
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Zhejiang Yongan Rongtong Holdings Co., Ltd., you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

**(I) MAJOR TRANSACTIONS;
CONTINUING CONNECTED TRANSACTION; AND
CONNECTED TRANSACTION
IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE;
AND
(II) NOTICE OF EGM**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A notice convening the EGM to be held at the conference room of the office building of the Company at Yangxun Qiao Town, Keqiao Qu, Shaoxing, Zhejiang Province, the PRC on Friday, 22 July 2022 at 10:00 a.m. is set out on pages 44 to 47 of this circular. A reply slip and a form of proxy for use at the EGM are also enclosed with this circular.

A letter from the Board is set out on pages 4 to 12 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 13 to 14 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 35 of this circular.

Whether or not you propose to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same, for holders of H Shares, to the Company's H share registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong and for holders of Domestic Shares, to the Company's legal address at Yangxun Qiao Town, Keqiao Qu, Shaoxing, Zhejiang Province, the PRC as soon as possible and in any event not later than 24 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

This circular will remain on the "Latest Listed Company Information" page of the website of GEM at <http://www.hkgem.com> for at least 14 days from the date of its posting and on the website of the Company at <http://www.zj-yonglong.com>.

* For identification purpose only

26 May 2022

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	13
Letter from the Independent Financial Adviser	15
Appendix I — Financial information of the Group	36
Appendix II — General information	39
Notice of EGM	44

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the meanings as set out below:

“Announcements”	announcement of the Company dated 31 March 2022 in relation to the Revolving Loan Agreement and the Second Supplemental Debt Repayment Agreement, announcement of the Company dated 28 April 2022 in relation to the delay in despatch of circular and announcement of the Company dated 16 May 2022 in relation to the Third Supplemental Debt Repayment Agreement
“Agreements”	collectively, the Revolving Loan Agreement, the Second Supplemental Debt Repayment Agreement and the Third Supplemental Debt Repayment Agreement
“Availability Period”	the period from 1 January 2021 to 31 March 2022, during which the Company or its subsidiary provided the Revolving Loan to Zhejiang Yongli or its designated parties
“Board”	the board of Directors
“close associate”	has the meaning ascribed thereto under the GEM Listing Rules
“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 liability company established in the PRC, the issued H Shares of which are listed on GEM
“controlling shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Directors”	directors of the Company
“Domestic Share(s)”	domestic share(s) of nominal value of RMB0.1 each in the share capital of the Company, which are subscribed for or credit as fully paid up in RMB
“EGM”	an extraordinary general meeting of the Company to be convened and held for the purposes of, among other matters, considering and, if thought fit, ratifying or approving (as the case may be) the Agreements and the transactions contemplated thereunder
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

DEFINITIONS

“Group”	the Company and its subsidiaries from time to time
“Guizhou Yongli”	貴州永利企業管理有限公司 (Guizhou Yongli Corporate Management Co., Ltd.*), a company established in the PRC with limited liability and the controlling shareholder of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	overseas listed foreign share(s) of nominal value of RMB0.1 each in the share capital of the Company which are listed on GEM and subscribed for in Hong Kong dollars
“Independent Board Committee”	the independent board committee of the Board comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Zhejiang Yongli and its close associates (including Guizhou Yongli) and those who are required to abstain from voting at the EGM under the GEM Listing Rules
“Innovax Capital Limited”	Innovax Capital Limited, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreements and the transactions contemplated thereunder, and a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
“Latest Practicable Date”	23 May 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Loan Interest”	the loan interest charged by the Company under the Revolving Loan Agreement
“PRC”	the People’s Republic of China
“Revolving Loan”	the revolving loan provided by the Company or its subsidiary to Zhejiang Yongli or its designated parties during the Availability Period in the principal amount of up to RMB35,000,000

DEFINITIONS

“Revolving Loan Agreement”	the revolving loan agreement dated 31 March 2022 entered into between the Company and Zhejiang Yongli in relation to the provision of the Revolving Loan
“RMB”	Renminbi, the lawful currency of the PRC
“Second Supplemental Debt Repayment Agreement”	the second supplemental debt repayment agreement dated 31 March 2022 entered into between the Company, Guizhou Yongli and Zhejiang Yongli
“Settlement Arrangement”	the settlement arrangement agreed between the Company and Guizhou Yongli in relation to the repayment of the Shareholder’s Loan under the Supplemental Debt Repayment Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Domestic Share(s) and the H Share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	the shareholder’s loan indebted by the Company to Guizhou Yongli from time to time and in the total outstanding amount of RMB218,474,890.06 as at the Latest Practicable Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Debt Repayment Agreement”	the supplemental debt repayment agreement dated 30 November 2020 entered into between the Company and Guizhou Yongli
“Third Supplemental Debt Repayment Agreement”	the third supplemental debt repayment agreement dated 16 May 2022 entered into between the Company, Guizhou Yongli and Zhejiang Yongli
“Zhejiang Yongli”	浙江永利實業集團有限公司 (Zhejiang Yongli Industry Group Co., Ltd*), a company established in the PRC with limited liability and the ultimate holding company of Guizhou Yongli
“%”	per cent.

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)

Executive Directors:

Mr. Lou Lijiang (*Chairman*)
Ms. He Lianfeng (*Chief Executive Officer*)
Mr. Hu Hua Jun

Non-executive Director:

Mr. Xia Zhenbo

Independent non-executive Directors:

Mr. Yu Weidong
Mr. Zhang Jianyong
Mr. Yuan Lingfeng

Legal address:

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

Place of business in Hong Kong:

Suites 2701-08, 27th Floor
Shui On Centre,
6-8 Harbour Road,
Wanchai,
Hong Kong

26 May 2022

To the Shareholders

Dear Sir or Madam,

**(I) MAJOR TRANSACTIONS;
CONTINUING CONNECTED TRANSACTION; AND
CONNECTED TRANSACTION
IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE;
AND
(II) NOTICE OF EGM**

INTRODUCTION

Reference is made to the Announcements. The purpose of this circular is to provide you with, among other things, (i) further details of the Revolving Loan Agreement and the transactions contemplated thereunder; (ii) further details of the Second Supplemental Debt Repayment Agreement and the Third Supplemental Debt Repayment Agreement; (iii) a letter of recommendation from the Independent Board Committee; (iv) a letter of advice from the Independent Financial Adviser Committee; and (v) a notice of EGM.

* *For identification purpose only*

LETTER FROM THE BOARD

THE REVOLVING LOAN AGREEMENT

On 31 March 2022, the Company entered into the Revolving Loan Agreement with Zhejiang Yongli, the principal terms of which are as follows:

Date:	31 March 2022 (after trading hours of the Stock Exchange)
Parties:	(1) The Company (as the lender) (2) Zhejiang Yongli (as the borrower)
Revolving Loan:	an unsecured revolving loan granted by the Company or its subsidiary to Zhejiang Yongli or its designated parties from time to time during the Availability Period in the principal amount of up to RMB35,000,000
Availability Period:	1 January 2021 to 31 March 2022
Interest:	the Company is entitled to Loan Interest at the relevant loan prime rate issued by the National Interbank Funding Centre accruing from the date of grant of the relevant Revolving Loan up to the repayment date. From 1 January 2021 to 7 December 2021, the corresponding interest rate charged on the Revolving Loan (“ Corresponding Interest Rate ”) was 3.85%. From 20 December 2021 to 19 January 2022, the Corresponding Interest Rate was 3.80%. From 20 January 2022 to 31 March 2022, the Corresponding Interest Rate was 3.70%.

Pursuant to the Revolving Loan Agreement, the parties confirmed, among others, that (i) the maximum outstanding principal amount of the Revolving Loan advanced by the Company or its subsidiary to Zhejiang Yongli or its designated parties during the Availability Period was in the amount of RMB34,900,000; (ii) as at the date of the Revolving Loan Agreement, Zhejiang Yongli has repaid the Company all outstanding principal amount of the Revolving Loan; and (iii) as at the date of the Revolving Loan Agreement, Zhejiang Yongli is indebted to the Company Loan Interest in the total amount of RMB1,144,756.

After taking into consideration of the following, among other things: (i) the maximum outstanding principal amount of the Revolving Loan advanced by the Company or its subsidiary to Zhejiang Yongli or its designated parties during the Availability Period was in the amount of RMB34,900,000; (ii) as at the date of the Revolving Loan Agreement, Zhejiang Yongli has repaid the Company all outstanding principal amount of the Revolving Loan; and (iii) as at the date of the Revolving Loan Agreement, Zhejiang Yongli is indebted to the Company Loan Interest in the total amount of RMB1,144,756, the Company has set an annual cap in the amount of RMB35,000,000 for the purpose of Rule 20.51 of the GEM Listing Rules.

LETTER FROM THE BOARD

THE SHAREHOLDER'S LOAN

Since 23 December 2016, the Company has been indebted to Guizhou Yongli the Shareholder's Loan in the total outstanding amount of approximately RMB239,677,000. On 30 November 2020, the Company and Guizhou Yongli entered into the Supplemental Debt Repayment Agreement, pursuant to which it was agreed that the total outstanding amount of the Shareholder's Loan was in the amount of RMB218,475,000.06 as at the date of the Supplemental Debt Repayment Agreement and the Settlement Arrangement was agreed between the parties as follows:

- (a) in the first and second year from the date of the Supplemental Debt Repayment Agreement (i.e. for the two years ended 31 December 2022), the Company would not be required to make any repayment;
- (b) in the third to seventh year from the date of the Supplemental Debt Repayment Agreement (i.e. for the five years ended 31 December 2027), the Company would be required to make repayment in the amount of RMB800,000 on or before 31 March of each year; and
- (c) in 2028 and onwards, the Company would be required to make repayment on an annual basis, the amount of which should not exceed 50% of the Company's operating cash flow for that year until the full repayment of the total outstanding Shareholder's Loan.

The Shareholder's Loan is unsecured and interest free.

