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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 AND CONNECTED TRANSACTION
ACQUISITION OF 41.67% EQUITY INTEREST
IN THE TARGET COMPANY**

THE FORMAL AGREEMENT

Reference is made to the announcements of the Company dated 9 November 2018 and 14 March 2019 in relation to the MOU.

The Board announces that after trading hours on 18 March 2019, the Purchaser, a wholly-owned subsidiary of the Company entered into the Formal Agreement with the Vendor, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares at a Consideration of RMB90 million.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated by reference to Rule 19.07 of the GEM Listing Rules in respect of the Acquisition exceed(s) 25% but is/are less than 100%, the entering into of the Formal Agreement and the transactions contemplated thereunder together constitute a major transaction of the Company.

As at the date of this announcement, the Vendor is a non-wholly owned subsidiary of Guizhou Yongan, the controlling shareholder of the Company, who holds approximately 55.29% of the total issued share capital of the Company as at the date of this announcement. Accordingly, the Vendor is a connected person of the Company and the entering into of the Formal Agreement and the transactions contemplated thereunder also constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. The Acquisition is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 19 and Chapter 20 of the GEM Listing Rules.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Formal Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Formal Agreement and the transactions contemplated thereunder. Innovax Capital Limited has been appointed as the independent financial adviser to provide advice and recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Formal Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further particulars of the Acquisition together with, the recommendations of the Independent Board Committee, a letter from the Independent Financial Adviser, and a notice convening the EGM is expected to be despatched to the Shareholders on or before 9 April 2019.

WARNING NOTICE

Shareholders and potential investors of the Company should be aware that the Acquisition is subject to a number of conditions being satisfied, including but not limited to the approval of the Formal Agreement and the transactions contemplated thereunder at the EGM by the Independent Shareholders, and consequently the Acquisition may or may not proceed. Accordingly, Shareholders and potential investors are advised to exercise caution when they deal or contemplate dealing in the H Shares or other securities (if any) of the Company.

THE FORMAL AGREEMENT

Reference is made to the announcements of the Company dated 9 November 2018 and 14 March 2019 in relation to the entering into of the MOU. The Board announces that after trading hours on 18 March 2019, the Purchaser, a wholly-owned subsidiary of the Company entered into the Formal Agreement with the Vendor, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares, representing 41.67% of the total issued share capital of the Target Company at a Consideration of RMB90 million.

The principal terms of the Formal Agreement are summarized as follows:

Date 18 March 2019

Parties

The Purchaser: Shenzhen Yongan Huiju Water Technology Co., Ltd.* (深圳永安慧聚水務科技有限公司), a wholly-owned subsidiary of the Company in the PRC

| | |
|---------------------|---|
| The Vendor: | Qinghai Haiqing New Energy Technology Co., Ltd.* (青海海清新能源科技有限公司), an enterprise established in the PRC, which is the legal and beneficial owner of 41.67% of the entire issued shares in the Target Company as at the date of this announcement and is a subsidiary of Guizhou Yongan, the controlling shareholder of the Company |
| The Target Company: | Beijing Tepia Technology Co., Ltd.* (北京太比雅科技股份有限公司), a company established in the PRC and is listed on the NEEQ (Stock Code: 838941) |

Assets to be acquired

Pursuant to the Formal Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, free from encumbrances, the Sale Shares, representing 41.67% of the total issued share capital of the Target Company.

Consideration and payment terms

Subject to the terms of the Formal Agreement, the Consideration shall be RMB90 million, of which, (a) 30% of the Consideration (i.e. RMB27 million) shall be settled by way of payment of the Deposit by the Purchaser to the Vendor within 3 days from the date of the Formal Agreement; and (b) 70% of the Consideration (i.e. RMB63 million) shall be payable by the Purchaser within 3 days after the corresponding share transfer registration formalities in respect of the transfer of the Sale Shares have been completed. The Consideration will be financed as to 60% by bank loan(s) and as to 40% by internal resources of the Company.

The Consideration was determined on the basis of normal commercial terms and after arm's length negotiations between the Vendor and the Purchaser after taking into account, among others:

- (i) the preliminary valuation of the fair market value of the 41.67% interest of the Target Company at approximately RMB93.82 million as at 28 February 2019 by the Valuer, adopting the market approach;
- (ii) the historical performance of the Target Group;
- (iii) the future business prospect of the Target Group; and

(iv) the potential growth of the Target Group's sector.

The Consideration represents a discount of 4.1% to the valuation of the 41.67% of the entire issued share capital of the Target Company of RMB93.82 million based on the preliminary valuation report undertaken by the Valuer.

