audited in accordance with the Sale and Purchase Agreement
“Completion Date”	the day on which Completion takes place, which shall be a Business Day within seven (7) Business Days from the date on which all the conditions precedent set out under the Sale and Purchase Agreement having been fulfilled or waived (if applicable) or such other date as the Purchaser, the Vendor and the Covenantor may agree in writing
“Completion Net Assets”	the aggregate assets less the aggregate liabilities of the Target Group as at the close of business on the Business Day before the Completion Date, as prepared and audited in accordance with the Sale and Purchase Agreement
“Completion Payment”	the sum of HK\$28,000,000
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Target Company to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Net Assets Statement”	the statement setting out the amount of the Completion Net Assets as derived from the Completion Accounts, and as prepared and audited in accordance with the Sale and Purchase Agreement
“PB Ratio”	the Completion Payment divided by Target Net Assets
“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
“Purchaser” or “SWHY International”	Shenwan Hongyuan (International) Holdings Limited, a company incorporated in Hong Kong and a connected person of the Company
“S\$”	Singapore dollar, the lawful currency of Singapore
“Sale and Purchase Agreement”	the sale and purchase agreement that the Purchaser and the Vendor entered into on 27 March 2020 whereby the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 100% equity interest in the Target Company
“Singapore”	The Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SWHYG”	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 H shares of which are listed on the Main Board of the Stock Exchange (stock code: 6806).
“SWHYSC”	Shenwan Hongyuan Securities Co., Ltd.
“Target Company” or “SWHY Singapore”	Shenwan Hongyuan Singapore Private Limited, a company incorporated in Singapore and a wholly-owned subsidiary of the Vendor
“Target Group”	the Target Company and its subsidiary(ies) from time to time
“Target Net Assets”	the aggregate assets less the aggregate liabilities of the Target Group as at 31 December 2019

“Vendor” or “First Million”	First Million Holdings Ltd, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Warranties”	the representations and warranties of the Vendor set out in the Sale and Purchase Agreement
“%”	per cent

For the purpose of this announcement, conversion of S\$ into HK\$ is calculated at the approximate exchange rate of S\$1.00 to HK\$5.79. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

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

Hong Kong, 27 March 2020

As at the date of this announcement, the Board comprises nine directors, of which Mr. Chen Xiaosheng, Mr. Zhang Jian, Mr. Guo Chun, Ms. Wu Meng 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.