THE SECOND SUPPLEMENTAL DEBT REPAYMENT AGREEMENT

On 31 March 2022, the Company, Guizhou Yongli and Zhejiang Yongli entered into the Second Supplemental Debt Repayment Agreement, pursuant to which (i) as at the date of the Second Supplemental Debt Repayment Agreement, the Company is indebted to Guizhou Yongli the Shareholder's Loan in the total outstanding amount of RMB218,474,890.06 and the Company agreed to repay in advance part of the Shareholder's Loan in the amount of RMB30,000,000 to Guizhou Yongli; (ii) upon receipt of the payment of RMB30,000,000 from the Company, Guizhou Yongli agreed (a) to waive part of the Shareholder's Loan in the amount of RMB30,000,000; (b) the Shareholder's Loan be set off against the equivalent amount of the Loan Interest on dollar-for-dollar basis and upon which the Loan Interest would be repaid in full; (iii) upon completion of the above repayment in advance, waiver of part of the Shareholder's Loan and the set off of Shareholder's Loan against the Loan Interest, the Company will be indebted to Guizhou Yongli the Shareholder's Loan in the total outstanding amount of RMB157,330,134.06, which will be settled by the Company in accordance with the Settlement Arrangement agreed by the parties under the Supplemental Debt Repayment Agreement.

LETTER FROM THE BOARD

THE THIRD SUPPLEMENTAL DEBT REPAYMENT AGREEMENT

On 16 May 2022, the Company, Guizhou Yongli and Zhejiang Yongli entered into the Third Supplemental Debt Repayment Agreement pursuant to which, (i) as at the date of the Third Supplemental Debt Repayment Agreement, the Company is indebted to Guizhou Yongli the Shareholder's Loan in the total outstanding amount of RMB218,474,890.06 and the Company agreed to repay in advance part of the Shareholder's Loan in the amount of RMB18,000,000 (instead of RMB30,000,000 previously agreed under the Second Supplemental Debt Repayment Agreement) to Guizhou Yongli, which will be settled by the internal resources of the Company; (ii) upon receipt of the payment of RMB18,000,000 from the Company, Guizhou Yongli agreed (a) to waive part of the Shareholder's Loan in the amount of RMB18,000,000; (b) the Shareholder's Loan be set off against the equivalent amount of the Loan Interest on dollar-for-dollar basis and upon which the Loan Interest would be repaid in full; (iii) upon completion of the above repayment in advance, waiver of part of the Shareholder's Loan and the set off of Shareholder's Loan against the Loan Interest, the Company will be indebted to Guizhou Yongli the Shareholder's Loan in the total outstanding amount of RMB181,330,134.06, which will be settled by the Company in accordance with the Settlement Arrangement agreed by the parties under the Supplemental Debt Repayment Agreement.

As the repayment in advance of part of the Shareholder's Loan in the amount of RMB18,000,000 will be settled by the internal resources of the Company, the Second Supplemental Debt Repayment Agreement and the Third Supplemental Debt Repayment Agreement are conditional upon and subject to the satisfaction of the condition of the approval of the Independent Shareholders at the EGM to be convened to approve the Second Supplemental Debt Repayment Agreement and the Third Supplemental Debt Repayment Agreement and the transactions contemplated thereunder in accordance with the requirements under the GEM Listing Rules having been obtained only and are no longer subject to the obtaining of any bank loan by the Company.

The above condition is not waivable and if the above condition has not been satisfied on or before 15 July 2022 (or such later date as may be agreed between the parties), the Company shall repay the total outstanding amount of the Shareholder's Loan according to the Settlement Arrangement and Zhejiang Yongli shall, within 10 days upon receipt of the written notice from the Company that the above conditions cannot be satisfied, repay the Loan Interest in the total amount of RMB1,144,756 to the Company.

As at the Latest Practicable Date, the above condition remained unfulfilled.

REASONS FOR AND BENEFITS OF THE AGREEMENTS

The principal activities of the Group are (i) the manufacture, and sale of woven fabrics; (ii) the provision of woven fabrics subcontracting services; (iii) assets management services; and (iv) investment advisory services.

LETTER FROM THE BOARD

The Revolving Loan was first granted by the Company on 4 January 2021. Since then, the Revolving Loan were granted by the Company or its subsidiary to Zhejiang Yongli or its designated parties at the request of Zhejiang Yongli from time to time due to its short term working capital needs especially under the current COVID-19 pandemic situation. In fact, during the Availability Period, the Revolving Loan were granted by the Company or its subsidiary to Zhejiang Yongli or its designated parties at the request of Zhejiang Yongli from time to time and there had been repayments made by Zhejiang Yongli and its designated parties from time to time depending on their working capital position and the period of repayment by Zhejiang Youngli was in fact no longer than 29 days. As such, on the condition that the business operation of the Company was not affected and the Company has sufficient idle cash, the Company or its subsidiary agreed to grant the Revolving Loan to Zhejiang Yongli or its designated parties during the Availably Period and the Company would be able to receive interest income in return.

In relation to the proposed settlement arrangement under the Third Supplemental Debt Repayment Agreement, the Company agreed to repay in advance part of the Shareholder's Loan in the amount of RMB18,000,000 to Guizhou Yongli and in return, (i) Guizhou Yongli agreed to waive part of the Shareholder's Loan in the amount of RMB18,000,000 and that the Shareholder's Loan be set off against the equivalent amount of the Loan Interest on dollar-for-dollar basis and upon which the Loan Interest would be repaid in full; and (ii) the total outstanding amount of the Shareholder's Loan will be reduced to RMB181,330,134.06 and will be settled by the Company in accordance with the Settlement Arrangement agreed by the parties under the Supplemental Debt Repayment Agreement. As Guizhou Yongli agreed to waive part of the Shareholder's Loan in the amount of RMB18,000,000, it is commercially justifiable for the Company to repay in advance part of the Shareholder's Loan in the amount of RMB18,000,000 and the amount of the Shareholder's Loan agreed to be waived by Guizhou Yongli will be settled by the internal resources of the Company.

On 23 May 2022, the Company, Guizhou Yongli and Zhejiang Yongli entered into a undertaking letter (the "**Undertaking Letter**") pursuant to which Guizhou Yongli and Zhejiang Yongli are willing to continue to support the Company by irrevocably and unconditionally undertake to the Company that, (i) should the repayment in advance of part of the Shareholder's Loan in the amount of RMB18,000,000 to Guizhou Yongli under the Third Supplemental Debt Repayment Agreement will cause any liquidity problem of the Group in the future, they will provide a loan in the amount of up to RMB18,000,000 (the "**Supporting Loan**") to the Company upon the request of the Company from time to time from the date of the undertaking letter up to the full repayment of the Shareholder's Loan and the Supporting Loan will be interest free and the repayment terms will be the same as the Settlement Arrangement (i.e. in the first and second year from the date of grant of the Supporting Loan, the Company would not be required to make any repayment, in the third to seventh year from the date of grant of the Supporting Loan, the Company would be required to make repayment in the amount of RMB800,000 on or before 31 March of each year and in the eighth year and onwards, the Company would be required to make repayment on an annual basis, the amount of which should not exceed 50% of the Company's operating cash flow for that year until the full repayment of the total outstanding loan); and (ii) by providing the

LETTER FROM THE BOARD

Supporting Loan to the Company pursuant to the Undertaking Letter, the waiver of part of the Shareholder's Loan in the amount of RMB18,000,000 by Guizhou Yongli under the Third Supplemental Debt Repayment Agreement will remain valid and will not be revoked.

Based on the above, the Directors (save for the independent non-executive Directors whose views shall be set out in the circular) consider that the terms and conditions of the Agreements are on normal commercial terms and are fair and reasonable and that the Agreements are in the interests of the Company and the Shareholders as a whole.

Ms. He Lianfeng (“**Ms. He**”), an executive Director and her spouse totally have approximately 0.039% of interest in Zhejiang Yongli, the ultimate holding company of the Company. Mr. Xia Zhenbo (“**Mr. Xia**”), a non-executive Director is beneficially interested in 640,000 H Shares of the Company. Accordingly, Ms. He and Mr. Xia are considered to have a material interest under the Agreements and have abstained from voting at the Board meeting for approving the transactions contemplated under the Agreements. Save as disclosed herein, no other Director has a material interest in the Agreements and is therefore not required to abstain from voting at the Board meeting.

GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Zhejiang Yongli owns 65% equity interest in Guizhou Yongli and Guizhou Yongli is interested in approximately 55.29% of the issued share capital of the Company and hence the controlling shareholder of the Company (as defined under the GEM Listing Rules). Accordingly, each of Zhejiang Yongli and Guizhou Yongli is a connected person of the Company.

Zhejiang Yongli is principally engaged in investment holding in the PRC and Guizhou Yongli is principally engaged in investment holding in the PRC. Zhejiang Yongli is owned by Mr. Zhou Yongli and his spouse, Ms. Xia Wanmei of approximately 94.25% and 3.49% respectively.

As the highest applicable percentage ratio calculated in respect of the provision of financial assistance and annual cap in the amount of RMB35,000,000 under the Revolving Loan Agreement exceeds 25%, the Revolving Loan Agreement and the transactions contemplated thereunder constitute a major transaction and continuing connected transaction on the part of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under the GEM Listing Rules.

As the highest applicable percentage ratio calculated in respect of the provision of financial assistance under the Second Supplemental Debt Repayment Agreement and the Third Supplemental Debt Repayment Agreement exceed 25%, the Second Supplemental Debt Repayment Agreement, the Third Supplemental Debt Repayment Agreement and the transactions contemplated thereunder constitute a major transaction and connected transaction on the part of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under the GEM Listing Rules.

LETTER FROM THE BOARD

OTHERS

During the review of the annual results of the Company for the year ended 31 December 2021, the Revolving Loan was discovered and investigated by the supervisory committee of the Company and it was noted that the Revolving Loan would have constituted a major transaction for provision of financial assistance and continuing connected transaction on the part of the Company under the GEM Listing Rules. The failure by the Company to comply with the reporting, announcement and Independent Shareholders' approval requirements under the GEM Listing Rules in respect of the Revolving Loan was due to the oversight of the Company and unintentional. Upon discovery of the Revolving Loan, the Company has consulted its legal adviser on the requirements under GEM Listing Rules as soon as practicable and published the Announcement to re-comply the GEM Listing Rules requirements. The Company issues this circular and convenes the EGM to obtain the Independent Shareholders' approval in relation to the Revolving Loan.