Conditions Precedent

Completion of the Formal Agreement is conditional upon the satisfaction (or waiver, if applicable) of the following conditions precedent:

- (a) the Purchaser being satisfied with the results of due diligence review conducted in respects of the Target Group's assets, liabilities, business and affairs at the Purchaser's sole and absolute discretion and independent judgment;
- (b) the Vendor, the Target Company and the Purchaser having obtained all the necessary waivers, approvals, grants, licenses, authorisations, consents and orders (if required) in relation to the Formal Agreement and the transactions contemplated thereunder from the relevant governmental or regulatory authorities or other third parties and such waivers, approvals, grants, licenses, authorisations, consents and orders not being revoked;
- (c) the Independent Shareholders having approved the Formal Agreement and the transactions contemplated thereunder at the EGM and such approval not being revoked;
- (d) no notice, order, judgment, action or proceeding of any court, arbitrator, authority, statutory or regulatory body having been served, issued or made which restricts, prohibits or makes unlawful any transaction contemplated by the Formal Agreement or which is reasonably likely to materially and adversely affect the rights of the Purchaser to own the legal and beneficial title to the Sale Shares, free from encumbrances, following the date of Completion;
- (e) the obtaining of a valuation report (in form and substance satisfactory to the Purchaser) issued by the Valuer on the Target Company and the value of the entire issued share capital of the Target Company shall be no less than RMB225,159,000;
- (f) the representations, warranties and undertakings given by the Vendor in the Formal Agreement having remained true, accurate and not misleading in all respects;
- (g) no other events leading to a material adverse change in the operations and value of the Target Company having occurred to the Target Group prior to Completion or being likely to occur whether on or before Completion; and

- (h) the Target Group having been operated in the usual course of its business since the date of the Formal Agreement.

If any of the aforesaid conditions precedent has not been fulfilled (or waived, as the case may be) (except that conditions precedent (b), (c) and (d) cannot be waived) on or before 5:00pm on the Long Stop Date, the Vendor shall forthwith return the Deposit to the Purchaser without interest and the Formal Agreement shall cease to be of any effect save and except in respect of any claims arising out of any antecedent breach of the Formal Agreement.

Completion

Completion shall take place on the third Business Day after the Vendor receiving written notice from the Purchaser that all conditions precedent to the Formal Agreement have been satisfied (or waived, as the case may be).

As at the date of this announcement, 41.67% of the total issued share capital of the Target Company is directly held by the Vendor. Immediately upon Completion, the Purchaser will be interested in 41.67% of the total issued share capital of the Target Company.

Adjustment of Consideration

The Vendor undertakes that any undisclosed liability of the Target Company (which shall be determined based on the Purchaser-appointed accountant's valuation) incurred before completion of the corresponding formal share transfer registration in respect of the transfer of the Sale Shares shall be reduced from the Consideration. If the Consideration has already been settled before the undisclosed liability is identified, then the Vendor should pay the Purchaser back the undisclosed liability amount as valued by such accountant in full within 5 Business Days after receiving the written notice from the Purchaser.

The Vendor further guarantees that for any loss incurred by the Target Group resulting from the Target Company's acts before completion of the corresponding formal share transfer registration in respect of the transfer of the Sale Shares leading to potential litigation, arbitration, guarantee, administrative penalty and/or other violation of relevant laws or legislations or other causes that may lead to the reduction of the Consideration which are not reflected in the Acquisition and lead to a loss to the Target Company, once confirmed, will be compensated by the Vendor to the Purchaser in cash in full amount, in proportion to its shareholding in the Target Company, within 30 Business Days to the bank account specified by the Purchaser after receiving a written notice from the Purchaser.

Other Undertakings

The Vendor will procure and ensure all undistributed profit of the Target Company that the Vendor is entitled to as of the benchmark date (i.e. 28 February 2019) will be transferred to the Purchaser.

The Vendor will procure and ensure that any profit or increase of the net assets due to any other reasons of the Target Company which arises during the period from the day after the benchmark date (i.e. 28 February 2019) to the date of Completion will be distributed to the shareholders in proportion to their respective shareholdings after the date of Completion.

During the period from the date of the Formal Agreement to the date of Completion, the Vendor (and the Vendor shall procure and ensure that the Target Company) shall not create encumbrances over the Sale Shares or the assets of the Target Company, dispose major assets, make external guarantees or dividend distribution, increase its debt or waive its rights to debt, issue new shares, engage in capital lending or grant share options without the written consent of the Purchaser.

INFORMATION ON THE COMPANY AND THE PURCHASER

The Company

The Company is a joint stock limited company established in the PRC and the H Shares of which are listed on the GEM of the Stock Exchange. The Group is principally engaged in (i) the manufacture, research and development and sale of woven fabrics, (ii) the provision of subcontracting services (iii) the assets management services and; (iv) investment advisory services.

The Purchaser

The Purchaser is a wholly-owned subsidiary of the Company in the PRC, principally engaged in investment holding.

