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If you are in any doubt as to any aspect of the proposals referred to in this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Zhejiang Yongan Rongtong Holdings Co., Ltd.** (the “**Company**”), you should at once hand this circular to the purchaser or other transferee or to the licensed securities dealer, or to the bank, or to other agents through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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YONGAN HOLDINGS

浙江永安融通控股股份有限公司

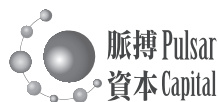
ZHEJIANG YONGAN RONGTONG HOLDINGS CO., LTD.*

(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



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

** For identification purpose only*

27 September 2017

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“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, the shares of which are listed on GEM
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 11 April 2017 entered into between the Company and Guizhou Yongan in respect of, among others, the acquisition of 100% equity interest in the Target 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 (stock code: 600734)
“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 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 of the Stock Exchange
“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

DEFINITIONS

“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
“Latest Practicable Date”	25 September 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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

DEFINITIONS

“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(深圳)有限公司 (Jiacaili Investment Management (Shenzhen) 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
“Supervisors”	the supervisor(s) of the Company
“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
“Zhejiang Yongli”	浙江永利實業集團有限公司 (Zhejiang Yongli Industry Group Co., Ltd.*), a company established under the laws of the PRC and the ultimate holding company of the Company
“%”	per cent.

* For identification purpose only

LETTER FROM THE BOARD



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)

Board of Directors

Executive Directors:

Mr. Jiang Ning (*Chairman*)
Mr. He Weifeng (*Deputy Chairman*)
Ms. He Lianfeng (*Chief Executive Officer*)
Mr. Hu Hua Jun

Legal Address:

Yangxun Qiao Town
Keqiao Qu, Shaoxing
Zhejiang Province
The People's Republic of China

Non-Executive Director:

Mr. Tang Guo Ping

*Head office and principal place of
business in Hong Kong:*

Suites 3306-12, 33rd Floor
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Independent non-executive Directors:

Mr. Xu Wei Dong
Ms. Zhang Li
Mr. Wang Weisong

27 September 2017

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO INVESTMENT IN THE FUND

INTRODUCTION

Reference is made to the announcement of the Company 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.

LETTER FROM THE BOARD

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 1 September 2017 in which the Company announced that 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 an 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.

LETTER FROM THE BOARD

Purpose: The Fund is expected to invest in 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	149.109	49.703
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 date 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

- 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;

LETTER FROM THE BOARD

- (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.

The Company is a joint stock limited company incorporated in the PRC and the H Shares of which are listed on GEM. The Company is principally engaged in (i) the manufacture and sale of woven fabrics; and (ii) provision of subcontracting service. While the Group will continue to develop its existing business, 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 senior management 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 Latest Practicable Date, the Company has no intention or plan, and has not entered into any agreement or negotiation to dispose of, scale-down or terminate its existing business and/or major operating assets.

As far as the Directors are aware, the Fund was established on 7 September 2017, but had not yet made any investment. The Fund will be accounted for as an available-for-sale investment under non-current assets in the Group's consolidated financial statements.

LETTER FROM THE BOARD

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 has contributed RMB0.594 million for the establishment of Shenzhen Yongcheng Start in June 2017.

The General Partner will be managed by an experienced management team, including Mr. Wei Ligu (魏立國), Mr. Ouyang Biao (歐陽彪) and Ms. Lin Xuefei (林雪霏).

Mr. Wei has engaged in business management for nearly a decade, and has been in senior managerial position with private equity institutions.

From July 2007 to July 2016, Mr. Ouyang was the chief investment officer of 長園集團股份有限公司 (Changyuan Group Ltd.*) (stock code: 600525), a company listed on the Shanghai Stock Exchange; 深圳萬潤科技股份有限公司 (Shenzhen Mason Technologies Co., Ltd.*) (stock code: 002654), a company listed on the Shenzhen Stock Exchange; 寶德科技集團股份有限公司 (Powerleader Science & Technology Group Limited*) (Stock code: 08236), a company listed on GEM, and 深圳前海南山金融發展有限公司 (Shenzhen Qianhai Nanshan Financial Development Co., Ltd. *) He is now the investment manager of Shenzhen Huitong, and the deputy general manager of Shenzhen Nanshan Chuantou.

