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中州证券

Central China Securities Co., Ltd.

(a joint stock company incorporated in 2002 in Henan Province, the People's Republic of China with limited liability under the Chinese corporate name “中原证券股份有限公司” and carrying on business in Hong Kong as “中州证券”)

(Stock Code: 01375)

CONNECTED TRANSACTION

TRANSFER OF 60% EQUITY INTEREST IN ZZKY FUND MANAGEMENT COMPANY

TRANSFER OF 60% EQUITY INTEREST IN ZZKY FUND MANAGEMENT COMPANY

The Board hereby announces that, on 28 December 2017, ZDKY Venture Capital entered into the Equity Interest Transfer Agreement with Equity Exchange Co. in relation to the transfer by Equity Exchange Co. of its 60% equity interest in ZZKY Fund Management Company to ZDKY Venture Capital at the consideration of RMB37,055,632.57.

After Equity Exchange Co. receives the consideration paid by ZDKY Venture Capital, parties to the Equity Interest Transfer Agreement and ZZKY Fund Management Company shall complete the industrial and commercial filing procedures for the Equity Interest Transfer, and Completion shall take place on the date when the Henan Administration for Industry and Commerce (河南省工商行政管理局) confirms ZDKY Venture Capital's ownership of 60% equity interest in ZZKY Fund Management Company upon completion of the registration of changes (including but not limited to change of shareholders, and industrial and commercial registration).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Henan Investment Group holds approximately 20.98% of the issued share capital of the Company and is the largest substantial shareholder of the Company within the meaning of the Listing Rules. Pursuant to Rule 14A.07(1) of the Listing Rules, Henan Investment Group is a connected person of the Company. At the same time, Henan Investment Group holds 10% equity interest in Equity Exchange Co., which is a subsidiary of the Company. Therefore, Equity Exchange Co. is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules, and the transaction contemplated under the Equity Interest Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the transactions contemplated under the Equity Interest Transfer Agreement are more than 0.1% but less than 5%, the entering into of the Equity Interest Transfer Agreement is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

TRANSFER OF 60% EQUITY INTEREST IN ZZKY FUND MANAGEMENT COMPANY

The Board hereby announces that, on 28 December 2017, Equity Exchange Co. entered into the Equity Interest Transfer Agreement with ZDKY Venture Capital in relation to the transfer by Equity Exchange Co. of its 60% equity interest in ZZKY Fund Management Company to ZDKY Venture Capital.

MAJOR TERMS OF THE EQUITY INTEREST TRANSFER AGREEMENT

The major terms of the Equity Interest Transfer Agreement are set out as follows:

Date: 28 December 2017

Parties: (1) Equity Exchange Co. (as vendor); and
(2) ZDKY Venture Capital (as purchaser)

Subject matter of the Equity Interest Transfer

Pursuant to the Equity Interest Transfer Agreement, Equity Exchange Co. has agreed to sell and ZDKY Venture Capital has agreed to purchase 60% equity interest in ZZKY Fund Management Company.

Consideration

The consideration of the Equity Interest Transfer is RMB37,055,632.57, which shall be paid by ZDKY Venture Capital in a lump sum to Equity Exchange Co. within ten working days from the date when the Equity Interest Transfer Agreement is signed and becoming effective. The consideration of the Equity Interest Transfer shall be funded by internal resources of ZDKY Venture Capital.

The consideration was determined after arm's length negotiations between Equity Exchange Co. and ZDKY Venture Capital and with reference to the audited consolidated net asset values, profitability and cash flow of ZZKY Fund Management Company as at 31 December 2016 and 30 June 2017 respectively, and its future capital requirements.

Completion

After Equity Exchange Co. receives the consideration paid by ZDKY Venture Capital, parties to the Equity Interest Transfer Agreement and ZZKY Fund Management Company shall complete the industrial and commercial filing procedures for the Equity Interest Transfer, and Completion shall take place on the date when the Henan Administration for Industry and Commerce (河南省工商行政管理局) confirms ZDKY Venture Capital's ownership of 60% equity interest in ZZKY Fund Management Company upon completion of the registration of changes (including but not limited to change of shareholders, and industrial and commercial registration).

