

IPO FACT SHEET
Shengwan Hongyuan Group CO., Ltd. (6806)
ISSUE STATISTICS

Offer Size:	HK\$9,089.52m - HK\$9,840.72m
Placement Tranche:	2,504m
Price:	HK\$3.63-HK\$3.93
Board lot:	800
Entry fee:	HK\$3,175.68
Historical PE	18.1-18.2x
Net tangible asset per share:	HK\$3.59-HK\$3.62
Market Cap of H Shares (post-IPO):	HK\$9,089.5m- HK\$9,840.7m
Open:	12 Apr 2019
Close:	12.00 noon on 17 Apr 2019
Trading:	26 Apr 2019
Sponsor:	Shenwan Hongyuan Capital (H.K.) Limited, Goldman Sachs (Asia) L.L.C., ICBC International Capital Limited and ABCI Capital Limited

Year ended 31 Dec	(RMB m)	yoy % chg
Revenue		
2017	20,637.5	-3.9%
2018	21,514.8	4.3%
Profit for the year		
2017	4,725.8	-14.5%
2018	4,247.8	-10.1%

BACKGROUND

- The Group is a leading investment holding group focused on securities businesses in China.
- They are committed to providing diverse financial products and services to clients, and have established a longstanding leading position across multiple business lines in the PRC securities industry with quality growth.
- Among all securities firms in China, their net assets as of December 31, 2018 ranked seventh and their revenue and net profits in 2018 ranked fifth and seventh, respectively, under the PRC GAAP.
- They provide comprehensive financial services, including enterprise finance, personal finance, institutional services and trading, as well as investment management.

BUSINESS STRATEGY AND FUTURE PLANS

- Leading with enterprise finance business. They intend to focus on targeted clients and create greater synergies between principal investment and investment banking, building their enterprise finance business to become the driving force of their future growth.
- Upgrading personal finance business, they intend to improve clients' experience and loyalty by focusing on better serving high-net-worth clients, increasing their offering of comprehensive financial products and investing in fintech.
- Expanding institutional services and trading. They aim to expand their institutional client base and substantially enhance their service and trading capabilities.
- Optimizing investment management business. They intend to focus on asset allocation, fintech and cross-border asset allocation.

COMPETITIVE STRENGTHS

- Strong market influence and brand.
- Leading position across businesses. According to the Wind Info, as of December 31, 2018, the total market value of client's securities under their custody was RMB2.4 trillion with a market share of 7.1%, ranking among the top three in the PRC securities industry.
- High quality growth. Their weighted average return on equity under the PRC GAAP in 2018 ranked third among the top ten securities firms in China by net assets as of December 31, 2018.

- Forward-looking positioning.

KEY RISKS

- General economic, geopolitical and market conditions could materially and adversely affect their business.
- They are subject to extensive and evolving regulatory requirements, non-compliance with which, or changes in which, may affect their business operations and prospects.
- A downgrade in their regulatory rating may adversely affect their business operations and prospects.
- The PRC securities industry is highly competitive.
- Their investment banking business is dependent on their ability to identify, execute, and complete projects successfully and is subject to various risks associated with underwriting, sponsoring and financial advisory services.
- They are exposed to risks relating to their principal investment.
- Their personal finance business is subject to various risks and there can be no assurance that their brokerage fee and commission income and interest income can be sustained.
- Their business, profitability and liquidity may be adversely affected by deterioration in the credit quality of, or defaults by, their debtors, clients and counterparties.
- They may be unable to liquidate client positions in their stock-backed lending business in a timely manner or at all.
- The fair value measurement of certain of their assets and liabilities is subject to significant uncertainties and risks and the fair value changes of such assets and liabilities may materially and adversely affect their results of operations.

DIVIDEND POLICY

- Accumulated profit distributed in cash in any three consecutive years shall not be less than 30% of the annual distributable profit realized in the three years..

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation (%)
Develop their securities businesses.	4,619.6	50.0%
Make principal investments.	2,771.8	30.0%
Further develop their international business.	1,847.9	20.0%
Total:	9,239.3	100.00%

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