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.

YONGAN HOLDINGS

浙江永安融通控股股份有限公司
ZHEJIANG YONGAN RONGTONG HOLDINGS CO., LTD.*

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

(Stock code: 8211)

MAJOR AND CONNECTED TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

Innovax Capital

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

Lego Corporate Finance Limited
力高企業融資有限公司

A notice convening the EGM to be held at the conference room of the office building of the Company at Xiwu Industrial Park, Hutang Street, Keqiao District, Shaoxing City, Zhejiang Province, the PRC at 10:00 a.m. on Friday, 22 March 2024 is set out on pages 67 to 69 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 37 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 Xiwu Industrial Park, Hutang Street, Keqiao District, Shaoxing City, 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 the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its posting and on the website of the Company at http://www.zj-yongan.com.

* *For identification purposes only*

5 February 2024

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.

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

"Announcement"	announcement of the Company dated 3 January 2024 in relation to the Equity Transfer Agreement
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Board"	the Board of Directors
"Company"	浙江永安融通控股股份有限公司 (Zhejiang Yongan Rongtong Holdings Co., Ltd.*), a joint stock limited company incorporated in the PRC, the issued H Shares of which are listed on GEM (stock code: 8211)
"Consideration"	a total consideration of RMB32.5 million payable by the Purchaser to the Vendor in respect of the Disposal pursuant to the Equity Transfer Agreement
"connected person"	has the meaning ascribed to it under the GEM Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the GEM Listing Rules
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Target Shares as contemplated under the Equity Transfer Agreement
"EGM"	an extraordinary general meeting of the Company to be convened and held for the purpose of, among other matters, considering, and if though fit, approving or ratifying (as the case may be) the Equity Transfer Agreement and the transactions contemplated thereunder
"Equity Transfer Agreement"	the equity transfer agreement entered into between the Vendor and the Purchaser on 22 December 2023 in respect of the Disposal
"GEM"	GEM of 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 Enterprise Management Co., Ltd.*), a company established in the PRC, which holds approximately 55.29% of the total issued share capital of the Company as at the Latest Practicable Date, and accordingly, the controlling shareholder and connected person of the Company

"H Share(s)"	Overseas listed foreign share(s) (H shares) 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
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board comprising all of the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder
"Independent Financial Adviser"	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (Advising on Corporate Finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than Guizhou Yongli, Zhejiang Yongli and their respective associates and those who are required to abstain from voting at the EGM under the GEM Listing Rules
"Independent Third Party(ies)"	third party(ies) independent of and not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates (as defined under the GEM Listing Rules)
"Latest Practicable Date"	31 January 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"NEEQ"	National Equities Exchange and Quotations in the PRC
"percentage ratio"	the percentage ratios as defined under Rule 19.07 of GEM Listing Rules
"PRC"	the People's Republic of China
"PRC GAAP"	the Generally Accepted Accounting Principles in the PRC

"Purchaser"	紹興柯橋領悅汽車配件有限公司 (Shaoxing Keqiao Lingyue Automotive Parts Co., Ltd.*), a wholly-owned subsidiary of Zhejiang Yongli in the PRC, the ultimate controlling shareholder of the Company, and accordingly, a connected person of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of RMB0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	浙江紹興慧聚水務科技有限公司 (Zhejiang Shaoxing Huiju Water Technology Co., Ltd.*), a wholly-owned subsidiary of the Company in the PRC
"Target Group"	the Target Company, its subsidiaries and Tepia
"Target Shares"	the entire equity interest in the Target Company
"Tepia"	北京太比雅科技股份有限公司 (Beijing Tepia Technology Co., Ltd*), a company incorporated in the PRC company and is listed on the NEEQ (Stock code: 838941) and based in Beijing, the PRC
"Valuer"	AVISTA Valuation Advisory Limited, a qualified independent third party valuer in Hong Kong
"Vendor"	the Company
"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, and accordingly, a connected person of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent

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:
Xiwu Industrial Park
Hutang Street, Keqiao District
Shaoxing City
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

5 February 2024

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 3 January 2024 in relation to, among other things, the Disposal. The Disposal constitutes a major and connected transaction of the Company under the GEM Listing Rules.

