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**申萬宏源集團股份有限公司**  
**SHENWAN HONGYUAN GROUP CO., LTD.**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 6806)**

## **CONTINUING CONNECTED TRANSACTIONS PROPOSED AMENDMENTS TO THE ANNUAL CAPS**

### **BACKGROUND**

Reference is made to the Prospectus, among others, the Framework Agreement entered into between the Company and JIC on 29 March 2019. Pursuant to the Framework Agreement, the Group and JIC and/or their respective associate(s) shall provide securities and financial products and transactions to each other in their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates and the Group shall provide securities and financial services to JIC and/or its associates. In light of the reasons mentioned herein, the Company proposes to amend the annual caps of the securities and financial products and transactions and the securities and financial services for the years ending 31 December 2020 and 31 December 2021 contemplated under the Framework Agreement.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, JIC directly holds approximately 26.34% of the total issued share capital of the Company. Therefore, according to Chapter 14A of the Listing Rules, JIC is a Substantial Shareholder of the Company and JIC are connected persons of the Company. Accordingly, the transactions contemplated under the Framework Agreement entered into between the Company and JIC constitutes continuing connected transactions of the Company under the Listing Rules. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the proposed amended annual caps under the Framework Agreement exceeds 5%, the Proposed Amendments are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **ANNUAL GENERAL MEETING**

The Company proposes to present relevant proposal at the forthcoming 2019 annual general meeting for Shareholders to consider, and if thought fit, approve, among other things, the Proposed Amendments.

JIC and Central Huijin will abstain from voting on the resolution regarding the Proposed Amendments at the 2019 annual general meeting of the Company. As at the date of this announcement, JIC and Central Huijin directly hold 11,616,913,474 shares with voting rights of the Company (representing approximately 46.39% of the total issued share capital of the Company). To the best knowledge, information and belief of Directors having made all reasonable enquiries, other than JIC and Central Huijin, no other Shareholders are required to abstain from voting on the resolution regarding the Proposed Amendments at the 2019 annual general meeting of the Company.

The Company has established the Independent Board Committee comprising all independent non-executive Directors, i.e. Ms. Ye Mei, Mr. Xie Rong, Ms. Huang Danhan and Ms. Yang Qiumei, to advise Independent Shareholders in respect of the Proposed Amendments. The Company has engaged Somerley Capital Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Amendments.

A circular containing, among others, (1) details of the Proposed Amendments; (2) a letter from the Independent Board Committee to Independent Shareholders in respect of the Proposed Amendments; (3) a letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in respect of the Proposed Amendments; and (4) the notice of the 2019 annual general meeting of the Company is expected to be dispatched to the Shareholders on or before 9 June 2020, which is more than 15 business days after the publication of this announcement as more time will be needed for the preparation of certain information to be included in the circular.

## **I. BACKGROUND**

Reference is made to the Prospectus, among others, the Framework Agreement entered into between the Company and JIC on 29 March 2019. Pursuant to the Framework Agreement, the Group and JIC and/or their respective associate(s) shall provide securities and financial products and transactions to each other in their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates and the Group shall provide securities and financial services to JIC and/or its associates. In light of the reasons mentioned herein, the Company proposes to amend the annual caps of the securities and financial products and transactions and the securities and financial services for the years ending 31 December 2020 and 31 December 2021 contemplated under the Framework Agreement.

## **II. FRAMEWORK AGREEMENT AND PROPOSED AMENDMENTS TO THE ANNUAL CAPS**

### **1. Date**

29 March 2019

### **2. Parties**

- (1) the Company; and
- (2) JIC

### 3. Main Contents of the Continuing Connected Transactions under the Framework Agreement

#### A. *Securities and Financial Products and Transactions*

According to the Framework Agreement, the securities and financial products and transactions between the Group and JIC and/or its associates include (but are not limited to) the followings (collectively the “**Securities and Financial Products and Transactions**”):

- equity-related products or transactions, including funds, trust, bonds, asset management schemes, convertible bonds, structured products, etc.;
- fixed-income products, including funds, trust, bonds, and structured products with fixed income characteristics, etc.;
- financing transactions among financial institutions with or without securities; and
- other related securities and financial products and derivative products.