INFORMATION ON THE VENDOR

The Vendor

The Vendor is a shareholder interested in 41.67% of the entire issued shares of the Target Company, and is principally engaged in investment holding.

The Vendor became a shareholder of the Target Company in August 2017 when the Target Company issued 60,000,000 shares to the Vendor by way of private placement at a price of RMB1.45 per share at a total cost of RMB87 million.

INFORMATION ON THE TARGET COMPANY

The Target Company is Beijing Tepia Technology Co., Ltd.* (北京太比雅科技股份有限公司), a company incorporated in the PRC principally engaged in providing information planning and design, software development, system integration and project-based systems operation and maintenance services for water management systems. The relevant systems and services are used in waterworks planning and management, water resources conservation and utilization, flood prevention and drought control, water environment management and aquatic ecological restoration. The Target Company is listed on the NEEQ (Stock Code: 838941) and based in Beijing, the PRC.

The Target Company also has three subsidiaries, namely:

1. Guizhou Intelligent Water Technology Company Limited* (貴州智慧水雲科技有限公司), a non-wholly owned subsidiary, which specializes in providing information technology consulting services in the area of water supplies;
2. Intelligent Water (Wuhan) Technology Company Limited* (智慧水雲(武漢)科技有限公司), a wholly owned subsidiary, which specializes in systems integration, information technology consulting services, data process services, software development, construction project management, environmental monitoring technology services; and
3. Guangdong Intelligent Water Technology Company Limited* (廣東智慧水雲科技有限公司), a non-wholly owned subsidiary, which specializes in software development, software test services, IT technology development, systems integration services and network system engineering services.

The preliminary valuation of the fair market value of the 41.67% of the entire issued share capital of the Target Company prepared by the Valuer as at 28 February 2019 is approximately RMB93.82 million. The unaudited net asset value of the Target Group as at 31 December 2018 was RMB151 million.

The unaudited revenue and net profits (before and after taxation) of the Target Group under HKFRS for the two years ended 31 December 2017 and 2018 are as below:

| | For the year ended 31 December 2017 RMB'000 (unaudited) | For the year ended 31 December 2018 RMB'000 (unaudited) |
|---|--|--|
| Revenue | 10,066 | 73,106 |
| (Loss)/profit before taxation | (15,515) | 23,836 |
| (Loss)/profit attributable to the shareholders of the Target Company | (13,495) | 20,951 |

REASONS FOR AND BENEFITS OF THE ACQUISITION

In order to diversify the Group's business and broaden the source of income of the Group, the Group has been proactively seeking potential investment opportunities. In view of current lack of complete planning, design and maintenance in the areas of urban waterworks planning and management, water resources conservation and utilization, flood prevention and drought control, disasters prevention and related loss reduction, water environment management and aquatic ecological restoration, the Directors expect that there will be business opportunities to solve these problems through using the water management software, system integration, operation and maintenance services developed by the Target Group which are able to instantly sense the operation status of the urban water supply and drainage system, and visually integrate the water management department and the water supply and drainage facilities.

The Directors believe that the growth of water management, planning, operation and maintenance-related business is promising. As such, the Company is exploring business opportunities in development of technology applications around water management, planning, operation and maintenance-related business, including by way of acquisitions. In light of the business prospects and the experienced management team of the Target Group, the Company is confident that the Acquisition will allow the Group to capture the opportunities arising from the potential growth in water management, planning, operation and maintenance-related business.

The Company considers that the Acquisition is in line with the Group's business diversification strategy and represents an attractive investment opportunity of the Group to tap into the water management-related business in the PRC with growth potential and to generate diversified income and additional cash flow through the Acquisition.

The Directors (excluding all the independent non-executive Directors of the Company, who will give their opinion based on the recommendations from the Independent Financial Adviser) considered that the terms of the transactions contemplated under the Formal Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated by reference to Rule 19.07 of the GEM Listing Rules in respect of the Acquisition exceed(s) 25% but is/are less than 100%, the entering into of the Formal Agreement and the transactions contemplated thereunder together constitute a major transaction of the Company.

As at the date of this announcement, the Vendor is a non-wholly owned subsidiary of Guizhou Yongan, the controlling shareholder of the Company. Accordingly, the Vendor is a connected person of the Company and the entering into of the Formal Agreement and the transactions contemplated thereunder also constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. The Acquisition is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 19 and Chapter 20 of the GEM Listing Rules.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Formal Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Formal Agreement and the transactions contemplated thereunder. Innovax Capital Limited has been appointed as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Formal Agreement and the transactions contemplated thereunder.

GENERAL

A circular containing, among other things, further particulars of the Acquisition together with, the recommendations of the Independent Board Committee, a letter from the Independent Financial Adviser, and a notice convening the EGM is expected to be despatched to the Shareholders on or before 9 April 2019.