On 22 December 2023, the Vendor and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Target Shares at a Consideration of RMB32.5 million. Upon completion, the Company will cease to have any interests in the Target Company and Tepia. The Target Company and Tepia will cease to be a subsidiary and an associate of the Company, respectively.

* *For identification purposes only*

The purpose of this circular is to provide you with, among other things, (i) further information on the Equity Transfer Agreement and the transaction contemplated thereunder; (ii) the recommendations from the Independent Board Committee on the Equity Transfer Agreement and the transactions contemplated thereunder; (iii) the advice from the Independent Financial Adviser on the Equity Transfer Agreement and the transaction contemplated thereunder; (iv) the financial information of the Group; (v) the valuation report on the Target Group prepared by the Valuer; and (vi) a notice for convening the EGM (to consider and, if thought fit, to approve the Equity Transfer Agreement and the transaction contemplated thereunder).

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

Date

22 December 2023

Parties

The Vendor	:	The Company
The Purchaser	:	Shaoxing Keqiao Lingyue Automotive Parts Co., Ltd.* (紹興柯橋領悅汽車配件有限公司) is a wholly-owned subsidiary of Zhejiang Yongli, the ultimate holding company of the Company
The Target Company	:	Zhejiang Shaoxing Huiju Water Technology Co., Ltd.* (浙江紹興慧聚水務科技有限公司), a wholly-owned subsidiary of the Company in the PRC

Subject matter

The Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Target Shares free from all encumbrances. As at the date of signing the Equity Transfer Agreement, the Target Company held 41.67% of the issued share capital of a PRC company listed on the NEEQ, namely Beijing Tepia Technology Co., Ltd* (北京太比雅科技股份有限公司) (Stock code: 838941). Besides this investment, the Target Company had no other material assets and liabilities as at the Latest Practicable Date. Further particulars of the Target Company are set out in the section headed "Information on the Parties — The Target Company" below.

Consideration and payment terms

The Consideration of RMB32.5 million shall be settled in cash.

The Consideration was determined on the basis of normal commercial terms and after arm's length negotiations between the Vendor and the Purchaser after taking into account the preliminary valuation of the Target Group at approximately RMB32.5 million, mainly included the fair market value of the 41.67% interest of Tepia held by the Target Company as at 30 September 2023 by the Valuer, adopting the market approach which considered enterprise-to-sales multiple of comparable companies within similar industry as the Target Group. The valuation report is set out in Appendix II to this circular.

According to the valuation report, the Valuer adopted the lack of marketability discount (the "**LOMD**") on the valuation of the Target Group. The Board noticed that Tepia is listed in the NEEQ, which is an over-the-counter trading platform in the PRC. Owing to the nature of NEEQ and based on the information that was obtained from NEEQ, the shares of Tepia were not actively traded and the trading volume was negligible. During the period from 1 January 2023 up to 22 December 2023, being approximately a one-year period prior to the date of the Equity Transfer Agreement, the total monthly trading volume was recorded at approximately 67,100 shares. The trading volume suggests that the listing status of Tepia on NEEQ does not provide sufficient liquidity for immediate transaction of the shares of Tepia. Considering the illiquidity of the shares of Tepia and the substantial amount of the 60,000,000 Tepia Shares which represents 41.67% of Tepia's issued share capital, it will be unlikely for the Company to dispose the 60,000,000 shares of Tepia in the market via NEEQ. As such, the Board deems the listing status of Tepia is unable to provide any significant advantage on marketability compared to private companies and considers the application of the LOMD on the valuation of the Target Group is appropriate.

Conditions precedent

The Disposal is conditional upon and subject to the satisfaction of the following conditions:

(1) the Independent Shareholders having approved the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM in accordance with the requirements of the GEM Listing Rules and such approval not being revoked;

(2) the Purchaser being satisfied with the results of due diligence review conducted in respects of the Target Group's assets, liabilities, business and affairs; and

(3) the parties to the Equity Transfer Agreement having obtained all the necessary waivers, approvals, grants, licenses, authorisations, consents and orders (if required) in relation to the Equity Transfer Agreement and the transactions contemplated thereunder required by laws, regulations and rules (including the GEM Listing Rules) and other third parties and such waivers, approvals, grants, licenses, authorisations, consents and orders not being revoked.