In order to prevent the occurrence of similar non-compliance incident in the future and to comply with the requirements under the GEM Listing Rules, the Company has taken or will take the following remedial actions:

- (i) the Company had reviewed other bank remittances made by the Company and checked whether it is necessary for the Company to comply with any requirements under the GEM Listing Rules. Save as disclosed in the Announcement, the Company did not discover other transaction which would be required to comply with the requirements under the GEM Listing Rules;
- (ii) the Company has published the announcement dated 31 March 2022 in relation to the Revolving Loan Agreement and the Second Supplemental Debt Repayment Agreement to inform the shareholders of the details of, among other things, the Revolving Loan;
- (iii) the Company issues this circular containing the details of the Revolving Loan to the Shareholders and will convene the EGM for the Independent Shareholders to approve, confirm and ratify the Revolving Loan;
- (iv) the Company has issued a memorandum to the Board and senior management of the Company to report the incident of non-compliance of GEM Listing Rules in relation to the Revolving Loan and to reiterate the importance to strictly follow the internal control measures adopted by the Company on 29 April 2022 to ensure that the Company will be able to comply with the applicable requirements under the GEM Listing Rules, and in case of any doubt, the Company will consult external legal advisers, financial advisers and/or the Stock Exchange in advance;
- (v) the Company has engaged Avista PRO-WIS Risk Advisory Limited (the "**Internal Control Consultant**") to conduct an internal control review particularly in relation to the bank remittance and operation of bank accounts, the procedures of connected transaction and notifiable transaction of the Company and implement the necessary measures to enhance the internal control of the Company considering that the Internal Control

LETTER FROM THE BOARD

Consultant (i) is independent from the Company; and (ii) has solid experience advising more than 800 companies of a wide range of trades in different aspects, including but not limited to internal control and risk management, environmental, social and governance advisory, and initial public offerings. The Internal Control Consultant is in the course of conducting the internal control review and the first review is expected to be completed on or before 31 May 2022. The Company will make further announcement(s) in relation to the result of the internal control review and measures (if any) to be implemented to enhance the internal control of the Company as and when appropriate; and

- (vi) the relevant personnel(s) of the Group involved in the Revolving Loan will attend a training in relation to the requirements under Chapters 19 and 20 of the GEM Listing Rules on or before 31 May 2022 to get himself/herself familiar with the requirements under the GEM Listing Rules and to ensure that he/she will procure the Company to comply with the requirements under the GEM Listing Rules in the future.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder.

Innovax Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder.

EGM

The notice of EGM is set out on pages 44 to 47 of this circular. At the EGM, ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, ratify the Revolving Loan Agreement and the transactions contemplated thereunder and approve the Second Supplemental Debt Repayment Agreement, the Third Supplemental Debt Repayment Agreement and the transactions contemplated thereunder. A reply slip and a form of proxy for use at the EGM are enclosed with this circular.

Whether or not you propose to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same, for holders of H Shares, to the Company's H share registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong and for holders of Domestic Shares, to the Company's legal address at Yangxun Qiao Town, Keqiao Qu, Shaoxing, Zhejiang Province, the PRC as soon as possible and in any event not later than 24 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, all the proposed resolutions will be put to vote by way of poll at the EGM. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

As at the Latest Practicable Date, Zhejiang Yongli owns 65% equity interest in Guizhou Yongli and Guizhou Yongli is interested in approximately 55.29% of the issued share capital of the Company and hence the controlling shareholder of the Company (as defined under the GEM Listing Rules). As Zhejiang Yongli is the controlling shareholder of the Company, therefore Zhejiang Yongli and its close associates (including Guizhou Yongli) are required to abstain from voting at the EGM. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, no other Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

RECOMMENDATION

The Directors (including the independent non-executive Directors whose views have been set out in this circular together with the advice of the Independent Financial Adviser) are of the view that the entering into of the Agreements and the resolutions proposed for consideration and approval by the Shareholders at the EGM are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions as set out in the notice of EGM.

MISCELLANEOUS

Unless otherwise stated herein, the English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

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

By order of the Board
Zhejiang Yongan Rongtong Holdings Co., Ltd.
Lou Lijiang
Chairman and executive Director



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)

26 May 2022

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTIONS,
CONTINUING CONNECTED TRANSACTION AND
CONNECTED TRANSACTION**

We refer to the circular dated 26 May 2022 (the “**Circular**”) issued by the Company to the Shareholders, of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in its opinion, the terms of the Agreements and the transactions contemplated thereunder are fair and reasonable, are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Innovax Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 12 of the Circular and the text of a letter of advice from the Independent Financial Adviser, as set out on pages 15 to 35 of the Circular, both of which provide details of the Agreements and the transactions contemplated thereunder.

Having considered (i) the Agreements and the transactions contemplated thereunder; (ii) the advice of Innovax Capital Limited; and (iii) the relevant information contained in the letter from the Board, we are of the opinion that the terms of the Agreements and the transactions contemplated thereunder are on normal commercial terms, although not in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Agreements and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,
For and on behalf of
The Independent Board Committee of
Zhejiang Yongan Rongtong Holdings Co., Ltd.

Mr. YU Weidong
*Independent Non-executive
Director*

Mr. ZHANG Jianyong
*Independent Non-executive
Director*

Mr. YUAN Lingfeng
*Independent Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Innovax Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



26 May 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR TRANSACTIONS; CONTINUING CONNECTED TRANSACTIONS; AND CONNECTED TRANSACTION IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Revolving Loan Agreement, the Second Supplemental Debt Repayment Agreement and the Third Supplemental Debt Repayment Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in this circular (the “**Circular**”) dated 26 May 2022 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcements of the Company dated 31 March 2022 and 16 May 2022 in relation to (i) the Revolving Loan Agreement; (ii) the Second Supplemental Debt Repayment Agreement; and (iii) the Third Supplemental Debt Repayment Agreement. Details of the Agreements are set forth in the below section headed “Principal Factors and Reasons Considered — Terms and reasons for and benefits of the Agreements — 1. Principal Terms” below.

As at Latest Practicable Date, Zhejiang Yongli owns 65% equity interest in Guizhou Yongli and Guizhou Yongli is interested in approximately 55.29% of the issued share capital of the Company and hence the controlling shareholder of the Company (as defined under the GEM Listing Rules). Accordingly, each of Zhejiang Yongli and Guizhou Yongli is a connected person of the Company. Zhejiang Yongli is principally engaged in investment holding in the PRC and Guizhou Yongli is principally engaged in investment holding in the PRC. Zhejiang Yongli is owned by Mr. Zhou Yongli and his spouse, Ms. Xia Wanmei of approximately 94.25% and 3.49% respectively.

As (i) the highest applicable percentage ratio calculated in respect of the provision of financial assistance and annual cap in the amount of RMB35,000,000 under the Revolving Loan Agreement exceeds 25%, the Revolving Loan Agreement and the transactions contemplated thereunder

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

constitute a major transaction and continuing connected transaction on the part of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under the GEM Listing Rules; and (ii) the highest applicable percentage ratio calculated in respect of the provision of financial assistance under the Second Supplemental Debt Repayment Agreement and the Third Supplemental Debt Repayment Agreement exceed 25%, the Second Supplemental Debt Repayment Agreement and the Third Supplemental Debt Repayment Agreement and the transactions contemplated thereunder constitute a major transaction and connected transaction on the part of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under the GEM Listing Rules.

The EGM will be convened and held, *inter alia*, for the respective Independent Shareholders to consider and, if thought fit, ratify the Revolving Loan Agreement and the transactions contemplated thereunder and approve the Second Supplemental Debt Repayment Agreement, the Third Supplemental Debt Repayment Agreement and the transactions contemplated thereunder. Ms. He Lianfeng (“**Ms. He**”), an executive Director and her spouse totally have approximately 0.039% of interest in Zhejiang Yongli, the ultimate holding company of the Company. Mr. Xia Zhenbo (“**Mr. Xia**”), a non-executive Director is beneficially interested in 640,000 H Shares of the Company. Accordingly, Ms. He and Mr. Xia are considered to have a material interest under the Agreements and have abstained from voting at the Board meeting for approving the transactions contemplated under the Agreements. Save as disclosed herein, no other Director has a material interest in the Agreements and is therefore not required to abstain from voting at the Board meeting.

The Independent Board Committee, comprising all the independent non-executive Directors (namely Mr. Yu Weidong, Mr. Zhang Jiangyong and Mr. Yuan Lingfeng), has been formed to advise the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder.

We, Innovax Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness in respect of the Agreements and the transactions contemplated thereunder. As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial Shareholders of the Company, or Zhejiang Yongli and its designated parties, or Guizhou Yongli, or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. We have not provided any other services to the Company in the last two years prior to the date of the Circular. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we have received or will receive any fees or benefits from the Company or the Directors, chief executive and substantial Shareholders of the Company or Zhejiang Yongli and its designated parties or Guizhou Yongli or any of their respective subsidiaries or associates or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 17.96 of the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true, accurate and complete in all material respects at the time they were made and continue to be true, accurate and complete in all material respects at the date of this Circular and continue to be so up to the date of the EGM, and Independent Shareholders will be informed of any material change of information in the Circular as soon as possible up to the date of the EGM. We have also relied on our discussion with the management of the Company (the “**Management**”) and its representatives regarding the Group and the representatives on the Agreements and the transactions contemplated thereunder, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Management and its representatives respectively in the Circular were reasonably made after due enquiry.

We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management and its representatives. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, or their respective associates, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the fairness and reasonableness in respect of the Agreements and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

A. Background information of the Group

The Group is a PRC-based company principally engaged in (i) the manufacture and sales of woven fabrics; (ii) the provision of woven fabrics subcontracting services; and (iii) assets management services; and (iv) investment advisory services. The Group operates its business in the PRC, Europe, South America, Middle East and other overseas regions.

Set forth below are the summary of the financial performance of the Group for the year ended 31 December 2019, 2020 and 2021 and the financial position of the Group as at 31 December 2019, 2020 and 2021, as extracted from the Company’s annual report for the year ended 31 December 2020 (the “**FY2020 Annual Report**”) and for the year ended 31 December 2021 (the “**FY2021 Annual Report**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
Revenue	134,537	77,980	98,184
— <i>Woven fabrics</i>	130,315	74,929	93,263
— <i>Subcontracting services</i>	4,222	2,751	4,921
— <i>Investment advisory services</i>	—	300	—
Finance costs	(5,929)	(6,587)	(2,017)
Loss for the year	(49,166)	(28,691)	(18,820)
	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
<i>Bank balances and cash</i>	46,896	31,635	30,968
Net current assets	83,554	70,382	63,178
Total assets	331,951	293,307	276,887
<i>Amount due to immediate holding company</i>	38,472	16,236	18,253
Total liabilities	84,649	55,051	55,716
Net assets	247,302	238,256	221,171
Net cash used in operating activities	(4,877)	(3,232)	(2,773)

As extracted from FY2020 Annual Report, the Group's revenue decreased from approximately RMB134.5 million for the year ended 31 December 2019 to approximately RMB78.0 million for the year ended 31 December 2020, representing a decrease of approximately 42.0%. Such decrease was mainly attributable to both of domestic and export sales of woven fabrics and subcontracting income as a result of the long-lasting outbreak of the novel coronavirus epidemic leading to the decline in demand of the product of the Group from both local and overseas customers.

