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**YONGAN HOLDINGS**

**浙江永安融通控股股份有限公司**

**ZHEJIANG YONGAN RONGTONG HOLDINGS CO., LTD\***

*(a joint stock limited company incorporated in the People's Republic of China)*

**(Stock code: 8211)**

**MAJOR TRANSACTION  
IN RELATION TO  
INVESTMENT IN THE FUND**

*Financial Adviser to the Company*



Reference is made to (i) the Company's announcement dated 11 April 2017 in relation to the Company's acquisition of the Target Company, (ii) the Company's announcement dated 28 July 2017 in which the Company announced that it was negotiating with certain independent third parties in respect of the possible investment in the Fund, and (iii) the Company's announcement dated 13 August 2017 in which the Company announced certain information disclosed in the Fujian Start's announcement in respect of the possible investment in the Fund.

On 1 September 2017 (after trading hours), the Company entered into the Limited Partnership Agreement with the General Partner, Shenzhen Huitong and Fujian Start, in relation to the formation of the Fund. The Target Company, a wholly owned subsidiary of the Company, will hold a minority indirect interest in the General Partner.

As one or more applicable Percentage Ratios in respect of the aggregation of (i) the Transaction, and (ii) the Acquisition announced on 11 April 2017 are above 25%, the Transaction constitutes a major transaction for the Company, and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiries, no Shareholder (including Guizhou Yongan) is required to abstain from voting if the Company were to convene a general meeting for approving the Transaction. As at the date of this announcement, Guizhou Yongan, holding approximately 55.29% of the issued share capital of the Company, has provided a written shareholder's approval on the Transaction. As such, no general meeting will be convened for approving the Transaction pursuant to Rule 19.44 of the GEM Listing Rules.

A circular, containing among other things, details of the Limited Partnership Agreement and other information as required under the GEM Listing Rules, is expected to be despatched to the Shareholders on or before 22 September 2017.

## **INTRODUCTION**

Reference is made to the Company's announcement dated 11 April 2017 in relation to the Company's acquisition of the Target Company. The Acquisition constituted a connected transaction of the Company. It falls within the de minimis threshold under Chapter 20 of the GEM Listing Rules and was subject to announcement, but exempt from circular (including independent financial advice) and shareholders' approval requirements.

Upon completion of the Acquisition on 17 April 2017, the Target Company became a directly wholly owned subsidiary of the Company, the results of which have been consolidated into the consolidated financial statements of the Company.

Reference is also made to the Company's announcement dated 28 July 2017 in which the Company announced that it was negotiating with certain independent third parties, and the Company's announcement dated 13 August 2017 in which the Company announced certain information disclosed in the Fujian Start's announcement, in respect of the possible investment in the Fund.

On 1 September 2017 (after trading hours), the Company entered into the Limited Partnership Agreement with the General Partner, Shenzhen Huitong and Fujian Start, in relation to the formation of the Fund. The Company will be one of the Limited Partners, and the Target Company will hold a minority indirect interest in the General Partner.

## LIMITED PARTNERSHIP AGREEMENT

The principal terms of the Limited Partnership Agreement are as follows:

- Date: 1 September 2017
- Parties: (1) Shenzhen NSYSSD, as General Partner;  
(2) the Company, as Limited Partner;  
(3) Shenzhen Huitong, as Limited Partner; and  
(4) Fujian Start, as Limited Partner.
- Nature of the Fund: A limited partnership to be established under the laws of the PRC with business scope covering investment in start-up enterprises and development of emerging industries.
- Business scope: Investment management (if required to be approved by laws, administrative regulations, or decisions of the State Council of the PRC, operation may only commence after all the relevant approval documents having been obtained); entrusted asset management (not to engage in trust, financial asset management, securities asset management business); equity investment (specific scope of operation to be determined based on the relevant authorities' approval).
- Duration of the Fund: Seven years from the date of establishment of the Limited Partnership, extendable to an aggregate period of not more than 10 years upon unanimous consent of all partners for such extension.
- Investment period and payback period: The investment period would be the first four years of the duration of the Limited Partnership. After the investment period, it would be the payback period for the remaining duration of the Limited Partnership, and the Limited Partnership shall not make any further investment during the payback period.
- Purpose: The Fund is expected to be used in investment of financial technology sector, including block chain, big data, artificial intelligence, and cloud computing. At least 60% of the total amount of investment of the Fund shall be invested in enterprises in financial technology.