If any of the aforesaid conditions precedent has not been fulfilled on or before 5:00 p.m. on 30 April 2024 (or such other later date as may be agreed between the Vendor and the Purchaser), the Equity Transfer Agreement shall cease and terminate and no party to the Equity Transfer Agreement shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, conditions (2) and (3) have been fulfilled.

Completion

Completion of the Equity Transfer Agreement shall take place within 10 business days after the fulfilment of the conditions precedent save and except for any delays caused by regulatory authorities and force majeure. The completion date of the Equity Transfer Agreement shall be the date on which the change in industrial and commercial registration in the name of the Purchaser is completed, whichever is later. From and inclusive of the completion date of the Equity Transfer Agreement, the risks, benefits and burden of the Target Shares are transferred from the Vendor to the Purchaser.

Upon completion, the Company will cease to have any interests in the Target Company and Tepia. The Target Company and Tepia will cease to be a subsidiary and an associate of the Company, respectively.

As at the Latest Practicable Date, save and except for the approval from the approval from the Independent Shareholders at the EGM, there are no licences, permissions, regulatory approvals and consents required for the Disposal.

INFORMATION ON THE PARTIES

The Company

The Company is a joint stock limited company established in the PRC and the H Shares are listed on the GEM. The principal activities of the Group are (i) the manufacture and sale of woven fabrics; and (ii) the provision of woven fabrics subcontracting services.

Guizhou Yongli

Guizhou Yongli was established in 2015 and has a registered share capital of RMB200 million. The company is a subsidiary of Zhejiang Yongli and principally engaged in investment holdings. As at the Latest Practicable Date, Guizhou Yongli is owned by Zhejiang Yongli as to 65%. The remaining equity interest of Guizhou Yongli is owned by two PRC established companies, none of them has control over Guizhou Yongli. As at the Latest Practicable Date, Guizhou Yongli is the controlling shareholder of the Group which owns approximately 55.29% of the issued share capital of the Company.

Zhejiang Yongli

Zhejiang Yongli was established in 1993 and has a registered share capital of RMB5,800 million. The majority ownership of the company is held by Mr. Zhou Yongli, who owns 94.25% of the shares, while Ms. Xia Wanmei, his spouse, owns 3.49%. As at the Latest Practicable Date, the company holds 65% interests in Guizhou Yongli. The company's business includes industrial trade (textiles, printing and dyeing, thermal power, catering, and commerce), real estate (construction, building materials, and properties), and financial industry (investment in banking, insurance, leasing, and investment funds).

The Purchaser

The Purchaser was established in 2018 and has a registered share capital of RMB100 million. The company is a wholly-owned subsidiary of Zhejiang Yongli and hence, a connected person of the Group. It is principally engaged in manufacture and sales of automotive parts. As at the Latest Practicable Date, the Purchaser holds 8.34% of Tepia.

The Target Company

The Target Company holds 41.67% of the issued share capital of a PRC company listed on the NEEQ, namely Beijing Tepia Technology Co., Ltd* (北京太比雅科技股份有限公司) (Stock code: 838941). Besides this investment, the Target Company had no other material assets and liabilities as at the Latest Practicable Date. Tepia is principally engaged in providing information planning and design, software development, system integration and project-based systems operation and maintenance services for water management systems. The relevant systems and services are used in waterworks planning and management, water resources conservation and utilization, flood prevention and drought control, water environment management and aquatic ecological restoration. According to the interim report of Tepia for the six months ended 30 June 2023, Tepia has one subsidiary, namely Tepia Electrical Equipment (Wuhan) Co., Ltd.* (太比雅機電設備(武漢)有限公司), principally engaged in research and development and manufacturing and sales of mechanical equipment and environmental protection special equipment. It did not conduct any business activities since January 2022.

The preliminary valuation of the fair market value of the entire issued share capital of the Target Group prepared by the Valuer as at 30 September 2023 is approximately RMB32.5 million. The unaudited net asset value of the Target Group as at 30 September 2023 was RMB28.53 million.