WARNING NOTICE

Shareholders and potential investors of the Company should be aware that the Acquisition is subject to a number of conditions being satisfied, including but not limited to the approval of the Formal Agreement and the transactions contemplated thereunder at the EGM by the Independent Shareholders, and consequently the Acquisition may or may not proceed. Accordingly, Shareholders and potential investors are advised to exercise caution when they deal or contemplate dealing in the H Shares or other securities (if any) of the Company.

DEFINITIONS

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

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| “Acquisition” | the acquisition by the Purchaser of 41.67% of the entire issued share capital of the Target Company from the Vendor |
| “associate(s)” | has the meaning ascribed to it in the GEM Listing Rules |
| “Board” | the board of Directors |
| “Business Day(s)” | a day other than a Saturday, a Sunday or a public holiday in the PRC |
| “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 issued H Shares of which are listed on GEM of the Stock Exchange (stock code: 8211) |
| “Completion” | completion of the Acquisition |
| “connected person” | has the meaning ascribed to it in the GEM Listing Rules |
| “Consideration” | the total sum of RMB90 million payable by the Purchaser to the Vendor for the purchase of the Sale Shares |
| “controlling shareholder” | has the meaning ascribed to it in the GEM Listing Rules |
| “Deposit” | the total sum of RMB27 million payable by the Purchaser to the Vendor, being the deposit for the purchase of the Sale Shares |
| “Director(s)” | the director(s) of the Company |
| “EGM” | an extraordinary general meeting (or any adjournment thereof) of the Company to be convened to consider and, if think fit, approve, among other things, the Formal Agreement and the transactions contemplated thereunder |
| “Formal Agreement” | the formal share transfer agreement dated 18 March 2019 entered into between the Purchaser and the Vendor in respect of the Acquisition |

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| “GEM Listing Rules” | The Rules Governing the Listing of Securities on GEM of the Stock Exchange |
| “Group” | the Company and its subsidiaries |
| “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, which holds approximately 55.29% of the total issued share capital of the Company as at the date of this announcement, and is the Company’s controlling shareholder |
| “H Share(s)” | overseas listed foreign share(s) (H shares) of nominal value of RMB0.1 each in the capital of the Company which are listed on GEM and subscribed for in Hong Kong dollars |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “HKFRS” | Hong Kong Financial Reporting Standards |
| “Independent Board Committee” | the independent committee of the Board comprising all of the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Formal Agreement and the transactions contemplated thereunder |
| “Independent Financial Adviser” | Innovax Capital Limited, a corporation licensed to carry out Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Formal Agreement and the transactions contemplated thereunder |
| “Independent Shareholders” | Shareholders other than Guizhou Yongan and its associates who have material interest in the Formal Agreement and the transactions contemplated thereunder |
| “Long Stop Date” | 30 September 2019, or such other date as may be agreed between the Purchaser and the Vendor in writing |
| “MOU” | the memorandum of understanding dated 9 November 2018 entered into between the Purchaser and the Vendor in relation to the Acquisition |
| “NEEQ” | National Equities Exchange and Quotations in the PRC |

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| “percentage ratio” | the percentage ratios as defined under Rule 19.07 of GEM Listing Rules |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong Special Administrative Region, Macao Special Administrative Region of the PRC and Taiwan |
| “Purchaser” | Shenzhen Yongan Huiju Water Technology Co., Ltd.* (深圳永安慧聚水務科技有限公司), a wholly-owned subsidiary of the Company in the PRC |
| “Sale Shares” | 60,000,000 ordinary shares of RMB0.10 each in the Target Company, representing 41.67% of the issued share capital of the Target Company held by the Vendor |
| “Shareholder(s)” | holder(s) of the H Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Beijing Tepia Technology Co., Ltd.* (北京太比雅科技股份有限公司), a company established in the PRC and is listed on the NEEQ (Stock Code: 838941) and based in Beijing, the PRC |
| “Target Group” | the Target Company and its subsidiaries |
| “Valuer” | AVISTA Valuation Advisory Limited, a qualified independent third party valuer in Hong Kong |
| “Vendor” | Qinghai Haiqing New Energy Technology Co., Ltd.* (青海海清新能源科技有限公司), an enterprise established in the PRC which is the legal and beneficial owner of 41.67% of the issued share capital in the Target Company as at the date of this announcement, is a non-wholly owned subsidiary of Guizhou Yongan, the controlling shareholder of the Company, and accordingly, a connected person of the Company |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “%” | per cent |

In this announcement, amounts in RMB are translated to HK\$ on the basis of RMB1 = HK\$1.17. The conversion is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK\$ at that rate or at other rates or at all.

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

18 March 2019

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 independent non-executive Directors are Mr. Song Ke, Mr. Wang Hui and Mr. Wang Zhong.

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 www.hkgem.com for at least 7 days from the date of its posting and on the Company’s website at www.zj-yongan.com.

* For identification purposes only