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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)

DISCLOSEABLE TRANSACTION
SUBSCRIPTION OF FUND

On 28 February 2022, SWHY Strategic Investments, a direct wholly-owned subsidiary of the Company, as the Subscriber entered into the Subscription Agreement with the Fund, pursuant to which the Subscriber agreed to subscribe for the Participating Shares attributable to the Segregated Portfolio whose main objective is to invest in the Target Company, a segregated portfolio of the Fund, at a total subscription amount of US\$21.00 million (equivalent to approximately HK\$163.8 million), which will contribute to an equity investment in approximately 0.48% equity interests of the Target Company.

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the Subscription under the Subscription Agreement exceeds 5% but is less than 25%, the Subscription constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 28 February 2022, SWHY Strategic Investments, a direct wholly-owned subsidiary of the Company, as the Subscriber entered into the Subscription Agreement with the Fund, pursuant to which the Subscriber agreed to subscribe for the Participating Shares attributable to the Segregated Portfolio whose main objective is to invest in the Target Company, a segregated portfolio of the Fund, at a total subscription amount of US\$21.00 million (equivalent to approximately HK\$163.8 million), which will contribute to an equity investment in approximately 0.48% equity interests of the Target Company.

THE SUBSCRIPTION AGREEMENT

Major terms of the Subscription Agreement

The major terms of the Subscription Agreement are summarized as follows:

Date : 28 February 2022

Parties : (1) SWHY Strategic Investments, as the Subscriber
(2) The Fund

Subscription Amount

Pursuant to the Subscription Agreement, the Subscriber agreed to subscribe for the Participating Shares in the Shenwan Hongyuan HK Sustainable Energy Fund SP, a segregated portfolio of Shenwan Hongyuan New Balance Fund SPC, at a total subscription amount of US\$21.00 million (equivalent to approximately HK\$163.8 million) which is payable by the Company by cash from its internal resources.

The subscription amount of US\$21.00 million is determined through arm's length negotiation between both parties with reference to (i) the terms of the PPM; and (ii) the prospect and current valuation of the Target Company which is with reference to the price-to-sales of the Target Company's comparable companies.

Major Terms of the Segregated Portfolio

Name of the Segregated Portfolio : Shenwan Hongyuan HK Sustainable Energy Fund SP Portfolio

Subscription Amount : US\$21.00 million

Participating Shares : The Class A redeemable participating shares of par value US\$0.01 each attributable to the Segregated Portfolio.

Initial Offer Price : The initial subscription price for the application made by the Subscriber is US\$100 per Participating Share, exclusive of any applicable Subscription Fee.

Management Fee : The Segregated Portfolio will pay to the Investment Manager a management fee calculated on a share-by-share basis in US dollars in two instalments:

- (i) the first instalment of Management Fee shall be equal to 1.5% of the sum of total Initial Offer Price of the Participating Shares, payable by the Segregated Portfolio as soon as practicable after the Subscription Day; and
- (ii) the second instalment of Management Fee shall be equal to 0.5% of the sum of total Initial Offer Prices of the Participating Shares, payable by the Segregated Portfolio

within 15 Business Days from the first anniversary of the Subscription Day.

Performance Fee : The Investment Manager shall receive a Performance Fee calculated on a share-by-share basis. The Performance Fee in respect of a Participating Share shall be equal to the result of the following formular:

$$A = [B - C * (1 + 8\% * \frac{D}{365})] * 12\%$$

where:

- i. "A" means the Performance Fee in respect of a Participating Share;
- ii. "B" means the net asset value of such Participating Share (before deduction of the Performance Fee attributable thereto) as of its redemption day calculated on the basis if such Participating Share is redeemed in cash or in species;
- iii. "C" means the Initial Offer Price of such Participating Share; and
- iv. "D" means the number of days elapsed during the period beginning from the Subscription Day to the redemption day of such Participating Shares.

The Performance Fee in respect of a Participating Share is payable only if the result of the formular stated above is positive. The Performance Fee under the Subscription Agreement has been waived by the directors of the Fund.

Investment objective : The investment objective of the Segregated Portfolio is primarily to achieve capital appreciation principally through direct or indirect acquisition, holding, and disposal of the shares in the Target Company.

Notwithstanding the foregoing, the Segregated Portfolio may make some investments on a temporary basis or for cash management purpose, including but not limited to the fixed income instruments, certificates of deposit, time deposits, demand deposits, bankers' acceptances or principal guaranteed investment products and forward exchange contracts to invest in currency should the directors of the Fund deem such strategy to be prudent over any time period, provided that the approval, authorisation, licence or registration of such investment is duly obtained pursuant to the applicable laws and regulations.

Subscription Fee : Up to 5% of the Initial Offer Price of such Participating Share will be payable to the Segregated Portfolio, unless the directors of the Fund waive part or all of the Subscription Fee in their discretion.

The Subscription Fee under the Subscription Agreement has been waived by the directors of the Fund.

REASONS FOR AND THE BENEFITS OF ENTERING INTO THE SUBSCRIPTION AGREEMENT

The Target Company is an innovative new energy automobile manufacturer based on innovative technology research and development, intelligent manufacturing and omni-channel sales services. The Target Company develops rapidly since its incorporation and now achieves the leading role in the electric vehicle sales segment. Having considered its financial performance and current valuation, the Directors believe that the Target Company has a relatively good investment value.