For illustrative purpose only, set out below is certain financial information of Tepia (prepared in accordance with the PRC GAAP) for the two years ended 31 December 2022 and six months ended 30 June 2023:

	For the year ended 31 December 2021	**For the year ended 31 December 2022**	**For the six months ended 30 June 2023**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Revenue	28,521	24,034	9,885
Loss before taxation	(15,307)	(10,914)	(5,005)
Loss after taxation	(15,205)	(10,410)	(4,789)

Source: Published annual reports and interim report of Tepia in NEEQ's website.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the manufacture and sales of woven fabrics. The Group primarily operates in the textile industry. Although China has successfully controlled the outbreak of COVID-19 epidemic and gradually released the COVID-19 pandemic prevention control in late 2022 and early 2023, the textile industry still needs time to recover. According to the interim report of the Group for the six months ended 30 June 2023, both domestic and export sales of woven fabrics of the Group decreased by approximately 24.26% and approximately 32.74% respectively. In addition, the rise of electricity and labour cost continue to impact the Group and the peer manufacturers. Due to the challenging business environment, the Group understands that it is important to preserve its financial strength. In this regard, the Company has continued to carry out measures to increase efficiency, reduce cost and improve liquidity.

The Group has been accounting for the share of results from the Target Group since its acquisition was completed in August 2019. However, since then, the Target Group has experienced a decline in revenue and has been consistently incurring losses. Consequently, the return on the Group's investment in the Target Group has been unsatisfactory. Additionally, the slow recovery of the PRC economy and the tightened budgets of local governments, who were previously major customers of the Target Group, have adversely affected the demand for its services and the timely payment progress. These challenging operating conditions have also resulted in intense price competition during the project tendering process for the Target Group, leading to fewer large-scale and profitable projects in the pipeline.

Based on the abovementioned, the Directors are of the view that the water management business of the Target Group is facing weak demand and a challenging operating environment. Therefore, the Disposal presents a favorable opportunity for the Group to realise its investment in the Target Group and redirect its resources towards its core business.

The Directors considered that the terms of the transactions contemplated under the Equity Transfer Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL AND PROPOSED USE OF PROCEEDS

As at 30 September 2023, the unaudited net assets value of the Target Group was approximately RMB28.53 million. The Company is expected to recognize an unaudited gain of approximately RMB4.0 million, being the difference between the Consideration over the above-mentioned net assets value of the Target Group. The actual gain in relation to the Disposal is subject to assessment and audit upon completion of the Disposal, and accordingly, it may be different from the amount stated above.

The net proceeds arising from the Disposal of approximately RMB32.5 million will be utilised as general working capital of the Group. Below is a detailed breakdown of intended proceeds by nature of general working capital:

— approximately 30.84% or approximately RMB10 million be utilised in purchase of raw materials for manufacturing of woven fabrics;

— approximately 51.97% or approximately RMB16.9 million be utilised in payment of labour costs and other overheads such as electricity, water and dyeing cost etc.;

— approximately 4.04% or approximately RMB1.3 million be utilised in payment of selling expenses such as salaries for sales staff, freight & transportation, exhibition expenses, sampling etc.; and

— approximately 13.15% or approximately RMB4.3 million be utilised in payment of administrative expenses such as salaries for administrative staff, retirement benefits fund, office supplies etc.

GEM LISTING RULES IMPLICATIONS

As the Purchaser is a subsidiary of Zhejiang Yongli, the ultimate holding company of the Company, the Equity Transfer Agreement and the transactions contemplated thereunder constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Further, as one or more of the applicable percentage ratios calculated by reference to Rule 19.07 of the GEM Listing Rules in respect of the Disposal under the Equity Transfer Agreement exceed(s) 25% but less than 75%, the Equity Transfer Agreement and the transactions contemplated thereunder constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and it is therefore subject to reporting, announcement, circular and Independent Shareholders' approval requirements thereunder.

Ms. He Lianfeng, an executive Director and her spouse totally have approximately 0.039% of interest in Zhejiang Yongli, the ultimate holding company of the Company. Mr. Xia Zhenbo, a non-executive director of the Company, who holds the positions of director and general manager of Guizhou Yongli, is beneficially interested in 640,000 H Shares. Accordingly, Ms. He and Mr. Xia are considered to have a material interest in the Equity Transfer Agreement and have abstained from voting on the resolutions in relation to the Equity Transfer Agreement proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Equity Transfer Agreement.

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 Equity Transfer Agreement and the transactions contemplated thereunder. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder.