Ms. Lin was the deputy general manager of 光大銀行深圳分行 (Shenzhen Branch of China Everbright Bank*) from November 2008 to April 2011. From May 2011 to December 2015, she was vice president of 深圳市融創創業投資有限公司 (Shenzhen Rongchuang Investment Co., Ltd.*). She was the deputy general manager of 深圳瀚德創客金融投資有限公司 (Shenzhen Hande FinMaker Co., Ltd.*) from January 2016 to April 2016, and the deputy general manager of 家財理投資管理 (深圳) 有限公司 (Jiacaili Investment Management (Shenzhen) Co. Ltd.*) from May 2016 to May 2017.

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.

To the best of the Directors' knowledge, information and belief, having made reasonable enquiries, Shenzhen NSYSSD, Shenzhen Huitong, Fujian Start and their respective ultimate beneficial owner(s) are third party(ies) independent of the Company and its connected persons (has the meaning ascribed to it under the GEM Listing Rules).

LETTER FROM THE BOARD

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.

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 Latest Practicable Date, 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.

Rule 19.41(a) requires that a circular must be despatched to the Shareholders if the transaction is approved or is to be approved by way of written shareholders' approval from a shareholder or a closely allied group of shareholders under Rule 19.44 within 15 business days after publication of the Company's announcement dated 1 September 2017. As more time is required to prepare and finalise the relevant information for inclusion in this circular, the Company has applied for a waiver from strict compliance with the requirements of Rule 19.41(a) of the GEM Listing Rules, and has published an announcement regarding the delay in despatch of this circular on 22 September 2017.

In the waiver application, the Company has submitted that it expects the despatch date of this circular will be postponed to a date not later than 6 October 2017. The despatch date of this circular is now revised to 27 September 2017. Accordingly, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 19.41(a), so as to despatch this circular to the Shareholders on 27 September 2017. Upon receipt of the waiver approval on 26 September 2017, the Company has published an announcement regarding the grant of the waiver.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors considered that the terms of the Limited Partnership Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolutions if the Company were to convene a general meeting to approve the Limited Partnership Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices of this circular.

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

* *For identification purpose only*

1. FINANCIAL SUMMARY OF THE GROUP

The Company is required to set out in this circular the financial information for the last three financial years with respect to the profits and losses, financial record and position, as a comparative table and the latest published audited statement of financial position together with the notes on the annual accounts for the last financial year for the Group.

The unaudited consolidated financial statements of the Group together with the notes to the financial statements for the period ended 30 June 2017 are set out on pages 3 to 17 of the interim report 2017 of the Company which was posted on 14 August 2017 on the Stock Exchange's website (<http://www.hkexnews.hk/listedco/listconews/GEM/2017/0814/GLN20170814297.pdf>) and the Company's website (<http://www.zj-yongan.com/images/file/20170814202310801080.pdf>).

The audited consolidated financial statements of the Group together with the notes to the financial statements for the year ended 31 December 2016 are set out on pages 34 to 80 of the annual report 2016 of the Company which was posted on 30 March 2017 on the Stock Exchange's website (<http://www.hkexnews.hk/listedco/listconews/GEM/2017/0330/GLN20170330271.pdf>) and the Company's website (<http://www.zj-yongan.com/images/file/20170330190097439743.PDF>).

The audited consolidated financial statements of the Group together with the notes to the financial statements for the year ended 31 December 2015 are set out on pages 31 to 80 of the annual report 2015 of the Company which was posted on 30 March 2016 on the Stock Exchange's website (<http://www.hkexnews.hk/listedco/listconews/GEM/2016/0330/GLN20160330157.pdf>) and the Company's website (<http://www.zj-yongan.com/images/file/2016033019030709709.pdf>).