Fund size: The target Fund size is expected to be RMB300 million, with the respective contribution from the parties being set out below:

Name of Partner	Type of Partnership	Capital contribution	Percentage (%)
		amount (RMB million)	
Shenzhen NSYSSD	General Partner	3.000	1.000
The Company	Limited Partner	73.911	24.637
Shenzhen Huitong	Limited Partner	73.980	24.660
Fujian Start	Limited Partner	<u>149.109</u>	<u>49.703</u>
	TOTAL:	<u>300.000</u>	<u>100.000</u>

Capital contribution from the Company: The Company shall contribute RMB73.911 million to the Fund as one of the Limited Partners. The Company must complete the capital contribution in full within 30 days from the date on which both the establishment of the Fund and the registration of the General Partner as a private equity fund manager have been fulfilled.

Default interest on capital contribution: If any Limited Partner fails to contribute the capital in full on time (“the default partner”), the General Partner shall issue a notice of payment on the day following the expiry date of the capital contribution period. The default partner shall within 30 days after the notice pay the outstanding capital contribution. The default partner shall also pay a penalty at the daily rate of 0.1% of the overdue capital contribution to non-default partners. The penalty shall be shared amongst the non-default partners in proportion to their paid contribution.

Unless the default partner pays the outstanding capital contribution in the manner as stated above, the default partner shall be responsible for any direct and indirect loss (that has occurred or may occur) on the investment projects as a result of its breach.

Further, with the unanimous consent of the non-default partners, the default partner may be restricted from making contribution to the Limited Partnership or be removed from the Limited Partnership.

If, as a result of the default partner's breach, the Limited Partnership fails to function properly and eventually this leads to a dissolution, the default partner shall compensate the non-default partner for the loss from such failure, including but not limited to the start-up costs of the Limited Partnership, management fees, etc.. The default partner should also pay 3% of its agreed capital contribution to the non-default partners as compensation. The non-default partners shall share the compensation in proportion to their respective capital contribution.

Restriction on transfer: When any Limited Partner intends to transfer all or part of its share of interest in the Fund, it shall notify the General Partner and other Limited Partners in writing at least 30 days in advance. Other partners shall have a right of first refusal to acquire such Limited Partner's share of interest based on the same terms such Limited Partner offers to third parties.

Loss Sharing: Where the loss is within the amount of the Fund size, it shall be borne by all partners in proportion to their respective amounts of capital contribution. Any loss exceeding the fund size shall be borne by the General Partner solely.

General Partner: Shenzhen NSYSSD. As the sole General Partner of the Fund, it is responsible for making investment decisions for and provision of administrative and management services to the Fund.

Executive Partner: The General Partner shall be the Executive Partner. The Executive Partner has the exclusive authority over the general affairs of the Fund, including but not limited to, managing the investment and other businesses of the Fund, and entering into contracts with third parties on behalf of the Fund.

Allocation of  
investment income:

The investment income of the Limited Partnership includes the distributable total income of the Limited Partnership from the disposal of the project, as well as dividends, interest and other similar income received from the project company, and after deduction of tax expenses, the unpaid Fund expenses and other expenses. The Executive Partner shall distribute the investment return in the following manners and priorities:

- (a) a return to the Limited Partners until they receive the respective amount of capital contribution having made to the Fund, and then a return to the General Partner until it receives the amount of capital contribution that it has made to the Fund;
- (b) upon deduction of item (a) above, the remaining will be distributed as a return of 8% per annum to the Limited Partners and then 8% per annum to the General Partner, based on the capital contribution of each partner;
- (c) upon deduction of items (a) and (b), the remaining will be distributed to the General Partner, until the distribution reaches 25% of the aggregated amount received by the Limited Partners in item (b); and
- (d) upon deduction of items (a), (b) and (c), 80% of the remaining will be distributed to the partners proportional to their respective capital contribution, while 20% will be distributed to the General Partner.

Allocation of  
non-investment  
income:

Non-investment income refers to non-project investment income received by the Limited Partnership and other cash distributions attributable to the Limited Partnership, after deduction of the relevant taxes, including but not limited to liquidated damages and late fees payable by the default partner for the overdue contribution to the Limited Partnership.

The Executive Partner shall distribute the non-investment return to all partners proportional to their respective capital contribution made to the Fund.

Non-investment income shall be distributed within 5 days after the end of each financial year and the Limited Partnership has obtained the previous financial year's audit report.

Management fee:

The General Partner shall be entitled to receive an annual management fee in the following manners:

- (a) during the investment period (i.e. first four years from the date of establishment of the Fund), management fee is calculated at 2% of the aggregate sum of the capital contribution made by all partners after deducting the amount of investment in respect of withdrawn projects; and
- (b) during the collection period (i.e. years after the investment period), management fee is calculated at 1.5% of the aggregate sum of the capital contribution made by all partners after deducting the amount of investment in respect of withdrawn projects; and

Appointment of  
custodian:

Other independent service providers will be appointed by the Fund, including but not limited to a custodian to safe keep the assets of the Fund.