#### B. *Securities and Financial Services*

According to the Framework Agreement, JIC agreed to purchase and the Company agreed to provide securities and financial services to JIC and/or its associates in its ordinary course of business based on normal commercial terms and market practices at prevailing market prices. The securities and financial services provided to JIC and/or its associates include (but are not limited to) the following (collectively the “**Securities and Financial Services**”):

- financial products agency sale services. The Group receives service fees and/or other fees for such services;
- leasing of trading units services. The Group leases its trading units to institutional clients and receives trading commission and/or other fees for such services;
- brokerage services including securities brokerage and related financial products brokerage services. The Group receives brokerage commissions for such services;
- investment banking services including underwriting and sponsorship services for equity securities and other products, and financial advisory services for other general corporate restructuring, mergers and acquisition. The Group receives underwriting commissions, sponsor fees, financial advisory fees and/or other fees for such services;
- asset management services. The Group manages the assets of customers and receives service fees for such services; and

- other comprehensive securities and financial advisory and consulting services. The Group receives advisory fees and/or other fees for such services.

#### **4. Pricing Basis**

##### ***A. Pricing Basis for Securities and Financial Products and Transactions***

The market rates in respect of each of the Securities and Financial Products and Transactions are generally transparent and standardized across the market. The commission rates and fees charged for these products and transactions shall be determined based on arm's length negotiation with reference to the prevailing market price or the prevailing market rates normally applicable to independent third parties for similar types of transactions at the time of the transactions. To ensure that the Securities and Financial Products and Transactions are entered into on normal commercial terms and to safeguard the interests of the Shareholders as a whole, the Group has put in place internal approval and monitoring procedures relating to the Group's connected transactions, further details of which are set out in "III. Internal Monitoring Measures" below.

##### ***B. Pricing Basis for Securities and Financial Services***

The pricing basis for the Securities and Financial Services is as follows:

- financial products agency sale services — service fees shall be determined based on factors including market prices, industry practice and the total amount of financial products under the agency sale arrangements with reference to the service fee rate charged by the Group for comparable agency sale service provided to independent third party;
- leasing of trading units services — the Group charges a percentage of the trading volume in respect of each trade conducted through the Group's trading units as the Group's commission where such percentage shall be determined based on the then prevailing market rates and industry practice. The commission rates charged on the leasing of trading units are generally transparent across the market;
- brokerage services — the commission rates for these services are generally transparent and standardized across the market. The commission rates are determined based on arm's length negotiation with reference to the prevailing market rates for comparable securities or futures;
- investment banking services — financial advisory fees and other service fees shall be determined based on arm's length negotiation after taking into account factors including the transaction nature and size, and the then prevailing market conditions. The fees for investment banking services are generally transparent across the market, which enables the Group to adopt a market-based pricing approach;

- asset management services — the fees charged for asset management services are determined based on arm’s length negotiations with reference to factors including the prevailing market rates, the size of the assets and the complexity of the particular service provided. The market rates for these services are generally transparent across the market; and
- other comprehensive securities and financial advisory and consulting services — such services are determined based on arm’s length negotiation with reference to the prevailing market rates for transactions of similar type and size.

The terms (including pricing terms) in respect of the Securities and Financial Services the Group provided to JIC and/or its associates shall be comparable to those provided to the Group’s other independent institutional clients of similar profile and transaction amount. The Securities and Financial Services shall be subject to the same or stricter internal approval and monitoring procedures and pricing policies applicable to independent clients, further details of which are set out in “III. Internal Monitoring Measures” below.