Upon Completion, Equity Exchange Co. will no longer hold any equity interest in ZZKY Fund Management Company, while ZDKY Venture Capital will hold 60% equity interest in ZZKY Fund Management Company, and therefore ZZKY Fund Management Company will continue to be a subsidiary of the Company upon Completion.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY INTEREST TRANSFER AGREEMENT

The 60% equity interest in ZZKY Fund Management Company was disposed by ZDKY Venture Capital to Equity Exchange Co. on 24 October 2016, the details of which please refer to the announcement of the Company dated 24 October 2016. According to the requirements of the Management Rules for the Private Equity Investment Fund Subsidiaries under Securities Companies (《證券公司私募投資基金子公司管理規範》) issued by Securities Association of China on 30 December 2016, the Company is required to regulate the shareholding structure of its private equity investment fund subsidiaries. In order to fulfill the regulatory requirements and ensure compliance operation of the Group, pursuant to the “Rectification Plans for the Regulation of the Subsidiaries of Central China Securities Co., Ltd.” (《中原證券股份有限公司子公司規範整改方案》) and the resolution of the 43rd meeting of the fifth session of the Board, Equity Exchange Co. shall transfer the 60% equity interest held by it in ZZKY Fund Management Company to ZDKY Venture Capital at a price not lower than the appraised price so agreed by 30 December 2017, and accordingly, the parties shall enter into the Equity Interest Transfer Agreement.

As both Equity Exchange Co. and ZDKY Venture Capital are accounted for and consolidated in the audited consolidated accounts of the Company as subsidiaries in accordance with the requirements under IFRS, no gain or loss is expected to be incurred by the Group from the Equity Interest Transfer upon Completion.

Based on the above, the Directors (excluding Mr. Li Xingjia who is required to abstain from voting on the relevant Board resolution but including independent non-executive Directors) are of the view that the terms contained in the Equity Interest Transfer Agreement are normal commercial terms and are fair and reasonable and the entering into of the Equity Interest Transfer Agreement is in the interests of the Company and Shareholders as a whole.

As Mr. Li Xingjia, the non-executive Director, also serves as a director of Henan Investment Group, which is a connected person of the Company, he is regarded as being interested in the transaction contemplated under the Equity Interest Transfer Agreement and thus has abstained from voting on the relevant Board resolution. Save as disclosed above, none of the Directors has any material interest in the transaction contemplated under the Equity Interest Transfer Agreement and thus be required to abstain from voting on the relevant Board resolution.

INFORMATION OF THE COMPANY, THE PARTIES ENTERING INTO THE EQUITY INTEREST TRANSFER AGREEMENT AND ZZKY FUND MANAGEMENT COMPANY

The Company

The Company is the only securities company that was registered by legal persons in Henan Province with a full-service business platform and strategic presence in the PRC. It is principally engaged in the brokerage, investment banking, investment management and proprietary trading businesses.

Equity Exchange Co.

Equity Exchange Co. is the only regional equity exchange approved by the People’s Government of Henan Province, and is principally engaged in the provision of services related to registration, custodian, listing, transfer and financing of equities, bonds and other equity assets of non-publicly listed companies under the supervision and guidance of Henan Financial Service Office and Henan CSRC.

ZDKY Venture Capital

ZDKY Venture Capital is a subsidiary of the Company established to develop private equity investment fund businesses and is principally engaged in private equity investment fund business.

As at the date of this announcement, the Company holds 35% equity interest in Equity Exchange Co. and the Company can exercise control at the meetings of the board of directors and the general meetings of Equity Exchange Co.. Therefore, in accordance with the requirements under IFRS, as at the date of this announcement, Equity Exchange Co. is regarded as a subsidiary of the Company.

ZZKY Fund Management Company

ZZKY Fund Management Company is a company established under the laws of the PRC with limited liability, and is principally engaged in the management or entrusted management of non-securities equity investment and related consultancy services.