The Group's loss for the year decreased from approximately RMB49.2 million for the year ended 31 December 2019 to approximately RMB28.7 million for the year ended 31 December 2020, representing a decrease of approximately 41.6%. Such decrease was mainly due to (i) the absence of impairment loss of interests in associates for the year ended 31 December 2020; (ii) decrease in administrative expenses mainly due to decrease in salary, staff

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

welfare expenses, travelling expenses and various office administrative expense resulted from suspension of work and business activities due to the control over the COVID-19 epidemic since early 2020; and partially offset by (iii) decrease in revenue as discussed above.

As extracted from FY2021 Annual Report, the Group's revenue increased from approximately RMB78.0 million for the year ended 31 December 2020 to approximately RMB98.2 million for the year ended 31 December 2021, representing an increase of approximately 25.9%. Such increase was mainly due to the increase in revenue from both manufacture and sales of woven fabrics and subcontracting fee income. Despite the increase in revenue, the Group's gross profit decreased from approximately RMB2.4 million for the year ended 31 December 2020 to approximately RMB450,000 for the year ended 31 December 2021, mainly due to the decrease in selling price in both domestic and export sales of woven fabric, increase in wages and rise of cost of raw materials as a result of shortage of labour force and substantial appreciation of renminbi, and rise of freight cost caused by delay of transportation as a result of the COVID-19 epidemic.

The Group's loss of the year decreased from approximately RMB28.7 million for the year ended 31 December 2020 to approximately RMB18.8 million for the year ended 31 December 2021, representing a decrease of approximately 34.4%. Such decrease was mainly due to (i) decrease in finance costs on imputed interest on non-current interest-free amount due to immediate holding company; (ii) decrease in loss on disposal of a subsidiary and (iii) decrease in share of result of an associate.

B. Terms and reasons for and benefits of the Agreements

1. Principal terms of the Agreements

(i) the Revolving Loan Agreement

Below are the principal terms of the Revolving Loan Agreement:

Date: 31 March 2022 (after trading hours of the Stock Exchange)

Parties: (i) The Company (as the lender); and
(ii) Zhejiang Yongli (as the borrower)

Revolving Loan: an unsecured revolving loan granted by the Company or its subsidiary to Zhejiang Yongli or its designated parties from time to time during the Availability Period in the principal amount of up to RMB35,000,000

Availability Period: 1 January 2021 to 31 March 2022

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Interest: the Company is entitled to Loan Interest at the relevant loan prime rate issued by the National Interbank Funding Centre accruing from the date of grant of the relevant Revolving Loan up to the repayment date. From 1 January 2021 to 7 December 2021, the corresponding interest rate charged on the Revolving Loan was 3.85%. From 20 December 2021 to 19 January 2022, the Corresponding Interest Rate was 3.80%. From 20 January 2022 to 31 March 2022, the Corresponding Interest Rate was 3.70%.

(ii) *the Second Supplemental Debt Repayment Agreement*

Below are the principal terms of the Second Supplemental Debt Repayment Agreement:

Date: 31 March 2022 (after trading hours of the Stock Exchange)

Parties: (i) The Company;
(ii) Guizhou Yongli; and
(iii) Zhejiang Yongli

Details: (i) as at the date of the Second Supplemental Debt Repayment Agreement, the Company is indebted to Guizhou Yongli the Shareholder's Loan in the total outstanding amount of RMB218,474,890.06 and the Company agreed to repay in advance part of the Shareholder's Loan in the amount of RMB30,000,000 to Guizhou Yongli;

(ii) upon receipt of the payment of RMB30,000,000 from the Company, Guizhou Yongli agreed (a) to waive part of the Shareholder's Loan in the amount of RMB30,000,000; (b) the Shareholder's Loan be set off against the equivalent amount of the Loan Interest on dollar-for-dollar basis and upon which the Loan Interest would be repaid in full; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) upon completion of the above repayment in advance, waiver of part of the Shareholder's Loan and the set off of Shareholder's Loan against the Loan Interest, the Company will be indebted to Guizhou Yongli the Shareholder's Loan in the total outstanding amount of RMB157,330,134.06, which will be settled by the Company in accordance with the Settlement Arrangement agreed by the parties under the Supplemental Debt Repayment Agreement.

(iii) *the Third Supplemental Debt Repayment Agreement*

Below are the principal terms of the Third Supplemental Debt Repayment Agreement:

Date: 16 May 2022 (after trading hours of the Stock Exchange)

Parties: (i) The Company;
(ii) Guizhou Yongli; and
(iii) Zhejiang Yongli

Details: (i) as at the date of the Third Supplemental Debt Repayment Agreement, the Company is indebted to Guizhou Yongli the Shareholder's Loan in the total outstanding amount of RMB218,474,890.06 and the Company agreed to repay in advance part of the Shareholder's Loan in the amount of RMB18,000,000 (instead of RMB30,000,000 previously agreed under the Second Supplemental Debt Repayment Agreement) to Guizhou Yongli, which will be settled by the internal resources of the Company;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) upon receipt of the payment of RMB18,000,000 from the Company, Guizhou Yongli agreed (a) to waive part of the Shareholder's Loan in the amount of RMB18,000,000; (b) the Shareholder's Loan be set off against the equivalent amount of the Loan Interest on dollar-for-dollar basis and upon which the Loan Interest would be repaid in full;
- (iii) upon completion of the above repayment in advance, waiver of part of the Shareholder's Loan and the set off of Shareholder's Loan against the Loan Interest, the Company will be indebted to Guizhou Yongli the Shareholder's Loan in the total outstanding amount of RMB181,330,134.06, which will be settled by the Company in accordance with the Settlement Arrangement agreed by the parties under the Supplemental Debt Repayment Agreement.

As the repayment in advance of part of the Shareholder's Loan in the amount of RMB18,000,000 will be settled by the internal resources of the Company, the Second Supplemental Debt Repayment Agreement and the Third Supplemental Debt Repayment Agreement are conditional upon and subject to the satisfaction of the condition of the approval of the Independent Shareholders at the EGM to be convened to approve the Second Supplemental Debt Repayment Agreement and the Third Supplemental Debt Repayment Agreement and the transactions contemplated thereunder in accordance with the requirements under the GEM Listing Rules having been obtained only and are no longer subject to the obtaining of any bank loan by the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The above condition is not waivable and if the above condition has not been satisfied on or before 15 July 2022 (or such later date as may be agreed between the parties), the Company shall repay the total outstanding amount of the Shareholder's Loan according to the Settlement Arrangement and Zhejiang Yongli shall, within 10 days upon receipt of the written notice from the Company that the above conditions cannot be satisfied, repay the Loan Interest in the total amount of RMB1,144,756 to the Company.

As at the Latest Practicable Date, the above condition remained unfulfilled.

2. *Background and reasons for and benefits of the Agreements*

(i) the Revolving Loan Agreement

As stated in the Board Letter, the Revolving Loan was first granted by the Company on 4 January 2021, since then, the Revolving Loan were granted by the Company or its subsidiary to Zhejiang Yongli or its designated parties at the request of Zhejiang Yongli from time to time due to its short-term working capital needs especially under the current COVID-19 pandemic situation. During the Availability Period, the Revolving Loan were granted by the Company or its subsidiary to Zhejiang Yongli or its designated parties at the request of Zhejiang Yongli from time to time and there had been repayments made by Zhejiang Yongli and its designated parties from time to time depending on their working capital position. As such, on the condition that the business operation of the Company was not affected and the Company has sufficient idle cash, the Company or its subsidiary agreed to grant the Revolving Loan to Zhejiang Yongli or its designated parties during the Availability Period and the Company would be able to receive interest income in return. As further advised by the Management, all outstanding principal amount of the Revolving Loan had been repaid to the Company as at the date of the Revolving Loan Agreement. We understand from the Management that the Revolving Loan Agreement was entered into by Company and Zhejiang Yongli to record, confirm and agree on as well as to govern the arrangements concerning the Revolving Loan and to re-comply with the requirement to enter into a written agreement for connected transactions under Rule 20.32 of GEM Listing Rules in relation to the grant of the Revolving Loan. The Company will also earn interest under the terms of the Revolving Loan Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the fairness and reasonableness of the Revolving Loan Agreement, we have considered:

(a) the financial position and cash availability of the Group

Based on the financial statements of the Group as at 31 December 2020 and 31 December 2021, the Group has bank balances and cash of approximately RMB31.6 million and RMB31.0 million respectively. In addition, based on the bank and cash balances record of the Group, the Group has at all time maintained positive bank balances and cash during the Availability Period. As confirmed by the Management, such balance of cash was more than sufficient for the working capital needs of the Group's operation. In addition, based on the monthly bank balances record of the Group, the Group maintained sufficient bank balance for its daily operation. As further confirmed by the Management, the Group did not encounter any liquidity problem during the Availability Period.

(b) Default risk

As stated in the Letter from the Board, the use of the Revolving Loan by Zhejiang Yongli was due to its short-term working capital needs especially under the current COVID-19 pandemic situation. According to a schedule of the Revolving Loan and repayment record provided by the Company, we noted that there had been repayment of the Revolving Loan from Zhejiang Yongli from time to time and among the loans granted during the Availability Period, the period of repayment by Zhejiang Yongli was in fact no longer than 29 days. Further, we have selected and checked to four repayment records during the Availability Period, including the final repayment record confirming that all outstanding principal amount of the Revolving Loan had been repaid from Zhejiang Yongli and its designated parties to the Company. The Company represented that there has been no loan granted to Zhejiang Yongli subsequent to the Revolving Loan was fully paid. Prior to the Revolving Loan was granted, the Group also obtained the latest financial statements of Zhejiang Yongli in order to assess its financial health. In this regard, we have obtained and checked the financial statements of Zhejiang Yongli for the two years ended 31 December 2021 and noted that Zhejiang Yongli was in net assets position during the respective years.