## **5. Term**

From 26 April 2019 (i.e. the date of listing of the H Shares of the Company) to 31 December 2021

## **6. Proposed Amendments to the Annual Caps**

As the securities market picked up in 2019, and in December 2019, Shenwan Hongyuan Securities obtained the qualification for primary market maker for ETFs from the Shanghai Stock Exchange, there was an obvious increase in the demand for business cooperation in terms of investment banking business, asset management business, fund market-making business, etc. between Shenwan Hongyuan Securities and its subsidiaries and JIC and its subsidiaries, being connected persons of the Company under the Listing Rules, which may result in that the original annual caps of the Securities and Financial Products and Transactions and the Securities and Financial Services between Shenwan Hongyuan Securities and its subsidiaries and JIC and its subsidiaries for the year ending 31 December 2020 and the year ending 31 December 2021 fail to meet the current business needs of the Company. Therefore, the Company proposes to amend the original annual caps. Details of the amendments are as follows:

### ***A. Securities and Financial Products and Transactions***

#### **(1) Original annual caps and historical transaction amounts**

For the year ended 31 December 2017, the year ended 31 December 2018 and the year ended 31 December 2019, the annual caps and historical transaction

amounts of the Securities and Financial Products and Transactions are set out below:

*Unit: RMB'000*

Securities and Financial Products and Transactions	For the year ended 31 December 2017		For the year ended 31 December 2018		For the year ended 31 December 2019	
	Annual cap	Actual transaction amount	Annual cap	Actual transaction amount	Annual cap	Actual transaction amount
In <sup>(1)</sup>	N/A	1,705,401	N/A	186,464	4,690,721	2,289,738
Out <sup>(2)</sup>	N/A	1,070,086	N/A	1,210,413	4,053,000	1,557,666

For the year ending 31 December 2020 and the year ending 31 December 2021, the original annual caps and the proposed amended annual caps of the Securities and Financial Products and Transactions are set out below:

*Unit: RMB'000*

Securities and Financial Products and Transactions	For the year ending 31 December 2020		For the year ending 31 December 2021	
	Original annual cap	Proposed amended annual cap	Original annual cap	Proposed amended annual cap
In <sup>(1)</sup>	4,048,500	8,108,500	4,456,500	9,718,500
Out <sup>(2)</sup>	4,419,000	8,479,000	4,437,800	9,999,800

Notes:

- (1) "In" means the total cash inflow to the Group arising from the Securities and Financial Products and Transactions, including the sale and redemption of the relevant products, interests received from the relevant products.
- (2) "Out" means the total cash outflow from the Group arising from the Securities and Financial Products and Transactions, including the outflow arising from the purchase of the relevant products, interests paid for the relevant products and the repurchase of relevant products from the Group's counterparties.

(2) Basis for the proposed amended annual caps

In determining the abovementioned proposed amended annual caps, the Company has considered the following factors:

- (1) In December 2019, Shenwan Hongyuan Securities obtained the qualification for primary market maker for ETFs from the Shanghai Stock Exchange. Shenwan Hongyuan Securities expects that it will start cooperation with the fund companies subordinated to JIC in 2020 to provide market-making services for the ETFs of the fund companies subordinated to JIC. As the cooperation involves a large transaction amount which may exceed the original annual caps, the Group, based on the business expansion needs of Shenwan Hongyuan Securities, proposes to increase the annual caps of the Securities and Financial Products and Transactions with JIC and its subsidiaries for the year ending 31 December 2020 and the year ending 31 December 2021. According to the data provided by Wind Information, as at 31 December 2019, the fund companies subordinated to JIC had 12 equity ETFs and the latest total size of the ETFs is RMB31.5 billion. Based on this size and calculating based on the position limit of 4% as set by the Company, the in and out amounts<sup>1</sup> of such transactions for the year ending 31 December 2020 are expected to be RMB1,260 million, respectively. Assuming that the total size for the year of 2021 will increase by 20% over the year of 2020 and calculating based on the position limit of 4%, the in and out amounts<sup>1</sup> of such transactions for the year ending 31 December 2021 are expected to be RMB1,512 million, respectively.
- (2) At the end of 2019, Shenwan Hongyuan Securities strengthened its business cooperation with fund companies (including the fund companies subordinated to JIC) and the initial cooperation intention between Shenwan Hongyuan Securities and the fund companies subordinated to JIC was approximately RMB700 million. Such transactions are possible to further increase based on the cooperation intention, and according to historical figure, the actual amount of such transactions of Shenwan Hongyuan Securities in 2019 was 177 times of that in the year of 2018. The planned net investment in FICC products of the Company in 2020 increases by RMB30 billion and the demand for investment in relevant products of JIC will further increase. Calculating at the investment proportion of 5% of the net increase in investment, the subscription and redemption amounts for the year ending 31 December 2020 are expected to be RMB2.0 billion, respectively, representing an increase of RMB1.5 billion as compared with the previously estimated in and out caps for such transactions, respectively; and the subscription and redemption amounts for the year ending 31 December 2021 are expected to be