FINANCIAL INFORMATION OF ZZKY FUND MANAGEMENT COMPANY

Set out below are the audited financial information for each of the two years ended 31 December 2015 and 31 December 2016 and the audited financial information for the six months ended 30 June 2017 of ZZKY Fund Management Company prepared in accordance with CASBE:

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the six months ended 30 June 2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Audited)	(Audited)	(Audited)
Net profits/(losses) before taxation and extraordinary profit or loss items	770,931.56	747,267.41	143,085.67
Net profits/(losses) after taxation and extraordinary profit or loss items	607,049.16	503,950.12	115,938.46

The audited net asset of ZZKY Fund Management Company as at 30 June 2017 was RMB41,223,997.30.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Henan Investment Group holds approximately 20.98% of the issued share capital of the Company and is the largest substantial shareholder of the Company within the meaning of the Listing Rules. Pursuant to Rule 14A.07(1) of the Listing Rules, Henan Investment Group is a connected person of the Company. At the same time, Henan Investment Group holds 10% equity interest in Equity Exchange Co., which is a subsidiary of the Company. Therefore, Equity Exchange Co. is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules, and the transaction contemplated under the Equity Interest Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the transactions contemplated under the Equity Interest Transfer Agreement are more than 0.1% but less than 5%, the entering into of the Equity Interest Transfer Agreement is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	the Board of Directors
“Company”	Central China Securities Co., Ltd. (中原证券股份有限公司) (carrying on business in Hong Kong as “中州证券”), a joint stock company incorporated on 8 November 2002 in Henan Province, the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Equity Interest Transfer
“connected person”	has the same meaning as ascribed to this term under the Listing Rules
“connected subsidiary”	has the same meaning as ascribed to this term under the Listing Rules
“connected transaction”	has the same meaning as ascribed to this term under the Listing Rules
“CASBE”	China Accounting Standards for Business Enterprises (《中國企業會計準則》), the financial reporting standards and interpretations for business enterprises issued by the China Accounting Standards Committee of the China Ministry of Finance
“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Equity Exchange Co.”	Central China Equity Exchange Co., Ltd.* (中原股權交易中心股份有限公司), a joint stock company incorporated in the PRC with limited liability, and as at the date of this announcement, the Company holds 35% of its equity interest and the Company can exercise control at the meetings of its board of directors and at its general meetings; and in accordance with the requirements under IFRS, as at the date of this announcement, it is regarded as a subsidiary of the Company
“Equity Interest Transfer”	the transfer by Equity Exchange Co. of its 60% equity interest in ZZKY Fund Management Company to ZDKY Venture Capital pursuant to the Equity Interest Transfer Agreement

“Equity Interest Transfer Agreement”	Henan Zhongzheng Kaiyuan Venture Capital Fund Management Co., Ltd. 60% Equity Interest Transfer Agreement* (《河南中證開元創業投資基金管理有限公司60%股權轉讓合同》) entered into on 28 December 2017 between Equity Exchange Co. (as vendor) and ZDKY Venture Capital (as purchaser)
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange
“Henan CSRC”	the Henan Branch of the CSRC (中國證監會河南監管局)
“Henan Financial Service Office”	Financial Service Office of the Henan Provincial Government of the PRC
“Henan Investment Group”	Henan Investment Group Co., Ltd.* (河南投資集團有限公司), a limited liability company incorporated in the PRC and, as at the date of this announcement, the largest substantial shareholder of the Company within the meaning of the Listing Rules
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards (《國際財務報告準則》), including standards, revisions and interpretations promulgated by International Accounting Standards Board, and International Accounting Standards and Interpretations promulgated by International Accounting Standards Committee
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the same meaning as ascribed to this term under the Listing Rules
“substantial shareholder”	has the same meaning as ascribed to this term under the Listing Rules
“ZDKY Venture Capital”	Zhongding Kaiyuan Venture Capital Management Co., Ltd.* (中鼎開源創業投資管理有限公司), a limited liability company incorporated in the PRC, in which the Company holds 100% equity interest as at the date of this announcement

“ZZKY Fund
Management
Company”

Henan Zhongzheng Kaiyuan Venture Capital Fund Management Co., Ltd.*
(河南中證開元創業投資基金管理有限公司), a limited liability company
incorporated in the PRC, in which Equity Exchange Co. holds 60% equity
interest as at the date of this announcement

“%”

per cent.

By order of the Board of
Central China Securities Co., Ltd.
Jian Mingjun
Chairman

Henan, the PRC
28 December 2017

As at the date of this announcement, the Board comprises executive Director Mr. JIAN Mingjun, non-executive Directors Mr. LI Xingjia, Mr. WANG Lixin, Mr. ZHANG Qiang, Mr. ZHANG Xiaoqi and Mr. YU Zeyang, and independent non-executive Directors Mr. YUAN Dejun, Mr. YUEN Chi Wai, Mr. NING Jincheng and Mr. YU Xugang.

* For identification purposes only