The audited consolidated financial statements of the Group together with the notes to the financial statements for the year ended 31 December 2014 are set out on pages 29 to 80 of annual report 2014 of the Company which was posted on 30 March 2015 on the Stock Exchange's website (<http://www.hkexnews.hk/listedco/listconews/GEM/2015/0330/GLN20150330125.pdf>) and the Company's website (<http://www.zj-yongan.com/images/file/20150826101696379637.pdf>).

2. SUFFICIENCY OF WORKING CAPITAL

As described in the section headed "Funding for the Transaction" in the Letter from the Board, the Company intends to finance the Transaction by internal working capital of RMB73.911 million.

After due and careful enquiry, the Directors are of the opinion that, after taking into account the present available financial resources, the Company has sufficient working capital for its requirements for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances.

3. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 July 2017, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the indebtedness of the Group was as follows:

Borrowings

As at the close of business on 31 July 2017, the Group had an interest-free loan due to immediate holding company in which its original principal amount and balance after taking the effect of imputed interest of approximately RMB20.72 million and RMB19.15 million respectively.

Contingent liabilities

As at 31 July 2017, the Group had no contingent liabilities.

Save as aforesaid, as at the close of business on 31 July 2017, the Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debt securities (whether issued and outstanding or authorised or otherwise created but unissued), guarantees or other material contingent liabilities.

The Directors confirmed that, save as disclosed above, there had not been any material change to the indebtedness and contingent liabilities of the Group since 31 July 2017 and up to the Latest Practicable Date.

4. MATERIAL ADVERSE CHANGE

At the Latest Practicable Date, the Directors are not aware of any material adverse change to the financial or trading position of the Group since 31 December 2016, being the date to which the latest audited financial statements of the Group were published.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

Whilst the Group remains its focus on its principal business 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 prospect of private equity/venture capital assets management in Mainland China is optimistic and will benefit from the growth of institutional funds. Following the increase in household income, high net worth customers in the PRC are looking for the growth of wealth, and thus leading to an increase in the purchase of varied financial products. This in return leads to the growth of institutional funds and the expansion of the scale of the funds for management.

Financial technology (“Fintech”) is expected to be one of the leading areas for the financial investment. It will be one of the ways for expanding business domestically and to overseas, especially under the “One Belt and One Road” Initiative. Cybersecurity, blockchain technologies and big data analytics are new and innovative approaches for banks, financial institutions, government and universities development.

The Fund is expected to invest in Fintech sector, including block chain, big data, artificial intelligence, and cloud computing. The Directors believe that it will bring good return to the Group.

Having considered (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 senior management of the General Partner and Limited Partners, the Directors are of the view that the Acquisition and the Transaction serve as an excellent platform for the Company to expand its business portfolio into the sectors of investment business for start-up enterprise.

With the support from Guizhou Yongan, the Directors expect that the Group has sufficient resources to meet its present and future requirements and is able to face the challenge in 2017 and the near future. The Company will continue to actively explore business opportunities in and outside the PRC.

6. FINANCIAL EFFECTS OF THE TRANSACTION

Except for the transaction costs and future performance of the Fund, there is no gain or loss associated with the Transaction.

There are no material changes in the total assets and liabilities of the Group immediately after the Transaction. The Fund will be accounted for as available-for-sale investment under non-current asset of the Group's consolidated financial statements.