<sup>1</sup> Calculating by multiplying the total size of the ETFs of the fund companies subordinated to JIC as at 31 December 2019 by the position limit of 4% as set by the Company

RMB2.0 billion, respectively, also representing an increase of RMB1.5 billion as compared with the previously estimated in and out caps for such transactions, respectively.

- (3) According to the intention of the trust company subordinated to JIC, it proposes to entrust Shenwan Hongyuan Securities to set up more active management products in the year of 2020 and the increased size of the principal of entrusted management products (i.e. the in amount of the Securities and Financial Products and Transactions) for the year ending 31 December 2020 is expected to be RMB800 million. Assuming that the total size of the principal of entrusted management products for the year of 2021 will increase by 25% over the year of 2020, the increased size of the principal of entrusted management products (i.e. the in amount of the Securities and Financial Products and Transactions) for the year ending 31 December 2021 is expected to be RMB1.0 billion. Considering that the client may redeem the corresponding entrusted funds in the current year or subsequent years of entrusting the asset management and based on the maximum estimated out amount of the Securities and Financial Products and Transactions arising from the entrusted asset management, the proposed increased size of redeemed entrusted funds (i.e. the out amount of the Securities and Financial Products and Transactions) for the year ending 31 December 2020 and 31 December 2021 is expected to be RMB0.8 billion and RMB1.8 billion, respectively.
- (4) Shenwan Hongyuan Securities set up a number of new asset management products for investment in mutual funds in 2019. The total entrusted size as at 31 December 2019 reached RMB11.5 billion. As required by cash management business, such asset management products will have the need to subscribe for the money funds of JIC and its subsidiaries in the coming two years. Based on the entrusted size as at 31 December of 2019 and considering the calculation based on its investment size of 5%, the increased out size as at 31 December 2020 is expected to be approximately RMB500 million. Assuming that the total subscription size for the year of 2021 will increase by 50% over 2020, the increased subscription size of products managed by the fund companies subordinated to JIC (i.e. cash outflow amount of the Securities and Financial Products and Transactions) for the year ending 31 December 2021 is expected to be RMB750 million. Since the relevant products subscribed for may be redeemed in the year of subscription or subsequent years, based on the maximum amount of redemption, the total size of fund to be redeemed (cash inflow amount of the Securities and Financial Products and Transactions) for the year ending 31 December 2020 and 31 December 2021 is expected to be RMB500 million and RMB1,250 million, respectively.



## **B. Securities and Financial Services**

### (1) Original annual caps and historical transaction amounts

For the year ended 31 December 2017, the year ended 31 December 2018 and the year ended 31 December 2019, the original annual caps and historical transaction amounts of the Securities and Financial Services are set out below:

*Unit: RMB'000*

	<b>For the year ended 31 December 2017</b>		<b>For the year ended 31 December 2018</b>		<b>For the year ended 31 December 2019</b>	
	<b>Annual cap</b>	<b>Actual transaction amount</b>	<b>Annual cap</b>	<b>Actual transaction amount</b>	<b>Annual cap</b>	<b>Actual transaction amount</b>
The Group's revenue generated from providing the Securities and Financial Services to JIC and/or its associates	N/A	19,085	N/A	12,851	19,000	15,323

For the year ending 31 December 2020 and the year ending 31 December 2021, the original annual caps and the proposed amended annual caps of the Securities and Financial Services are set out below:

*Unit: RMB'000*

	<b>For the year ending 31 December 2020</b>		<b>For the year ending 31 December 2021</b>	
	<b>Original annual cap</b>	<b>Proposed amended annual cap</b>	<b>Original annual cap</b>	<b>Proposed amended annual cap</b>
The Group's revenue generated from providing the Securities and Financial Services to JIC and/or its associates	22,800	107,300	27,360	135,360