Having considered that Zhejiang Yongli (i) repaid the Revolving Loan quickly with no longer than 29 days during the Availability Period; (ii) had no default history; (iii) had net assets during the two years ended 31 December 2021; and (iv) had no outstanding loan as at the date of the Revolving Loan Agreement, we concur with the Management that there was no default risk of loans granted to Zhejiang Yongli.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(c) Interest rates and terms of maturity of the Revolving Loan Agreement

Pursuant to the Revolving Loan Agreement, the Company is entitled to Loan Interest at the relevant loan prime rate issued by the National Interbank Funding Centre accruing from the date of grant of the relevant Revolving Loan up to the repayment date. We have obtained the calculation schedules of the loan interests in respect of the Revolving Loan during the Availability Period and reperformed the calculation thereof. According to the calculation schedules, the loan interest rates applied in the calculation were 3.80% and 3.85% during the year ended 31 December 2021, and 3.70% and 3.80% during the three months ended 31 March 2022. We noted that such interest rates were in line with the one-year loan prime rate as published monthly by the People's Bank of China during the Availability Period. Given the Availability Period was about one year, we considered the interest rate of the Revolving Loan by benchmarking with the one-year loan prime rate is reasonable. As further advised by the Management, the Group's idle cash were mainly placed in banks in the PRC or as demand deposits in banks in the PRC. As at the Latest Practicable Date, the prevailing benchmark interest rate for demand deposits in the PRC as promulgated by the People's Bank of China was approximately 1.50% per annum. Therefore, it is more favourable to the Group and the Shareholders to receive interests from the Revolving Loan with interest rate ranged from 3.70% to 3.85% per annum than placing the idle cash in banks as demand deposits.

In addition, in order to assess the fairness and reasonableness of the interest rate of the Revolving Loan, we have conducted independent research from the public domain on comparable transactions (the "**Comparable Transactions**") which (i) were announced by companies listed on the Stock Exchange from 1 January 2022 and up to 31 March 2022 (the "**Review Period**"), which in our view represents a sufficient period of time to reflect the prevailing market conditions for conducting such transactions as the Review Period covers the entire Availability Period; (ii) involved the provision of financial assistances by way of loans by companies listed in Hong Kong; (iii) constituted connected transactions of the issuers under the Listing Rules or GEM Listing Rules. Shareholders should note that the business, operations, and prospects of the Comparable Transactions may not be identical to those of the Company and we have not conducted any in-depth investigation into the respective businesses and operations of the Comparable Transactions. However, we consider that the Comparable Transactions could provide a general reference as to the common market practice of companies listed in Hong Kong for conducting similar transactions under the Revolving Loan Agreement. To the best of our knowledge and on a best-effort basis, we have identified an exhaustive list of 29 Comparable Transactions which fit our selection criteria.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set forth below is a comparison of the Comparable Transactions during the Review Period:

	Name of Company	Stock Code	Date of announcement	Interest rate per annum	Term to maturity (month)
1	Sun Art Retail Group Limited	6808	9 March 2022	3.70%	12
2	JW (Cayman) Therapeutics Co. Ltd	2126	6 March 2022	3.60%	12
3	51 Credit Card Inc.	2051	31 January 2022	5.80%	36
4	Xinyuan Property Management Service (Cayman) Ltd.	1895	12 January 2022	Nil ^(Note 1)	4
5	Allied Group Limited	373	4 January 2022	10.00%	15
6	Petro-King Oilfield Services Limited	2178	30 December 2021	8.00%	12
7	Joy City Property Limited	207	16 December 2021	1.50% ^(Note 2)	12
8	Touyun Biotech Group Limited	1332	10 December 2021	12.00%	2
9	Bojun Education Company Limited	1758	8 December 2021	4.75%	36
10	Most Kwai Chung Limited	1716	19 November 2021	1.50% ^(Note 3)	60
11	TCL Electronics Holdings Limited	1070	11 November 2021	8.00% ^(Note 4)	36
12	51 Credit Card Inc.	2051	14 September 2021	5.80%	36
13	Cheshi Holdings Limited	1490	12 September 2021	6.00%	36
14	Legend Holdings Corporation	3396	10 August 2021	7.50% ^(Note 5)	36
15	Lee's Pharmaceutical Holdings Limited	950	16 July 2021	4.00%	12
16	Zhi Sheng Group Holdings Limited	8370	2 June 2021	6.00%	30
17	GBA Holdings Limited	261	1 June 2021	7.00%	24
18	Lee's Pharmaceutical Holdings Limited	950	28 May 2021	4.00%	12
19	China Glass Holdings Limited	3300	29 April 2021	7.00%	12
20	Smart-Core Holdings Limited	2166	28 April 2021	8.00%	12
21	Lee's Pharmaceutical Holdings Limited	950	28 April 2021	4.00%	12
22	Cogobuy Group	400	16 April 2021	6.00%	36
23	Lee's Pharmaceutical Holdings Limited	950	26 March 2021	4.00%	12
24	China Communications Construction Company Limited	1800	5 February 2021	7.50%	Not disclosed
25	Greentown China Holdings Limited	3900	5 February 2021	7.50%	Not disclosed
26	Lee's Pharmaceutical Holdings Limited	950	1 February 2021	4.00%	12
27	Kader Holdings Company Limited	180	22 January 2021	12.00%	36
28	Baiying Holdings Group Limited	8525	15 January 2021	5.00%	11
29	China Jinmao Holdings Group Limited	817	14 January 2021	6.53% ^(Note 6)	12
			Maximum	12.00%	60
			Minimum	0.00%	2
			Average	5.89%	21
	The Company			3.70% to 3.85%	15

Source: Announcements of the relevant companies involved in the Comparable Transactions on the website of the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Note 1:* As disclosed in the announcement of Xinyuan Property Management Service (Cayman) Ltd. (“Xinyuan”) dated 12 January 2022, there were two loans amounting to a total of approximately HK\$110.9 million provided by Xinyuan to its controlling shareholder in March 2020. The loans were provided for the purpose of offshore funding needs by the controlling shareholder. As stated in the announcement of Xinyuan, the board of Xinyuan did not submit the abovementioned transactions for the approval by its independent shareholders since the loans were fully repaid on 30 June 2020.
- Note 2:* As disclosed in the announcement of Joy City Property Limited dated 16 December 2021, the interest of the loan was referenced to the prevailing benchmark interest rate for demand deposits in the PRC as promulgated by the People’s Bank of China from time to time. As at the Latest Practicable Date, the prevailing benchmark interest rate for demand deposits in the PRC as promulgated by the People’s Bank of China is 1.5% per annum, as announced by the website of PBOC. For comparison purpose only, demand deposit rate of 1.5% per annum was taken for the analysis of the Comparable Transactions. Further, the loan was provided by a property development company held jointly by (i) an indirectly wholly-owned subsidiary of Joy City Property Limited; and (ii) the connected person as an early distribution of profit to them on a pro-rata basis according to their shareholding interest in the project company.
- Note 3:* As disclosed in the announcement of Most Kwai Chung Limited dated 19 November 2021, a wholly-owned subsidiary of Most Kwai Chung Limited provided a back-to-back loan to company held by its connected person for the sole purpose of such connected person providing the shareholders’ loan to a joint venture company held by Most Kwai Chung Limited and such connected person.
- Note 4:* As disclosed in the announcement of TCL Electronics Holdings Limited dated 11 November 2021, for illustration purpose, as at 30 September 2021, the historical interest rates of unsecured loans under the master financial agreement (TCL Holdings) (2020–2022) ranged from 3.2% to 8.0%. For comparison purpose only, the highest interest rate was taken for the analysis of the Comparable Transactions.
- Note 5:* As disclosed in the announcement of Legend Holdings Corporation dated 10 August 2021, During the term, the interest rate of each shareholder loan to be and guarantee fees provided by the Company or its subsidiaries to Better Education and its subsidiaries shall not be lower than the prevailing costs of financing obtained by the company in the market. Depending on actual situations, the interest rates of shareholder loans shall not be lower than the prevailing interest rates of borrowings obtained from independent third-party banks or financing institutions or the interest rates of the corporate bonds issued by the company. As per the interim report of Legend Holdings Corporation for the period ended 30 June 2021, the annual interest rates of its bonds listed as of 30 June 2021 ranged from 0% to 7.50%. For comparison purpose only, the highest interest rate was taken for the analysis of the Comparable Transactions.
- Note 6:* As disclosed in the announcement of China Jinmao Holdings Group Limited dated 14 January 2021, the interest of the loan is by reference to the loan prime rate for the loans of the same term as published by the National Interbank Funding Center from time to time, subject to a floating range of 50% higher or lower than such rate. For comparison purpose only, the highest interest rate was taken for the analysis of the Comparable Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown from the above table, we observed that:

- (1) the interest rates of the Comparable Transactions ranged from nil to 12.00% per annum with an average of approximately 5.89% per annum. The interest rate of the Revolving Loan of 3.70% to 3.85% is within the range of the Comparable Transactions. There are also certain Comparable Transactions involving larger loan amount but with nil or lower interest rate. For instance, the loans provided by Xinyuan Property Management Service (Cayman) Ltd (Stock Code: 1895) in aggregate amounted to approximately HK\$111.9 million were at nil interest rate, and the loans provided by Joy City Property Limited (Stock Code: 207) amounted to RMB1,100 million were at interest rate of 1.5% per annum;
- (2) the interest rate of the Revolving Loan was near the low-end range of Comparable Transaction and was lower than the average interest rate of the Comparable Transactions. Despite such, we noted that (i) out of the 29 Comparable Transactions, the interest rates for 14 Comparable Transactions were lower than the average interest rates of approximately 5.89% per annum; and (ii) among the 15 Comparable Transactions which interest rates were higher than the average interest rates of approximately 5.89% per annum, after excluding the Comparable Transactions for China Communication Construction Company Limited (Stock Code: 1800) and Greentown China Holdings Limited (Stock Code: 3900) where term to maturity were not disclosed, the term to maturity for seven Comparable Transactions (out of the remaining 13 Comparable Transactions) were longer than the Availability Period of the Revolving Loan and therefore, it is reasonable for them to charge a higher interest rate. Based on the aforesaid and also taken in account the fact that Zhejiang Yongli has granted the Shareholder's Loan to the Group since September 2011 which was interest-free, we are of the view that the interest rate of the Revolving Loan, although was lower than the average interest rate of the Comparable Transactions and was near the low-end range of Comparable Transaction, is reasonable and not exceptional; and
- (3) the terms to maturity of the Comparable Transactions ranged from two months to 60 months with an average term to maturity of approximately 21 months. The term of the Revolving Loan of 15 months falls within the range and below the average of that of the Comparable Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(d) Annual cap of the Revolving Loan Agreement

Pursuant to the Revolving Loan Agreement, the annual caps on the maximum outstanding principal amount for the Revolving Loan and during Availability Period (i.e. 1 January 2021 to 31 March 2022) were RMB35.0 million. According to the schedule of the Revolving Loan provided by the Company, the maximum principal outstanding amount for the Revolving Loan was approximately RMB34.9 million for the year ended 31 December 2021 and RMB28.2 million for the three months ended 31 March 2022.