1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

Directors', Supervisors' and chief executives' interests in Shares

As at the Latest Practicable Date, Ms. He Lianfeng, an executive Director and her spouse totally have approximately 0.039% of interest in Zhejiang Yongli, the ultimate holding company of the Company. Mr. He Weifeng is also the deputy chairman of Zhejiang Yongli. Mr. Jiang Ning is vice general manager of Guizhou Yongan, the Company's immediate holding company, and a director of four other subsidiaries of Guizhou Yongan. Mr. Tang Guo Ping, a non-executive Director, is an assistant to the chairman of Zhejiang Yongli. Ms. Wang Ai Yu, a Supervisor, is a manager of the finance department of Zhejiang Yongli. Zhejiang Yongli and Guizhou Yongan are associated corporations (within the meaning of Part XV of the SFO) by virtue of being a holding company of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors or chief executive of the Company had an interest or a short position in the Shares or underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' interests in Shares

As at the Latest Practicable Date, so far as it is known to the Directors, chief executive or Supervisors of the Company, the interests and short positions of person in the shares or underlying shares of the Company, other than the interest of the Directors, chief executive or Supervisors, which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company, pursuant to section 336 of Part XV of the SFO were as follows:

*Long positions in the shares of the Company**Domestic shares of the Company (“Domestic Shares”)*

Name of shareholders	Capacity	Number of Domestic Shares held	Approximate percentage of interests in Domestic Shares	Approximate percentage of interests in total registered capital
Guizhou Yongan	Beneficial owner	588,000,000	100.00%	55.29%
Zhejiang Yongli	Interest in controlled corporation (<i>Note</i>)	588,000,000	100.00%	55.29%
Mr. Zhou Yongli	Interest in controlled corporation (<i>Note</i>)	588,000,000	100.00%	55.29%
Ms. Xia Wanmei	Interest of spouse (<i>Note</i>)	588,000,000	100.00%	55.29%

Note:

Mr. Zhou Yongli and his spouse Ms. Xia Wanmei, own approximately 94.25% and approximately 3.49% in Zhejiang Yongli respectively. Zhejiang Yongli owns 65% in Guizhou Yongan. Mr. Zhou Yongli and Ms. Xia Wanmei are therefore deemed to be interested in the 588,000,000 domestic shares of the Company held by Guizhou Yongan, representing 55.29% of the total issued share capital of the Company.

H shares of RMB0.1 each of the Company (“H Shares”)

Name of shareholder	Capacity	Number of H Shares held	Approximate percentage of interests in H Shares	Approximate percentage of interests in total registered capital
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,540,000	43.86%	19.61%

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, chief executives and Supervisors of the Company, no other person (other than the Directors, chief executives or Supervisors of the Company) has an interest or short position in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

3. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Group, were entered into by the Group within two years immediately preceding the date of this circular which are or may be material:

- (a) Equity Transfer Agreement; and
- (b) Limited Partnership Agreement.

Save as disclosed above, no contract (not being a contract entered into in the ordinary course of business carried on by the Group) has been entered into by any member of the Group within two years preceding the date of this circular which is or may be material.

5. DIRECTORS' AND SUPERVISORS' OTHER INTERESTS

There was no contract or arrangement subsisting at the date of this circular in which any Director or Supervisor was materially interested and which was significant in relation to the business of the Group.

As of the Latest Practicable Date, none of the Directors or Supervisors had any interest, direct or indirect, in any asset which has been since 31 December 2016, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, Supervisors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company and their respective close associates (as defined in the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor its subsidiary was or may become a party to any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or its subsidiary.

8. CORPORATE INFORMATION OF THE COMPANY

Legal address	Yangxun Qiao Town Keqiao Qu, Shaoxing, Zhejiang Province, PRC
Head office and principal place of business in Hong Kong	Suites 3306-12, 33/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
H Share share registrar and transfer office	Union Registrars Limited Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong
Company secretary	Ms. Chen Yen Yung — CPA (Aust.), CPA
Compliance officer	Mr. Hu Hua Jun

9. AUDIT COMMITTEE

An audit committee of the Company (“**Audit Committee**”) was established with written terms of reference in compliance with the Rules 5.28 and 5.29 and code provision C.3.3 of the Corporate Governance Code of the GEM Listing Rules. The Audit Committee shall be appointed by the Board from amongst the non-executive Directors only and shall consist of not less than three members, a majority of whom shall be independent non-executive Directors and at least one of whom must have appropriate professional qualification or accounting or related financial management expertise. There are three members in the Audit Committee comprising the three independent non-executive Directors, namely Mr. Xu Wei Dong, Ms. Zhang Li and Mr. Wang Weisong. Mr. Xu Wei Dong is the chairman of the Audit Committee.