Investment decision committee:

The investment decision committee of the Fund comprises of six committee members, who will be nominated by the General Partner and to be unanimously approved at the partners' meeting. The chairman will be nominated by Shenzhen Yongcheng Start, who is responsible for convening and chairing the committee meeting. All resolutions of the committee shall be passed by five-sixths or more of all committee members voted in favour of the resolution.

The committee decides on the approval and withdrawal of investment made by the Fund.

Exit of investment:

The Limited Partnership may exit from the investment in the following manners:

- (1) to dispose of the project company's shares owned by the Limited Partnership in the securities market on which the project company is listed;
- (2) to transfer all or part of the shares, equity, assets or business of the project company to other investors;
- (3) to enter into a share repurchase agreement with the project company or its major shareholders to repurchase the shares held by the Limited Partnership;
- (4) to sell the project company in its entirety;
- (5) to liquidate the project company;
- (6) to dispose of in the way as decided by the investment decision committee of the Fund.



## **FUNDING FOR THE TRANSACTION**

The Company intends to finance its capital contribution by way of internal working capital.

## **REASONS FOR AND BENEFIT OF THE TRANSACTION**

Upon completion of the Transaction, the Company will become one of the Limited Partners, and the Target Company holds 9% of the issued share capital of Shenzhen Yongcheng Start which in turn holds 66% of the issued share capital of the General Partner. Except for the above, to the best of the Directors' knowledge, information and belief, having made reasonable enquiries, the General Partner, Limited Partners and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (has the meaning ascribed to it under the GEM Listing Rules).

The Company is a joint stock limited company incorporated in the PRC and the H Shares of which are listed on GEM. Whilst the Company is principally engaged in (i) the manufacture and sale of woven fabrics; and (ii) provision of subcontracting services, the Directors are proactively exploring investment opportunities to enhance the long-term growth of the Company.

The Directors are of the view that the Transaction serves as an excellent platform for the Company to expand its business portfolio into the sectors of investment business for start-up enterprise, having considered the following: (i) the Company's strategy to strengthen its growth of long-term business for diversifying risks and increasing return to Shareholders; (ii) the capabilities and experience in investment possessed by certain members of the Board; and (iii) the experience and extensive knowledge of the General Partner and Limited Partners entering into the Limited Partnership Agreement.

With the expectation that the Transaction shall further diversify the investment risk and enhance the rate of return of the Company's investment through access to a wider variety of investment channels, the Directors consider that the terms of the Limited Partnership Agreement are fair and reasonable and on normal commercial terms and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, the Fund has not yet been established and did not make any investment.

## **INFORMATION OF THE PARTIES TO THE LIMITED PARTNERSHIP AGREEMENT**

The General Partner, Shenzhen NSYSSD, is a company established under the laws of the PRC. It is principally engaged in asset management and investment management businesses.

The Target Company holds 9% of the issued share capital of Shenzhen Yongcheng Start which in turn holds 66% of the issued share capital of the General Partner. The Target Company shall contribute RMB0.594 million for the establishment of Shenzhen Yongcheng Start.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the General Partner has obtained the necessary licences and qualifications in the PRC for the management and promotion of the Fund.

Shenzhen Huitong is a state-owned enterprise in the PRC. It is principally engaged in asset management and investment management businesses.

Fujian Start is a company listed on Shanghai Stock Exchange and established under the laws of the PRC. It is principally engaged in real estate and technological products businesses.

## **GEM LISTING RULES IMPLICATIONS**

As disclosed in the Company's announcement dated 11 April 2017, the Company acquired the entire equity interest in the Target Company from Guizhou Yongan. Upon completion of the Acquisition on 17 April 2017, the Target Company became a directly wholly owned subsidiary of the Company.

The Target Company holds 9% of the issued share capital of Shenzhen Yongcheng Start which in turn holds 66% of the issued share capital of the General Partner. Through the Acquisition, the Company started engaging in private equity assets management. Both the Acquisition and the Transaction are new business venture that the Company intends to explore into, which do not previously form part of the Company's principal business activities. For the above reasons, the Company considered that the Transaction and the Acquisition should be aggregated for determining the applicable Percentage Ratios.

As one or more applicable Percentage Ratios in respect of the aggregation of the Transaction and the Acquisition are above 25%, the Transaction constitutes a major transaction for the Company, and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

## GENERAL

To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiries, no Shareholder (including Guizhou Yongan) is required to abstain from voting if the Company were to convene a general meeting for approving the Transaction. As at the date of this announcement, Guizhou Yongan, a company interested in 588,000,000 Shares representing approximately 55.29% of the issued share capital of the Company, has provided a written shareholder's approval on the Transaction. As such, no general meeting will be convened for approving the Transaction pursuant to Rule 19.44 of the GEM Listing Rules.

A circular, containing among other things, details of the Limited Partnership Agreement and other information as required under the GEM Listing Rules, is expected to be despatched to the Shareholders on or before 22 September 2017.