As disclosed in the Board Letter, the annual caps have been determined after taking into consideration of the following, among other things:

- (1) the maximum outstanding principal amount of the Revolving Loan advanced by the Company or its subsidiary to Zhejiang Yongli or its designated parties during the Availability Period was in the amount of RMB34,900,0000;
- (2) as at the date of the Revolving Loan Agreement, Zhejiang Yongli has repaid the Company all outstanding principal amount of the Revolving Loan; and
- (3) as at the date of the Revolving Loan Agreement, Zhejiang Yongli is indebted to the Company Loan Interest in the total amount of RMB1,144,756.

In assessing the fairness and reasonableness of the proposed annual caps, we have discussed with the Management to understand the principal bases and assumptions used in the determination of the proposed annual caps. We have also reviewed the detailed schedule of Revolving Loan balance and noted that historical maximum outstanding principal amount of Revolving Loan during the Availability Period was RMB34.9 million. Since the Availability Period is over and Zhejiang Yongli has repaid the Company all outstanding principal amount of the Revolving Loan, we are of the view that the proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Based on the above, considering that (i) the Company has sufficient idle cash and the Revolving Loan was granted without affecting the normal business operation of the Company; and (ii) there is no default risk on the principal amount of the Revolving Loan as all outstanding principal amount of the Revolving Loan had been repaid to the Company and no Revolving Loan has been granted to Zhejiang Yongli and its designated parties subsequent to the Availability Period and up to the Latest Practicable Date; (iii) the Company would be able to receive interest income of approximately RMB1.1 million in return at average interest rate

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of approximately 3.70% to 3.85% per annum, which is higher than the prevailing benchmark interest rate for demand deposit in the PRC as promulgated by the People's Bank of China of 1.50% per annum; and (iv) the annual caps are fair and reasonable, we concur with the view of the Management that the Revolving Loan Agreement and the transactions contemplated thereunder are, although not in the ordinary and usual course of business of the Group, are in normal commercial terms and in the interest of the Company and the Shareholders as a whole.

(ii) *the Second Supplemental Debt Repayment Agreement and the Third Supplemental Debt Repayment Agreement*

As stated in the Board Letter, since 23 December 2016, the Company has been indebted to Guizhou Yongli the Shareholder's Loan in the total outstanding amount of approximately RMB239,677,000. On 30 November 2020, the Company and Guizhou Yongli entered into the Supplemental Debt Repayment Agreement, pursuant to which it was agreed that the total outstanding amount of the Shareholder's Loan was in the amount of RMB218,475,000.06 as at the date of the Supplemental Debt Repayment Agreement and the Settlement Arrangement was agreed between the parties as follows:

- (a) in the first and second year from the date of the Supplemental Debt Repayment Agreement (i.e. for the two years ended 31 December 2022), the Company would not be required to make any repayment;
- (b) in the third to seventh year from the date of the Supplemental Debt Repayment Agreement (i.e. for the five years ended 31 December 2027), the Company would be required to make repayment in the amount of RMB800,000 on or before 31 March of each year; and
- (c) in 2028 and onwards, the Company would be required to make repayment on an annual basis, the amount of which should not exceed 50% of the Company's operating cash flow for that year until the full repayment of the total outstanding Shareholder's Loan.

The Shareholder's Loan is unsecured and interest free.

Pursuant to the Third Supplemental Debt Repayment Agreement, the Company agreed to repay in advance part of the Shareholder's Loan in the amount of RMB18,000,000 to Guizhou Yongli and in return, (i) Guizhou Yongli agreed to waive part of the Shareholder's Loan in the amount of RMB18,000,000 and that the Shareholder's Loan be set off against the equivalent amount of the Loan Interest on dollar-for-dollar basis and upon which the Loan Interest would be repaid in full; and (ii) the total outstanding amount of the Shareholder's Loan will be reduced to RMB181,330,134.06 and will be settled by the Company in accordance with the Settlement Arrangement agreed by the parties under the Supplemental Debt

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Repayment Agreement. As stated in the Board Letter, as Guizhou Yongli agreed to waive part of the Shareholder's Loan in the amount of RMB18,000,000, it is commercially justifiable for the Company to repay in advance part of the Shareholder's Loan in the amount of RMB18,000,000 and the amount of the Shareholder's Loan agreed to be waived by Guizhou Yongli will be settled by internal resources of the Company.

On 23 May 2022, the Company, Guizhou Yongli and Zhejiang Yongli entered into the Undertaking Letter pursuant to which Guizhou Yongli and Zhejiang Yongli are willing to continue to support the Company by irrevocably and unconditionally undertake to the Company that, (i) should the repayment in advance of part of the Shareholder's Loan in the amount of RMB18,000,000 to Guizhou Yongli under the Third Supplemental Debt Repayment Agreement will cause any liquidity problem of the Group in the future, they will provide the Supporting Loan in the amount of up to RMB18,000,000 to the Company upon the request of the Company from time to time from the date of the undertaking letter up to the full repayment of the Shareholder's Loan and the Supporting Loan will be interest free and the repayment terms will be the same as the Settlement Arrangement (i.e. in the first and second year from the date of grant of the Supporting Loan, the Company would not be required to make any repayment, in the third to seventh year from the date of grant of the Supporting Loan, the Company would be required to make repayment in the amount of RMB800,000 on or before 31 March of each year and in the eighth year and onwards, the Company would be required to make repayment on an annual basis, the amount of which should not exceed 50% of the Company's operating cash flow for that year until the full repayment of the total outstanding loan); and (ii) by providing the Supporting Loan to the Company pursuant to the Undertaking Letter, the waiver of part of the Shareholder's Loan in the amount of RMB18,000,000 by Guizhou Yongli under the Third Supplemental Debt Repayment Agreement will remain valid and will not be revoked.

We concur with the Management's view that it is commercially justifiable for the Company to early repay the amount of RMB18,000,000 in return of the waiver of RMB18,000,000 of the Shareholder's Loan. The early repay discount represents approximately 8.2% of the Shareholder's Loan with a total amount of RMB218,475,000.06. Also, there is no guarantee that the Guizhou Yongli will continue to agree to waive part of the Shareholder's Loan if the Group were to repay the Shareholder's Loan at a later point in time.

Taking into consideration the above and also the undertaking from Guizhou Yongli, we are of the view that the Second Supplemental Debt Repayment Agreement and the Third Supplemental Debt Repayment Agreement provide the Company an opportunity to reduce the Shareholder's Loan. Therefore, we concur with the view of the Management that the Second Supplemental Debt Repayment Agreement and the Third Supplemental Debt Repayment Agreement and the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

transactions contemplated thereunder are, although not in the ordinary and usual course of business of the Group, the terms are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

3. Review of internal control and risk management procedures in respect of the Revolving Loan Agreement

As disclosed in the Board Letter, during the review of the annual results of the Company for the year ended 31 December 2021, the Revolving Loan was discovered and investigated by the supervisory committee of the Company and it was noted that the Revolving Loan would have constituted a major transaction for provision of financial assistance and continuing connected transaction on the part of the Company under the GEM Listing Rules. As advised by the Management, the failure by the Company to comply with the reporting, announcement and Independent Shareholders' approval requirements under the GEM Listing Rules in respect of the Revolving Loan was due to the oversight of the Company and unintentional.

Upon becoming aware of the incidents, the management of the Group has sought professional advice from its legal advisors immediately as to the requirements under the GEM Listing Rules for Revolving Loan. The Company was informed that the Revolving Loan would constitute a financial assistance from the Group to its connected person, and that the Company would not have complied in full with the requirements under Chapter 19 and Chapter 20 of the GEM Listing Rules. In the circumstances, the Company has immediately taken all initiatives to re-comply with the GEM Listing Rules as soon as it can. The Revolving Loan Agreement was entered into by the respective parties to record, confirm and agree on as well as to govern the arrangements concerning the Revolving Loan from the Company to Zhejiang Yongli, and to re-comply with the requirement to enter into a written agreement for connected transactions under Rule 20.32 of GEM Listing Rules. The Company will also benefit from the interest income under the terms of the Revolving Loan Agreement.

In order to prevent the occurrence of similar non-compliance incident in the future and to comply with the requirements under the GEM Listing Rules, the Company has taken or will take the following remedial actions:

- (i) the Company had reviewed other bank remittances made by the Company and checked whether it is necessary for the Company to comply with any requirements under the GEM Listing Rules. Save as disclosed in the Announcement, the Company did not discover other transaction which would be required to comply with the requirements under the GEM Listing Rules;
- (ii) the Company has published the announcement dated 31 March 2022 in relation to the Revolving Loan Agreement and the Second Supplemental Debt Repayment Agreement to inform the shareholders of the details of, among other things, the Revolving Loan;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the Company will issue a circular containing the details of the Revolving Loan to the shareholders and will convene the EGM for the independent shareholders to approve, confirm and ratify the Revolving Loan;
- (iv) the Company has issued a memorandum to the Board and senior management of the Company to report the incident of non-compliance of GEM Listing Rules in relation to the Revolving Loan and to reiterate the importance to strictly follow the Internal Control Measures adopted by the Company on 29 April 2022 to ensure that the Company will be able to comply with the applicable requirements under the GEM Listing Rules, and in case of any doubt, the Company will consult external legal advisers, financial advisers and/or the Stock Exchange in advance;
- (v) the Company has engaged Avista PRO-Risk Advisory Limited (the “**Internal Control Consultant**”) to conduct an internal control review particularly in relation to the bank remittance and operation of bank accounts, the procedures of connected transaction and notifiable transaction of the Company and implement the necessary measures to enhance the internal control of the Company, considering that the Internal Control Consultant (i) is independent from the Company; and (ii) has solid experience advising more than 800 companies of a wide range of trades in different aspects, including but not limited to internal control and risk management, environmental, social and governance advisory, and initial public offerings. The Internal Control Consultant is in the course of conducting the internal control review and the first review is expected to be completed on or before 31 May 2022. The Company will make further announcement(s) in relation to the result of the internal control review and measures (if any) to be implemented to enhance the internal control of the Company as and when appropriate; and
- (vi) the relevant personnel(s) of the Group will attend a director training in relation to the requirements under Chapters 19 and 20 of the GEM Listing Rules to get himself familiar with the requirements under the GEM Listing Rules and to ensure that he will procure the Company to comply with the requirements under the GEM Listing Rules in the future on or before 31 May 2022 after dispatch of the circular in mid May 2022.