(2) Basis for the proposed amended annual caps

In determining the abovementioned proposed amended annual caps, the Company has considered the following factors:

- (1) The Group proposes to vigorously develop investment banking business. As JIC and its subsidiaries include trust companies, lease companies, technology companies, culture companies, etc. and the Company is possible to provide investment banking services including bond underwriting, issuance of asset-backed securities, underwriting and sponsorship, merger and acquisition and restructuring and listing recommendation to JIC and its subsidiaries, the income from the Company's investment banking business amounted to RMB1,219 million for 2019, representing an increase of 27.51% as compared to 2018. Assuming the Company's income from investment banking business increases by approximately 20% on a yearly basis for 2020 and 2021 and the income of the Company from provision of investment banking services to JIC and its subsidiaries accounts for 3.5% of the income from investment banking business, the amount of the income from investment banking business for the year ending 31 December 2020 and 31 December 2021 is expected to be approximately RMB50 million and approximately RMB60 million.
- (2) Conservative estimation was made for the commission income from leasing of trading units to the fund companies subordinated to JIC when the Company prepared the original annual caps. Since the securities market picked up and the overall trading volume of the stock market increased in 2019, for example the trading amount of Shanghai Securities Composite Index for 2019 increased by 35.5% over 2018 and the Science and Technology Innovation Board and other segments were newly launched; the trading in the stock market has become more active since 2020. The total turnover of the Shanghai Securities Composite Index in January to February 2020 was RMB12.02 trillion, representing a year-on-year increase of 81.57% as compared to RMB6.62 trillion for January to February 2019. As the Company strongly supported the development of this type of business, the income from leasing of trading units to the fund companies subordinated to JIC for the period from December 2019 to February 2020 as recognised by the Company in the first quarter of 2020 reached RMB10.28 million, representing a year-on-year increase of 749.59% as compared to the income from leasing of trading units to the fund companies subordinated to JIC of RMB1.21 million for the same period of 2019. Therefore, giving comprehensive consideration to the above market changes and business factors and based on the commission income from leasing of trading units of RMB10.28 million for December 2019 to February 2020 (3 months) as recognised in the first quarter of 2020, the commission income from leasing of trading units for the year ending 31 December 2020 is expected to be RMB40 million, representing

an increase of RMB30.50 million as compared with the estimated amount of RMB9.5 million when preparing the annual caps, and assuming the year-on-year increase of approximately 30%, the income from leasing of trading units for the year ending 31 December 2021 is expected to be RMB52 million, representing an increase of RMB43 million as compared with the estimated amount of RMB9 million when preparing the annual caps.

- (3) According to the intention of the trust company subordinated to JIC, it proposes to entrust Shenwan Hongyuan Securities to set up more active management products meeting new asset management regulations in 2020. The increased size of principal for the year ending 31 December 2020 is expected to be RMB800 million. Based on the increase in 2020, the increased size of the principal is expected to increase by approximately 25% year by year. Based on the management fee rate of 0.1% to 1.5% for active management products and the performance-based compensation calculated at 0% to 50% of 3.7% to 9% of the excess revenue based on historical performance and future expectations, the actual average rate of return on investment is approximately 8% with reference to the historical investment performance of relevant financial products in the history. The increased management fee income from the asset management business for the year ending 31 December 2020 and 31 December 2021 is expected to be RMB4 million and RMB5 million, respectively.

Apart from the proposed amendments to the annual caps as set out above, all other contents of the continuing connected transactions under the Framework Agreement (as disclosed in the Prospectus) remain unchanged.

## **7. Reasons for and Benefits of the Continuing Connected Transactions**

In the normal course of the Group's business, the Group regularly engages in various kinds of securities and financial products transactions with various counterparties, including JIC and its associates. The Group purchases suitable securities and financial products from different providers (including JIC and its associates, which are the Group's connected persons, and independent third parties) based on the Group's internal evaluation system and procedures with reference to various factors including the cost, market condition and the Group's risk exposure, business needs and development requirements. JIC and/or its associates also purchase securities and financial products from the Group in their ordinary course of business from time to time, taking into account their business needs and the suitability of the products the Group offered.