EGM

The EGM will be held by the Company at the conference room of the office building of the Company at Xiwu Industrial Park, Hutang Street, Keqiao District, Shaoxing City, Zhejiang Province, the PRC at 10:00 a.m. on Friday, 22 March 2024 to consider, if thought fit, approve the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder. A notice convening the EGM is set out on page 67 to 69 of this circular.

As at the Latest Practicable Date, the Purchaser is a wholly-owned subsidiary of Zhejiang Yongli, the ultimate controlling shareholder of the Company. Accordingly, the Purchaser is a connected person of the Company. Guizhou Yongan, a subsidiary of Zhejiang Yongli and a direct controlling shareholder of the Company, is required to abstain from voting on the relevant resolution approving the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the Equity Transfer Agreement and therefore no other Shareholder is required to abstain from voting on the relevant resolution approving the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it/he/she has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its/his/her Shares to a third party, either generally or on a case-by-case basis.

A reply slip and a proxy form for 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 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 Xiwu Industrial Park, Hutang Street, Keqiao District, Shaoxing City, 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 the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its posting and on the website of the Company at http://www.zj-yongan.com.

RECOMMENDATION

The Board (including the independent non-executive Directors whose views have been set out in this circular after taking into the advice of the Independent Financial Adviser) considers that the terms of the Equity Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and the Disposal, even though may not be in the ordinary and usual course of business of the Company is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution for approving the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the additional information as set out in the appendices to this circular.

Yours faithfully,
By order of the Board of
Zhejiang Yongan Rongtong Holdings Co., Ltd.*
Lou Lijiang
Chairman

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)

5 February 2024

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION; AND NOTICE OF EGM

We refer to the circular dated 5 February 2024 (the "**Circular**") issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider and to advise the Independent Shareholders on the terms of the Equity Transfer Agreement and the transactions contemplated thereunder as set out in the Circular as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder as set out in the Circular. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on pages 15 to 37 of the Circular.

We wish to draw your attention to the Letter from the Board and the Letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Equity Transfer Agreement and the transactions contemplated thereunder. Your attention is also drawn to the additional information set out in the appendices to the Circular.

Having considered the terms of the Equity Transfer Agreement and the transactions contemplated thereunder, the advice of the Independent Financial Adviser and the relevant information contained in the Letter from the Board, we consider that (i) the Disposal, even

* *For identification purposes only*

though may not be in the ordinary and usual course of business of the Company is on normal commercial terms; and (ii) the terms of the Equity Transfer Agreement are also fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution for approving the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,
By order of the Board of
Zhejiang Yongan Rongtong Holdings Co., Ltd.*

Mr. Yu Weidong	**Mr. Zhang Jianyong**	**Mr. Yuan Lingfeng**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter of advice from Lego Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

Lego Corporate Finance Limited
力高企業融資有限公司

5 February 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 5 February 2024 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 3 January 2024 in relation to, among other things, the Equity Transfer Agreement and the transactions contemplated thereunder (i.e. the Disposal). On 22 December 2023, the Vendor and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Target Shares at a Consideration of RMB32.5 million.

As the Purchaser is a subsidiary of Zhejiang Yongli, the ultimate holding company of the Company, the Disposal constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Further, as one or more of the applicable percentage ratios calculated by reference to Rule 19.07 of the GEM Listing Rules in respect of the Disposal exceed(s) 25% but less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and it is therefore subject to reporting, announcement, circular and Independent Shareholders' approval requirements thereunder.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Yu Weidong, Mr. Yuan Lingfeng and Mr. Zhang Jianyong, has been formed to advise the Independent Shareholders as to (i) whether the terms of the Equity Transfer Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Disposal is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We, Lego Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or any interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years prior to the Latest Practicable Date, we were once appointed by the Company as the independent financial adviser to provide our opinion in respect of the term of the property lease agreement dated 22 December 2023 entered into between the Company and 浙江永利經編股份有限公司 (Zhejiang Yongli Warp Knitting Co., Ltd.*) as set out in the announcement of the Company dated 3 January 2024. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we had received or will receive any fees or benefits from the Company. Accordingly, we consider that we are eligible to give independent advice in respect of the Equity Transfer Agreement and the Disposal.