In this regard, we have reviewed the record and enquired with the Management in relation to the details of such internal control and risk management procedures, in particular (i) the memorandum to the Board the senior management of the Company on the non-compliance of GEM Listing Rules in relation to the Revolving Loan; (ii) internal guidelines adopted and updated by the Company in December 2019 in relation to Chapters 19 and 20 of the GEM Listing Rules; and (iii) the internal control procedures in relation to Chapters 19 and 20 of the GEM Listing Rules. In addition, the Management has also reviewed the relevant records of the Group and confirmed that no other

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

connected transactions of the Company are not in full compliance with the GEM Listing Rules. Based on the above, we concur with the Management's view that adequate measures were in place to ensure full compliance with the GEM Listing Rules by the Company in future and the interests of the Shareholders would be safeguarded.

C. Financial effect of the Agreements

(i) Earnings

Pursuant to the Revolving Loan Agreement, the Company is entitled to receive an interest with reference to the relevant loan prime rate issued by the National Interbank Funding Centre accruing from the date of grant of the relevant Revolving Loan up to the repayment date. Subject to the passing of the resolution(s) to be proposed at the EGM to rectify the Revolving Loan Agreement, the Company will earn interests from the Revolving Loan amounting to approximately RMB1.1 million and such interest income is expected to be recorded in the income statement for the year ending 31 December 2022. Further, as a result of the partial early repayment of the Shareholder's Loan under the Second Supplemental Debt Repayment Agreement and the Third Supplemental Debt Agreement, assuming the imputed interest rate on the outstanding amount of the Shareholder's Loan remains unchanged at 12.42%, the finance cost calculated as per imputed interest rate on the outstanding amount of the Shareholder's Loan would also be reduced in each year. As a result of the above, the earnings attributable to shareholders of the Company will be enhanced for the year ending 31 December 2022.

(ii) Net asset value

Saved for the expected increase in earnings resulting from the interest on the Revolving Loan during the year ending 31 December 2022, it is expected that there is no material impact on net asset value from the Revolving Loan Agreement.

On the other hand, under the Third Supplemental Debt Repayment Agreement, the Company intends to settle the partial early repayment of the Shareholder's Loan of RMB18,000,000 by internal resources of the Company. Since the outstanding amount of the Shareholder's Loan is carrying at fair value discounted at an imputed interest rate of 12.42% in the Group's financial statement, it is expected that the Group's net asset value will decrease as a result. In relation to the carrying amount of the Shareholder's Loan, it is worth noting that the calculation of which involved various prudent assumptions. Should the future financial performance of the Group improve beyond the Management's prudent expectation, the abovementioned carrying amount would be different.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) *Gearing ratio*

In view of the above financial effects, in particular, the decrease in net asset value of the Group, it is expected that the gearing ratio will increase resulted from the Second Supplemental Debt Repayment Agreement and the Third Supplemental Debt Repayment Agreement.

It is expected that there is no material impact on gearing ratio from the Revolving Loan Agreement.

Shareholders should note that the above analysis are for illustrative purpose only and do not purport to represent the financial position of the Group as a result of the Agreements.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the terms of the Revolving Loan Agreement and the Third Supplemental Debt Repayment Agreement the Second Supplemental Debt Repayment Agreement are although not in ordinary course of business of the Group, are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM to rectify the Revolving Loan Agreement and the transactions contemplated thereunder and approve the Second Supplemental Debt Repayment Agreement, the Third Supplemental Debt Repayment Agreement the transactions contemplated thereunder in this regard.

Yours faithfully,

For and on behalf of

Innovax Capital Limited

Richard Chu

Managing Director

Peter Ng

Director

Note: Richard Chu and Peter Ng are licensed persons under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and regarded as responsible officers of Innovax Capital Limited. Richard Chu and Peter Ng have over 15 years and 10 years of experience in corporate finance industry, respectively.

1. FINANCIAL INFORMATION OF THE GROUP

The annual report of the Company for the year ended 31 December 2021 is announced by the Company on 29 April 2022 and the audited consolidated financial statements of the Company for the three years ended 31 December 2019, 31 December 2020 and 31 December 2021 together with the relevant notes to the financial statements of the Company can be found on pages 46 to 115 of the annual report of the Company for the year ended 31 December 2019, pages 50 to 119 of the annual report of the Company for the year ended 31 December 2020 and pages 47 to 115 of the annual report of the Company for the year ended 31 December 2021, respectively.

Please also see below the hyperlinks to the annual reports of the Company for the three years ended 31 December 2019, 31 December 2020 and 31 December 2021, respectively.

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0426/2020042600039.pdf>

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0330/2021033001856.pdf>

<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0429/2022042902436.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group was as follows:

Borrowings

As at the close of business on 31 March 2022, 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 RMB218.48 million and approximately RMB18.79 million respectively.

Contingent liabilities

As at 31 March 2022, the Group had no contingent liabilities. Save as aforesaid, as at the close of business on 31 March 2022, 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 March 2022 and up to the Latest Practicable Date.

3. SUFFICIENCY OF WORKING CAPITAL

As at the Latest Practicable Date, after due enquiry and taking into account factors such as the Group's business prospects, cash and indebtedness level, barring unforeseen circumstances, the Directors are of the opinion that the Group will have sufficient working capital for its requirement for at least the next 12 months from the date of publication of this circular. The Company has obtained the relevant confirmation as required under GEM Rule 19.66(13).

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is a PRC-based company principally engaged in (i) the manufacture, and sale of woven fabrics; (ii) the provision of woven fabrics subcontracting services; (iii) assets management services; and (iv) investment advisory services. The Group operates its business in the PRC, Europe, South America, Middle East and other overseas regions.

The global economy was clouded by the continued impact from the COVID-19 epidemic which was far beyond expectation, leading to an obvious decrease in the demand. At present, woven fabrics for high-end women's wear are actually in a downward cycle and the demand will take long to pick up. Despite an increase in the sales order during the financial year ended 31 December 2021, the Directors expect that there will be still huge market fluctuations in woven fabrics for high-end women's wear. The Group is committed to maximizing capital return for the shareholders of the Company, providing customers across the world with quality products, and releasing the goal of the long-term sustainable development of the Group. It will resume and even exceed the sales level prior to the COVID-19 epidemic as soon as practicable. The Group will take effective measures to increase sales, reduce costs, increase its liquidity, and make capital expenditure based on its main business. Considering uncertainties in the future, the Board will carefully execute the plans above to improve profitability, preserve financial strength and enhance the Group's long-term competitiveness. The Board believes that the short-term pressure on profitability is only temporary. The Board is confident that it can overcome the difficulties ahead and create long-term value for our shareholders and deliver the objective to achieve sustainable growth.

As disclosed in the paragraph headed "Reasons for and benefits of the Agreements" in the "Letter from the Board" of this circular, during the Availability Period, there had been repayments made by Zhejiang Yongli and its designated parties from time to time depending on their working capital position and the period of repayment by Zhejiang Youngli was in fact no longer than 29 days. As such, on the condition that the business operation of the Company was not affected and the Company has sufficient idle cash, the Company or its subsidiary agreed to grant the Revolving Loan to Zhejiang Yongli or its designated parties during the Availability Period and the Company

would be able to receive interest income in return which is favourable to the Group especially under the current economic environment due to the impact of COVID-19 epidemic. As a result of the above, the earnings attributable to shareholders of the Company will be enhanced for the year ending 31 December 2022.

Saved for the expected increase in earnings resulting from the interest on the Revolving Loan during the year ending 31 December 2022, it is expected that there is no material impact on net asset value from the Revolving Loan Agreement.

On the other hand, under the Third Supplemental Debt Repayment Agreement, the Company intends to settle the partial early repayment of the Shareholder's Loan of RMB18,000,000 by internal resources of the Company. Since the outstanding amount of the Shareholder's Loan is carrying at fair value discounted at an imputed interest rate of 12.42% in the Group's financial statement, it is expected that the Group's net asset value will decrease as a result. In relation to the carrying amount of the Shareholder's Loan, it is worth noting that the calculation of which involved various prudent assumptions. Should the future financial performance of the Group improve beyond the Management's prudent expectation, the above-mentioned carrying amount would be different.

In view of the above financial effects, in particular, the decrease in net asset value of the Group, it is expected that the gearing ratio will increase resulted from the Second Supplemental Debt Repayment Agreement and the Third Supplemental Debt Repayment Agreement.

It is expected that there is no material impact on gearing ratio from the Revolving Loan Agreement.

Furthermore, on 23 May 2022, the Company, Guizhou Yongli and Zhejiang Yongli entered into a undertaking letter (the "**Undertaking Letter**") pursuant to which Guizhou Yongli and Zhejiang Yongli are willing to continue to support the Company by irrevocably and unconditionally undertake to the Company that, (i) should the repayment in advance of part of the Shareholder's Loan in the amount of RMB18,000,000 to Guizhou Yongli under the Third Supplemental Debt Repayment Agreement will cause any liquidity problem of the Group in the future, they will provide a loan in the amount of up to RMB18,000,000 (the "**Supporting Loan**") to the Company upon the request of the Company from time to time from the date of the undertaking letter up to the full repayment of the Shareholder's Loan and the Supporting Loan will be interest free and the repayment terms will be the same as the Settlement Arrangement; and (ii) by providing the Supporting Loan to the Company pursuant to the Undertaking Letter, the waiver of part of the Shareholder's Loan in the amount of RMB18,000,000 by Guizhou Yongli under the Third Supplemental Debt Repayment Agreement will remain valid and will not be revoked.