Meanwhile, in the ordinary course of business, the Group provides securities and financial services to its customers, which include JIC and its associates. Due to their business needs and the Group's expertise and professional capabilities, the Group has been engaged by JIC and its associates to provide securities and financial services from time to time.

## **8. Listing Rules Implications**

As at the date of this announcement, JIC directly holds approximately 26.34% of the total issued share capital of the Company. Therefore, according to Chapter 14A of the Listing Rules, JIC is a Substantial Shareholder of the Company and JIC are connected persons of the Company. Accordingly, the transactions contemplated under the Framework Agreement entered into between the Company and JIC constitutes continuing connected transactions of the Company under the Listing Rules. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the proposed amended annual caps under the Framework Agreement exceeds 5%, the Proposed Amendments are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **III. INTERNAL MONITORING MEASURES**

The Group has taken a series of internal monitoring measures to regulate the continuing connected transactions under the Framework Agreement. The main internal monitoring measures include the followings:

- (1) the Company has prepared internal guidelines in accordance with the Listing Rules, which provide approval procedures for connected transactions;
- (2) For Securities and Financial Products and Transactions, the Company has established its internal guidelines and policies for conducting transactions of different types of securities and financial products. Such policies and guidelines set out the requirements for pre-trading pricing enquiries, applicable interest rate, the procedures for price determination, approval authority and procedures, record keeping, supervision and review procedures for conducting transactions of different types of securities and financial products.
- (3) For the provision of Securities and Financial Services to JIC and/or its associates, the Company or its subsidiaries shall refer to the price offered to two or more independent third parties for similar services to determine if the pricing and terms offered by the Company or its subsidiaries to JIC and/or its associates are fair, reasonable and no more favourable than those offered by the Company or its subsidiaries to independent third parties;
- (4) In order to strengthen the management of the Company's connected transactions, the Company has designated specific departments such as the legal and compliance department and the board office to take the lead in management of the Company's connected transactions and to remind the business departments and the Company's subsidiaries to supervise and control such connected transactions. Meanwhile, each of the Company's business departments and subsidiaries designate specific person to be the contact person for the management of connected transactions, responsible for establishing the connected transaction ledger of each department and subsidiary, summarizing and conducting statistics on the Company's connected transactions on a quarterly basis, and monitoring the actual amount of connected transactions to ensure the annual caps are not exceeded;

- (5) The continuing connected transactions are subject to annual review by all the independent non-executive Directors and the auditors of the Company. The results of the review conducted by the independent non-executive Directors of the Company, and the work undertaken by the auditors of the Company in respect of the continuing connected transactions and the outcome of that work are disclosed in the annual report of the Company; and
- (6) Documents and records with respect to connected transactions are required to be maintained and kept properly.

#### **IV. OPINIONS OF THE BOARD**

As Mr. Chen Jianmin, Ms. Ge Rongrong and Mr. Ren Xiaotao, being Directors of the Company, are directors despatched by Central Huijin, they are therefore deemed to be connected to the Framework Agreement and the transactions contemplated thereunder. Thus, they have abstained from voting on the Board resolution to approve the Proposed Amendments. Save as disclosed above, none of the other Directors have any material interest in the relevant Board resolution, and none of the other Directors are required to abstain from voting on the relevant Board resolution.

Having considered the abovementioned pricing basis, the basis for the proposed amended annual caps, reasons for and benefits of the continuing connected transactions and internal monitoring measures, the Board (including independent non-executive Directors) are of the opinion that the terms of the Framework Agreement and the proposed amended annual caps are entered into in the ordinary and usual course of business on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

#### **V. INFORMATION ON THE PARTIES**

The Group is an investment holding group focused on securities businesses and mainly provides comprehensive financial services, including enterprise finance, personal finance, institutional services and trading, as well as investment management.

JIC is a company with limited liability incorporated in the PRC and a comprehensive investment group mainly engaged in equity investment. JIC is a wholly-owned subsidiary of Central Huijin.

