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YONGAN HOLDINGS

浙江永安融通控股股份有限公司

ZHEJIANG YONGAN RONGTONG HOLDINGS CO., LTD.*

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

(Stock Code: 8211)

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

THE REVOLVING LOAN AGREEMENT

On 31 March 2022, the Company entered into the Revolving Loan Agreement with Zhejiang Yongli pursuant to which the parties confirmed that (i) the Company or its subsidiary agreed to grant the Revolving Loan to Zhejiang Yongli or its designated parties during the Availability Period in the principal amount of up to RMB35,000,000; (ii) 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; (iii) 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; (iv) as at the date of the Revolving Loan Agreement, Zhejiang Yongli has repaid the Company all outstanding principal amount of the Revolving Loan; and (v) 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 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.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, 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.

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 exceeds 25%, the Second 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.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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 Independent Shareholders will consider and, if thought fit, ratify the Revolving Loan Agreement and the transactions contemplated thereunder and approve the Second Supplemental Debt Repayment Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, 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; (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, will be despatched to the Shareholders pursuant to the requirements under the GEM Listing Rules as soon as practicable.

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 agreed to be 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

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.

As 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, 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.

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.

Conditions precedent

The Second Supplemental Debt Repayment Agreement is conditional upon and subject to the satisfaction of the following conditions:

- (1) the approval of the Independent Shareholders at the EGM to be convened to approve the Second Supplemental Debt Repayment Agreement and the transactions contemplated thereunder in accordance with the requirements under the GEM Listing Rules having been obtained; and
- (2) a bank loan in the amount of RMB30,000,000 having been obtained by the Company.

The above conditions are not waivable and if the above conditions have not been satisfied on or before 30 June 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.

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; and (iii) assets management services.

Since January 2021, the Revolving Loan were granted by the Company or its subsidiary to Zhejiang Yongli or its designated parties at the request of Zhejiang Yongli due to its short term working capital needs especially under the current COVID-19 pandemic situation. In fact, 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. 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 Second Supplemental Debt Repayment Agreement, the Company agreed to repay in advance part of the Shareholder's Loan in the amount of RMB30,000,000 to Guizhou Yongli and in return, (i) Guizhou Yongli agreed to waive part of the Shareholder's Loan in the amount of RMB30,000,000 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 RMB157,330,134.06 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 RMB30,000,000, it is commercially justifiable for the Company to repay in advance part of the Shareholder's Loan in the amount of RMB30,000,000 and the amount of the Shareholder's Loan agreed to be waived by Guizhou Yongli will be more than sufficient to cover the finance costs of the Company to obtain a bank loan in the amount of RMB30,000,000. The Company is in the course of liaising with a bank for the bank loan and it is expected that the bank will charge interest at the rate of 4.35% p.a. for the bank loan.

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.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, 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 exceeds 25%, the Second 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.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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 Independent Shareholders will consider and, if thought fit, ratify the Revolving Loan Agreement and the transactions contemplated thereunder and approve the Second Supplemental Debt Repayment Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, 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; (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, will be despatched to the Shareholders pursuant to the requirements under the GEM Listing Rules as soon as practicable.

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. 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 will take appropriate remedial measures and will disclose such details in the circular of the Company.

DEFINITIONS

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

“Agreements”	collectively, the Revolving Loan Agreement and the Second 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
“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
“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 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
“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
“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 and Guizhou 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 date of this announcement
“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
“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.

* *In this announcement, the English names of certain PRC entities are translation or transliteration of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

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

Zhejiang Province, the PRC, 31 March 2022

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

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company’s website at www.zj-yongan.com.