BASIS OF OUR OPINION

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have relied on the information, facts and representations contained or referred to in the Circular and the information, opinions and representations provided or expressed to us by the Directors and/or the management of the Company (the "**Management**"). We have assumed that all the information, facts and representations contained or referred to in the Circular, and all the information, opinions and representations provided or expressed by the Directors and/or the Management, for which they are solely responsible, were true, accurate and complete in all material respects at the time when they were provided and continue to be so as at the Latest Practicable Date and that they may be relied upon in formulating our opinion. We have also assumed that all such opinions and statements of intention or belief expressed by the Directors and/or the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiries.

The Directors have confirmed to us that no material facts have been withheld or omitted from the information provided, representations made or opinions expressed. We have no reason to suspect that any relevant information has been withheld or omitted, nor are we aware of any facts or circumstances which would render the information provided, representations made or opinions expressed to us untrue, inaccurate or misleading. We consider that we have been provided with, and have reviewed, sufficient information currently available, and that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, representations made or opinions expressed by the Directors and/or the Management, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

The 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 the 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 therein or the Circular misleading.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Equity Transfer Agreement and the Disposal. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Equity Transfer Agreement and the Disposal, we have considered the following principal factors and reasons:

1. Information on the Group

The Company is a joint stock limited company established in the PRC, the H Shares of which have been listed on GEM (stock code: 8211) since 8 November 2002. The Group is principally engaged in (i) the manufacture and sales of woven fabrics; and (ii) the provision of woven fabrics subcontracting services. The Group's operations have been expanded worldwide, including mainland China, Europe, South America, Middle East and other overseas regions, with mainland China being the primary market.

Set out below is a summary of the financial results of the Group (i) for the year ended 31 December 2021 ("**FY2021**") and the year ended 31 December 2022 ("**FY2022**") as extracted from the annual report of the Company for FY2022 (the "**Annual Report 2022**"); and (ii) for the nine months ended 30 September 2022 ("**9M2022**") and the nine months ended 30 September 2023 ("**9M2023**") as extracted from the third quarterly report of the Company for 9M2023 (the "**Third Quarterly Report 2023**"):

	For the year ended 31 December		**For the nine months ended 30 September**	
	2021	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	98,184	78,998	60,364	43,997
— Woven fabrics	93,263	76,165	57,876	41,940
— Subcontracting services	4,921	2,833	2,488	2,057
Gross profit (loss)	450	(12,069)	(2,843)	(1,845)
Gross profit margin	*0.5%*	*N/A*	*N/A*	*N/A*
Share of result of an associate	(5,908)	(2,086)	(824)	(4,558)
Impairment loss recognised in respect of interest in an associate	—	(5,491)	N/A	N/A
Loss for the year/period	(18,820)	(35,576)	(14,616)	(19,305)

For the years ended 31 December 2021 and 2022

The Group's revenue decreased by approximately RMB19.2 million, or approximately 19.5%, from approximately RMB98.2 million for FY2021 to approximately RMB79.0 million for FY2022. According to the Annual Report 2022, such decrease was primarily attributable to the decrease in domestic sales of woven fabrics and subcontracting fee income. In addition, the outbreak of COVID-19 epidemic since 2020 caused the decline in demand of the products of the Group from both local and overseas customers.

The Group's gross loss amounted to approximately RMB12.1 million for FY2022, as compared to a gross profit of approximately RMB0.5 million for FY2021. According to the Annual Report 2022, such result was mainly due to the significant increase in the cost of raw materials, labour cost and dyeing cost, etc. in FY2022.

According to the Annual Report 2022, (i) share of result of an associate of approximately RMB2.1 million for FY2022 represented share of loss from the consolidated result of Tepia; and (ii) impairment loss recognised in respect of interest in an associate of approximately RMB5.5 million for FY2022 represented impairment of goodwill which was recognised upon completion of the acquisition of 41.67% equity interest in Tepia in August 2019.

The Group recorded a net loss of approximately RMB35.6 million for FY2022, representing an increase of approximately 89.0% as compared to that of approximately RMB18.8 million for FY2021, mainly due to the gross loss incurred and impairment loss recognised in respect of interest in Tepia for FY2022 as explained above.