#### **VI. ANNUAL GENERAL MEETING**

The Company proposes to present relevant proposal at the forthcoming 2019 annual general meeting for Shareholders to consider, and if thought fit, approve, among other things, the Proposed Amendments.

JIC and Central Huijin will abstain from voting on the resolution regarding the Proposed Amendments at the 2019 annual general meeting of the Company. As at the date of this announcement, JIC and Central Huijin directly hold 11,616,913,474 shares with voting rights

of the Company (representing approximately 46.39% of the total issued share capital of the Company). To the best knowledge, information and belief of Directors having made all reasonable enquiries, other than JIC and Central Huijin, no other Shareholders are required to abstain from voting on the resolution regarding the Proposed Amendments at the 2019 annual general meeting of the Company.

The Company has established the Independent Board Committee comprising all independent non-executive Directors, i.e. Ms. Ye Mei, Mr. Xie Rong, Ms. Huang Danhan and Ms. Yang Qiumei, to advise Independent Shareholders in respect of the Proposed Amendments. The Company has engaged Somerley Capital Limited as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the Proposed Amendments.

A circular containing, among others, (1) details of the Proposed Amendments; (2) a letter from the Independent Board Committee to Independent Shareholders in respect of the Proposed Amendments; (3) a letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in respect of the Proposed Amendments; and (4) the notice of the 2019 annual general meeting of the Company is expected to be dispatched to the Shareholders on or before 9 June 2020, which is more than 15 business days after the publication of this announcement as more time will be needed for the preparation of certain information to be included in the circular.

## VII. DEFINITIONS

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

“A Share(s)”	domestic shares of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi and are listed for trading on the Shenzhen Stock Exchange (Stock Code: 000166)
“A Shareholder(s)”	holder(s) of A Share(s)
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Central Huijin”	Central Huijin Investment Ltd. (中央匯金投資有限責任公司), a company with limited liability incorporated in the PRC on 16 December 2003
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Company”	Shenwan Hongyuan Group Co., Ltd.
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

“Controlling Shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“ETF(s)”	Exchange Traded Funds
“FICC”	fixed income, currencies and commodities
“Framework Agreement”	the Securities and Financial Products, Transactions and Services Framework Agreement entered into between the Company and JIC on 29 March 2019, details of which are set out in the Prospectus
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are listed for trading on the Hong Kong Stock Exchange (Stock Code: 6806)
“H Shareholder(s)”	holder(s) of H Share(s)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all independent non-executive Directors
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed by the Securities and Futures Commission to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Amendments
“Independent Shareholder(s)”	shareholders other than JIC or its associates
“independent third party(ies)”	has the meaning ascribed thereto under the Listing Rules
“JIC”	China Jianyin Investment Ltd. (中國建銀投資有限責任公司), a company with limited liability incorporated in the PRC, which is a Substantial Shareholder of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Amendments”	the proposed amendments to the annual caps for the securities and financial products and transactions and the securities and financial services under the Framework Agreement for the year ending 31 December 2020 and the year ending 31 December 2021
“Prospectus”	the prospectus of H Shares of the Company dated 12 April 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company, including A Shareholders and H Shareholders
“Shenwan Hongyuan Securities”	Shenwan Hongyuan Securities Co., Ltd. ( 申萬宏源證券有限公司 ), a company with limited liability incorporated in China on 16 January 2015 and a wholly-owned subsidiary of the Company
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wind Information”	Wind Information Co., Ltd. ( 萬得資訊技術股份有限公司 ), a service provider of financial data, information and software in Mainland China
“%”	per cent

By order of the Board  
**Shenwan Hongyuan Group Co., Ltd.**  
**Chu Xiaoming**  
*Chairman*

Beijing, the PRC  
27 March 2020

*As at the date of this announcement, the Board of Directors comprises Mr. Chu Xiaoming and Mr. Yang Wenqing as Executive Directors; Mr. Chen Jianmin, Mr. Wang Honggang, Mr. Wang Fengchao, Ms. Ge Rongrong and Mr. Ren Xiaotao as Non-executive Directors; Ms. Ye Mei, Mr. Xie Rong, Ms. Huang Danhan and Ms. Yang Qiumei as Independent Non-executive Directors.*