The purpose of entering into of the Subscription Agreement is for investment. Having considered the business of the Target Company and its prospect, the Directors believe that the entering into of the Subscription Agreement provides the Group with an opportunity for the Group to invest in the fast-growing new energy vehicle industry, to support zero carbon policy, to enhance the Group's competitiveness in its asset management business, as well as for potential capital appreciation.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and are in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio as defined under the Listing Rules in respect of the Subscription under the Subscription Agreement exceeds 5% but is less than 25%, the Subscription constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

INFORMATION OF THE GROUP AND THE SUBSCRIBER

The Group

The Group is principally engaged in (i) brokerage business; (ii) corporate finance business; (iii) asset management business; (iv) financing and loans business; and (v) investment and other business. The Company is incorporated in Hong Kong with limited liability and directly holds 100% equity interests in SWHY Strategic Investments and Shenwan Hongyuan Asset Management (Asia) Limited.

The Subscriber

SWHY Strategic Investments is a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company. It is principally engaged in securities trading.

INFORMATION OF THE SEGREGATED PORTFOLIO AND THE FUND

The Segregated Portfolio

The Segregated Portfolio was launched on 25 October 2021 and as at the date of this announcement, the number of units in issue and proposed to be issued of the Segregated Portfolio (including the units to be issued pursuant to the Subscription Agreement) shall be 503,500 Participating Shares.

Upon completion of the Subscription, the Company will hold approximately 41.71% of the Segregated Portfolio through SWHY Strategic Investments and other investors will hold the remaining of the Segregated Portfolio. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, other investors of the Segregated Portfolio and their ultimate beneficial owners are Independent Third Parties.

As the Segregated Portfolio has not commenced any business, neither financial information nor past performance of the Fund and the Segregated Portfolio are presented in this announcement.

The Fund

The Fund is an exempted company with limited liability incorporated on 28 February 2017 and registered as a segregated portfolio company under the laws of Cayman Islands. The authorised share capital of the Fund is US\$50,000 being made up of 100 Management Shares of US\$1.00 each and 4,990,000 Shares of US\$0.01 each. All the Management Shares are held by the Investment Manager.

INFORMATION OF THE INVESTMENT MANAGER OF THE SEGREGATED PORTFOLIO

The Investment Manager

Shenwan Hongyuan Asset Management (Asia) Limited, the Investment Manager, is a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company. It is licensed by the Securities and Futures Commission to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities as defined in the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong). It is principally engaged in provision of asset management services.

INFORMATION OF THE TARGET COMPANY

The Target Company is a new energy automobile manufacturer in the PRC. Leveraging the strategic integration of innovative technology research and development, intelligent manufacturing and omni-channel sales service, the Target Company has become a major market player in the PRC new energy automobile market since its incorporation. The Target Company is committed to provide intelligent travel services with business focus on the mainstream mass market by adopting differentiated market positioning and competitive strategies with high cost performance.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of Directors of the Company
“Business Day”	any day (except Saturday and Sunday) on which banks in Hong Kong and the PRC and relevant exchanges in the PRC are open for usual business provided that where as a result of a number 8 or higher typhoon signal, black rainstorm warning or other similar event, the period during which banks in Hong Kong and the PRC are open on any day is reduced, such day shall not be a Business Day unless the directors of the Fund otherwise determine
“Company”	Shenwan Hongyuan (H.K.) Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Fund”	Shenwan Hongyuan New Balance Fund SPC, an exempted company incorporated with limited liability and registered as a segregated portfolio company under the laws of Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party”	party(ies) independent of and not connected with the Directors, chief executives or substantial shareholders of the Company or its subsidiaries, or their respective associate(s) (as defined in the Listing Rules) or not otherwise a connected person of the Company within the meaning of the Listing Rules

“Initial Offer Price”	US\$100 per Participating Share or its equivalent amount in other currency
“Investment Manager”	Shenwan Hongyuan Asset Management (Asia) Limited, a company incorporated in Hong Kong with limited liability, licensed by the Securities and Futures Commission to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities as defined in the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) and a direct wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Share(s)”	a voting, non-participating share in the capital of the Fund of US\$1.00 par value
“Participating Share(s)”	the Class A redeemable participating shares of par value US\$0.01 each attributable to the Segregated Portfolio
“PPM”	private placing memorandum dated August 2021 of the Fund and appendix to private placing memorandum dated October 2021
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan region
“Segregated Portfolio”	Shenwan Hongyuan HK Sustainable Energy Fund SP, a segregated portfolio of the Fund
“Shareholder(s)”	holder(s) of the ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SWHY Strategic Investments” or “Subscriber”	Shenwan Hongyuan Strategic Investments (H.K.) Limited, a company incorporated in Hong Kong with limited liability, a direct wholly-owned subsidiary of the Company
“Subscription”	the subscription of the Participating Shares at a total subscription amount of US\$21.00 million pursuant to the Subscription Agreement
“Subscription Day”	the last day of the initial offer period, if such day is not a Business Day, the next Business Day immediately after such day
“Target Company”	a new energy automobile manufacturer in the PRC

“US\$” United States dollars, the lawful currency of the United States of America

“%” per cent.

For the purpose of this announcement, conversion of US\$ into HK\$ is calculated at the approximate exchange rate of US\$1.00 to HK\$7.8. 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

Liang Jun

Executive Director & Chief Executive Officer

Hong Kong, 28 February 2022

As at the date of this announcement, the Board of the Company comprises eight Directors, of which Ms. Wu Meng, Mr. Guo Chun, Mr. Zhang Jian and Mr. Liang Jun 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.

** For identification purposes only*