## DEFINITIONS

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

“Acquisition”	the Company's acquisition of 100% equity interest in the Target Company as disclosed in the Company's announcement of 11 April 2017
“Board”	the board of Directors
“Company”	浙江永安融通控股股份有限公司 (Zhejiang Yongan Rongtong Holdings Co., Ltd.*), a joint stock limited company incorporated in the PRC
“Director(s)”	the director(s) of the Company
“Executive Partner”	the executive partner of the Fund
“Fujian Start”	福建實達集團股份有限公司 (Fujian Start Group Co. Ltd.*), a company established under the laws of the PRC and listed on the Shanghai Stock Exchange
“Fund”	深圳南山金融科技雙創股權投資基金合夥企業(有限合夥) (Shenzhen Nanshan Fintech Entrepreneurship and Innovation Equity Investment Fund Partnership Enterprise (Limited Liability Partnership)*), a limited partnership to be established under the laws of the PRC with business scope covering investment in start-up enterprises and development of emerging industries

“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“GEM”	the Growth Enterprise Market
“General Partner”	the general partner of the Fund
“Group”	the Company and its subsidiary
“Guizhou Yongan”	貴州永安金融控股股份有限公司 (Guizhou Yongan Finance Holdings Company Limited*), a company established in the PRC. It holds approximately 55.29% of the total issued share capital of the Company, and is the Company’s immediate holding company
“H Share(s)”	overseas listed foreign shares in the ordinary share capital of the Company, with a nominal value of RMB0.10 each, which are listed on GEM and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Limited Partner(s)”	the limited partner(s) of the Fund
“Limited Partnership”	the limited partnership for the operation of the Fund
“Limited Partnership Agreement”	the limited partnership agreement dated 1 September 2017 entered into among the General Partner, the Company, Shenzhen Huitong and Fujian Start in respect of the establishment of the Fund
“Percentage Ratios”	the percentage ratios under Rule 19.07 of the GEM Listing Rules, other than the equity capital ratio, profits ratio and revenue ratio
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of RMB0.10 each in the share capital of the Company

“Shareholder(s)”	the holder(s) of the Shares
“Shenzhen Huitong”	深圳市匯通金控基金投資有限公司 (Shenzhen Huitong Jinkong Funds Investment Co., Ltd.*), a state-owned enterprise in the PRC
“Shenzhen Nanshan Chuantou”	深圳市南山創業投資有限公司 (Shenzhen Nanshan Chuanye Touzi Ltd.*), a company wholly-owned by State-owned Assets Supervision and Administration Commission of Shenzhen Nanshan District. It holds 34% of the issued share capital of Shenzhen NSYSSD
“Shenzhen NSYSSD”	深圳南山永晟實達股權投資基金管理有限公司 (Shenzhen NSYSSD Capital Equity Investment Management Ltd.), a company established under the laws of the PRC which is held as to 34% by Shenzhen Nanshan Chuantou, and as to 66% by Shenzhen Yongcheng Start. It is the General Partner of the Fund
“Shenzhen Yongcheng Start”	深圳永晟實達投資發展有限公司 (Shenzhen Yongcheng Start Investment Development Ltd.*) is held as to 45% by Fujian Start, as to 46% by 家財理投資管理有限公司 (Jiacaili Investment Management Co. Ltd.*), and as to 9% by the Target Company. Its legal representative is Mr. Jiang Ning, the Chairman and an executive Director of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	貴州安恒永晟投資管理有限公司 (Guizhou Anheng Yongcheng Investment Management Company, Ltd.*), a company established in the PRC, and its entire equity interest was acquired by the Company from Guizhou Yongan as disclosed in the Company’s announcement dated 11 April 2017
“Transaction”	the Company’s investment of RMB73.911 million in the Fund, representing 24.637% of the total capital contribution for the establishment of the Fund, and the Target Company’s investment of RMB0.594 million in Shenzhen Yongcheng Start, representing 9% of the total issued share capital of Shenzhen Yongcheng Start

“%”

per cent.

By Order of the Board  
**Zhejiang Yongan Rongtong Holdings Co., Ltd.**  
**Jiang Ning**  
Chairman

Zhejiang, the PRC, 1 September 2017

*As at the date of this announcement, the executive Directors are Mr. Jiang Ning (Chairman), Mr. He Weifeng (Deputy Chairman), Ms. He Lianfeng (Chief Executive Officer) and Mr. Hu Hua Jun; the non-executive Directors are Mr. Chen Dong Chun and Mr. Tang Guo Ping; and the independent non-executive Directors are Mr. Xu Wei Dong, Ms. Zhang Li and Mr. Wang Weisong.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the Company’s website at <http://zj-yongan.com>.*

*\* For identification purpose only*