Based on the above and with the support from Guizhou Yongli and Zhejiang Yongli, the Directors expect that the Group has sufficient resources to meet its present and future requirements and is able to face the challenge in 2022 and the near future.

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

(a) Interests of Directors and chief executive of the Company

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. Ms. Wang Ai Yu, a supervisor of the Company, is a manager of the internal audit department of Zhejiang Yongli. Zhejiang Yongli is associated corporations (within the meaning of Part XV of the SFO) by virtue of being an ultimate holding company of the Company. Mr. Xia Zhenbo (“**Mr. Xia**”), a non-executive Director is beneficially interested in 640,000 H Shares 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.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as it is known to the Directors or 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 or Supervisors, which would fall to be disclosed under Divisions 2 and 3 or Part XV of the SFO or which were required, pursuant to section 336 of Part XV of the SFO, to be entered in the register

referred to therein, or who is interested directly or indirectly in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Company were as follows:

Long positions in the Shares

Domestic Shares

Name	Capacity	Number of Domestic Shares held/interested	Approximate percentage of interests in Domestic Shares in issue as at the Latest Practicable Date	Approximate percentage of interests in total issued shares as at the Latest Practicable Date
Guizhou Yongli	Beneficial owner	588,000,000	100%	55.29%
Zhejiang Yongli	Interest in controlled corporation (<i>Note</i>)	588,000,000	100%	55.29%
Mr. Zhou Yongli	Interest in controlled corporation (<i>Note</i>)	588,000,000	100%	55.29%
Ms. Xia Wanmei	Interest of spouse (<i>Note</i>)	588,000,000	100%	55.29%

Notes:

- (1) On 8 April 2021, the Company received a notice from Guizhou Yongli that 588,000,000 Domestic Shares has been pledged to an independent third party, China Zheshang Bank Co., Ltd., Shaoxing Branch (“**CZBank**”) as a security for a loan of RMB50 million as provided by CZBank to Zhejiang Yongli, details of which were disclosed in the announcement dated 8 April 2021 of the Company. As at the date of this document, the 588,000,000 Domestic Shares still have been pledged to CZBank for security of the bank loan granted to Zhejiang Yongli.
- (2) 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 Yongli. 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 Yongli, representing 55.29% of the total issued share of the Company.

H Shares

Name	Capacity	Number of H Shares held/ interested	Approximate percentage of interests in H Shares in issue as at the Latest Practicable Date	Approximate percentage of interests in total issued shares as at the Latest Practicable Date
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,530,000	43.85%	19.61%

As at the Latest Practicable Date, save as disclosed above, 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) had an interest or short position in the shares or underlying shares which would fall to be disclosed under Division 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' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or controlling shareholders or their respective associates had any business or interest which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021 the date to which the latest published audited accounts of the Group were made up.

There was no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date, in which any of the Directors was materially interested and which was significant in relation to the business of the Group as a whole.

7. MATERIAL CONTRACTS

Save for the Agreements, no contract, not being a contract entered into in the ordinary course of business carried on or intended to be carried on by members of the Group, have been entered into by members of the Group after the date falling two years immediately preceding the date of the Announcement and up to the Latest Practicable Date.

8. GENERAL

- (i) The English text of this circular shall prevail over the Chinese text in case of inconsistency.
- (ii) The company secretary of the Company is Ms. Chen Yen Yung.
- (iii) The compliance officer of the Company is Mr. Hu Hua Jun.
- (iv) The legal address of the Company is Yangxun Qiao Town, Keqiao Qu, Shaoxing, Zhejiang Province, the People's Republic of China and the head office and principal place of business of the Company in Hong Kong is located at Suites 2701-08, 27th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.
- (v) The H-share registrar and transfer office of the Company is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

9. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinion or advice which is contained in this circular:

Name	Qualifications
Innovax Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, opinion, logo and qualifications, in the form and context in which they appear.

As at the Latest Practicable Date, the above expert:

- (a) did not have any direct or indirect, interest in any assets which have been since 31 December 2020 (being the date which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group; and
- (b) did not have any shareholding, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zj-yongan.com) from the date of this circular up to and including the date of the EGM (being not less than 14 days):

- (a) the Revolving Loan Agreement;
- (b) the Supplemental Debt Repayment Agreement;
- (c) the Second Supplemental Debt Repayment Agreement;
- (d) the Third Supplemental Debt Repayment Agreement;
- (e) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular; and
- (f) the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” of this circular.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Zhejiang Yongan Rongtong Holdings Co., Ltd. (the “**Company**”) will be held at the Conference Room of the Office Building of the Company at Yangxun Qiao Town, Keqiao Qu, Shaoxing, Zhejiang Province, the People’s Republic of China (the “**PRC**”) on Friday, 22 July 2022 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the revolving loan agreement dated 31 March 2022 (the “**Revolving Loan Agreement**”) (copy of which, signed by the Chairman of the meeting for the purposes of identification, has been produced to the meeting marked “A”) entered into between the Company, as lender and Zhejiang Yongli Industry Group Co., Ltd (“**Zhejiang Yongli**”), as borrower in relation to, among others, an unsecured revolving loan granted by the Company to Zhejiang Yongli from time to time in the principal amount of up to RMB35,000,000, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) any one or more of the directors of the Company be and is/are hereby authorised to take all steps necessary or expedient in his/her opinion to implement and/or give effect to the Revolving Loan Agreement and the transactions contemplated thereunder; and
- (c) any act done or documents executed (if necessary, under the common seal of the Company) by any directors of the Company in relation to or for the purpose of giving effect to the Revolving Loan Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified.”

NOTICE OF EGM

2. **“THAT:**

- (a) the second supplemental debt repayment agreement dated 31 March 2022 (the **“Second Supplemental Debt Repayment Agreement”**) (copy of which, signed by the Chairman of the meeting for the purposes of identification, has been produced to the meeting marked “B”) entered into between the Company, Zhejiang Yongli and Guizhou Yongli Corporate Management Co., Ltd. (**“Guizhou Yongli”**) in relation to, among others, the repayment by Company in advance of part of the shareholder’s loan indebted by the Company to Guizhou Yongli in the amount of RMB30,000,000 to Guizhou Yongli, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) any one or more of the directors of the Company be and is/are hereby authorised to take all steps necessary or expedient in his/her opinion to implement and/or give effect to the Second Supplemental Debt Repayment Agreement and the transactions contemplated thereunder; and
- (c) any act done or documents executed (if necessary, under the common seal of the Company) by any directors of the Company in relation to or for the purpose of giving effect to the Second Supplemental Debt Repayment Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified.”

3. **“THAT:**

- (a) the third supplemental debt repayment agreement dated 16 May 2022 (the **“Third Supplemental Debt Repayment Agreement”**) (copy of which, signed by the Chairman of the meeting for the purposes of identification, has been produced to the meeting marked “C”) entered into between the Company, Zhejiang Yongli and Guizhou Yongli in relation to, among others, the repayment by Company in advance of part of the shareholder’s loan indebted by the Company to Guizhou Yongli in the amount of RMB18,000,000 (instead of RMB30,000,000 previously agreed under the Second Supplemental Debt Repayment Agreement) to Guizhou Yongli, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) any one or more of the directors of the Company be and is/are hereby authorised to take all steps necessary or expedient in his/her opinion to implement and/or give effect to the Third Supplemental Debt Repayment Agreement and the transactions contemplated thereunder; and

NOTICE OF EGM

- (c) any act done or documents executed (if necessary, under the common seal of the Company) by any directors of the Company in relation to or for the purpose of giving effect to the Third Supplemental Debt Repayment Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified.”

By order of the Board
Zhejiang Yongan Rongtong Holdings Co., Ltd.
Lou Lijiang
Chairman and executive Director

Zhejiang, the PRC, 26 May 2022

Notes:

1. The H share registrar of shareholders of the Company (“**Company’s H Share Registrar**”) will be closed from 22 June 2022 to 22 July 2022 (both days inclusive), during which period no transfer of H Shares will be effected. The shareholders of H Shares whose names appeared on the register of shareholders of the Company on Friday, 22 July 2022 will be entitled to attend and vote at the EGM. In order to qualify for attendance and voting at the EGM, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company’s H Share Registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not later than 4:00 p.m. on Tuesday, 21 June 2022.
2. Any shareholder of H Shares and Domestic Shares entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies to attend and vote at the EGM on his/her behalf in accordance with the articles of association of the Company. A proxy need not be a holder of H Shares or Domestic Shares.
3. In order to be valid, the proxy form and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority shall be delivered, for holders of H Shares, to the office of the Company’s H Share Registrar and for holders of Domestic Shares, to the Company’s legal address at Yangxun Qiao Town, Keqiao Qu, Shaoxing, Zhejiang Province, the PRC not less than 24 hours before the time for holding the EGM (or any adjourned meeting thereof) or 24 hours before the time appointed for taking the poll.
4. Holders of H Shares and Domestic Shares or their proxies shall produce their identity documents when attending the EGM.
5. Holders of H Shares and Domestic Shares who intend to attend the EGM shall complete and lodge the reply slip for attending the meeting at the Company’s H Share Registrar and the Company’s legal address, respectively on or before Saturday, 2 July 2022. The reply slip may be delivered to the Company by hand, by post or by fax (at fax No.: (86) 575-84576060).
6. The EGM is not expected to take more than half a day. Shareholders of the Company or their proxies attending the EGM shall bear their own traveling and accommodation expenses.

NOTICE OF EGM

7. The legal address of the Company and the details of the secretarial office of the Board are as follows:

Yangxun Qiao Town
Keqiao Qu, Shaoxing, Zhejiang Province, the PRC
Postal Code: 312028
Tel: (86) 575-84570099
Fax: (86) 575-84576060
Contact person: Mr. Hu Hua Jun

8. As required under the GEM Listing Rules, the above resolutions will be decided by way of poll.

As at the date of this notice, the executive Directors are Mr. Lou Lijiang (Chairman), Ms. He Lianfeng (Chief Executive Officer) and Mr. Hu Hua Jun; the non-executive Director is Mr. Xia Zhenbo (Deputy Chairman); and the independent non-executive Directors are Mr. Yu Weidong, Mr. Yuan Lingfeng and Mr. Zhang Jianyong.

This notice, 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 notice 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 notice misleading.

This notice will remain on the “Latest Listed Company Information” 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://www.zj-yongan.com>.

* *For identification purpose only*