The main functions of the Audit Committee include to recommend to the Board on the appointment, reappointment and removal of the external auditors; to approve the remuneration and terms of engagement of the external auditors as well as any questions of resignation or dismissal of such auditors; to review the quarterly, interim and annual reports and accounts of the Group; and to oversee the Company’s financial reporting and internal control procedures.

The biographies of the three members of the Audit Committee are as follows:

Mr. Xu Wei Dong (徐維棟先生), aged 42, is currently an independent non-executive Director of the Company. He is a senior economist and certified public accountant. He graduated from Jiangxi University of Finance and Economics (江西財經大學) in July 1998 and has been working in

紹興天源會計師事務所有限責任公司 (Shaoxing Tianyuan CPA Co., Ltd*) (formerly known as 紹興會計師事務所 (Shaoxing CPA Firm*) before transformation) since October 1998. Mr. Xu has over 10 years of experience in financial management and auditing. He was re-appointed as an independent non-executive Director in May 2015.

Ms. Zhang Li (張麗女士), aged 44, is a managing director at Siguler Guff and head of the firm's Shanghai office. She oversees the firm's investment activities in China. She is also a member of the Investment Committees for the BRIC Opportunities Funds. Prior to joining Siguler Guff in 2012, Ms. Zhang was a managing partner at Shanghai JH Investment Management Co., Ltd., where she focused on public equity research and portfolio construction in high-growth sectors in China such as consumer, pharmaceutical, technology, media and telecommunications. Previously, she was a senior director and head of M&A for the Asia-Pacific region at Anheuser-Busch InBev where she led acquisition and divestiture transactions in China and throughout Asia. Notably, Ms. Zhang was involved in the acquisition of Sedrin Beer, one of the largest brewery acquisitions in China to date, and led the divestiture of Oriental Breweries in South Korea during the financial crisis in 2009. Ms. Zhang holds a B.A. from the University of International Business and Economics in Beijing and an M.B.A. from the Harvard Business School. She was appointed as an independent non-executive Director at the annual general meeting of the Company held on 15 May 2015.

Mr. Wang Weisong (王蔚松先生), aged 57, is an associate professor of School of Accountancy at Shanghai University of Finance and Economics. He also obtained a bachelor degree and a master degree in engineering, and a doctorate degree in management in Tongji University. He has been working for Shanghai University of Finance and Economics since 1982 and he served as the vice dean of School of Accountancy at Shanghai University of Finance and Economics. From January 2015 to now, he is an independent non-executive director of Shanghai Yongli Belting Co., Ltd., (stock code: 300230), a company listed on Shenzhen Stock Exchange. From March 2014 to now, he is an independent non-executive director of Shanghai Amarsoft Information & Technology Co., Ltd., (stock code: 300380), a company listed on the Shenzhen Stock Exchange. From May 2014 to now, he is an independent non-executive director of Wangsu Science & Technology Co., Ltd., (stock code: 300017), a company listed on the Shenzhen Stock Exchange. From August 2014 to now, he is an independent non-executive director of Zhejiang Goldensea Environment Technology Co., Ltd. (stock code: 603311), a company listed on the Shanghai Stock Exchange. He was appointed as an independent non-executive Director at the annual general meeting of the Company held on 15 May 2015.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Suites 3306-12, 33/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong for a period of 14 days from the date of this circular:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company containing audited consolidated financial statements of the Company for the two years ended 31 December 2016;

- (c) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix; and

- (d) this circular.