For the nine months ended 30 September 2022 and 2023

The Group's revenue decreased by approximately RMB16.4 million, or approximately 27.1%, from approximately RMB60.4 million for 9M2022 to approximately RMB44.0 million for 9M2023. As advised by the Management, such decrease was primarily attributable to the decreases in both domestic and export sales of woven fabrics and subcontracting fee income.

The Group's gross loss amounted to approximately RMB1.8 million for 9M2023, representing a decrease of approximately 35.1% as compared to that of approximately RMB2.8 million for 9M2022. According to the Third Quarterly Report 2023, such decrease was mainly due to the decrease in the cost of raw materials in 9M2023.

According to the Third Quarterly Report 2023, share of result of an associate of approximately RMB4.6 million for 9M2023 represented share of loss from the consolidated result of Tepia.

The Group recorded a net loss of approximately RMB19.3 million for 9M2023, representing an increase of approximately 32.1% as compared to that of approximately RMB14.6 million for 9M2022. As advised by the Management, such increase was mainly attributable to the significant increase in share of loss from the consolidated result of Tepia for 9M2023 as explained above.

Set out below is a summary of the financial position of the Group (i) as at 31 December 2021 and 2022 as extracted from the Annual Report 2022; and (ii) as at 30 June 2023 as extracted from the interim report of the Company for the six months ended 30 June 2023 (the "**Interim Report 2023**"):

	As at 31 December		**As at 30 June**
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Total assets	276,887	245,891	234,351
— Non-current assets, including:	184,719	144,962	140,216
— Interest in an associate	40,665	33,088	32,402
— Current assets, including:	92,168	100,929	94,135
— Bank balances and cash	30,968	46,981	53,815
Total liabilities	55,716	72,858	71,145
— Non-current liabilities	26,726	29,563	30,753
— Current liabilities	28,990	43,295	40,392
Net current assets	63,178	57,634	53,743
Net assets	221,171	173,033	163,206
Gearing ratio	8.2%	19.5%	21.4%

As at 30 June 2023, the non-current assets of the Group mainly comprised (i) property, plant and equipment of approximately RMB102.4 million; and (ii) interest in an associate (i.e. Tepia) of approximately RMB32.4 million. Meanwhile, the Group's current assets mainly consisted of (i) bank balances and cash of approximately RMB53.8 million; (ii) inventories of approximately RMB20.9 million; and (iii) trade and other receivables of approximately RMB19.4 million.

As at 30 June 2023, the non-current liabilities of the Group mainly comprised (i) amount due to immediate holding company of approximately RMB16.1 million; and (ii) deferred tax liabilities of approximately RMB13.9 million. Meanwhile, the Group's current liabilities mainly consisted of (i) amount due to immediate holding company of approximately RMB18.8 million; (ii) trade and other payables of approximately RMB18.0 million; and (iii) contract liabilities of approximately RMB3.5 million.

As at 30 June 2023, the consolidated net current assets and net assets of the Group were approximately RMB53.7 million and RMB163.2 million, respectively. According to the Interim Report 2023, the Group's gearing ratio, represented by the ratio of the interest free loan due to immediate holding company over shareholders' equity, was approximately 21.4%.

2. Information on the Purchaser

The Purchaser was established in 2018 and has a registered share capital of RMB100 million. The Purchaser is a wholly-owned subsidiary of Zhejiang Yongli and is principally engaged in manufacture and sales of automotive parts. As at the Latest Practicable Date, the Purchaser held 8.34% equity interest in Tepia.

3. Information on the Target Group

3.1. Background and financial information of the Target Group

The Target Company is an investment holding company established in the PRC with limited liability and a wholly-owned subsidiary of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, the Target Company held 41.67% of the issued share capital of Tepia (representing 60,000,000 Tepia Shares (as defined below)) and the Target Company had no other material assets and liabilities besides its investment in Tepia. The unaudited net asset value of the Target Group as at 30 September 2023 was approximately RMB28.53 million.

Tepia is a joint stock limited company established in the PRC on 27 November 2000 and its shares have been listed on National Equities Exchange and Quotations in the PRC (stock code: 838941) since 16 August 2016. As at the Latest Practicable Date, Tepia had a total of 144,000,000 ordinary shares in issue ("**Tepia Shares**", each a "**Tepia Share**").

Tepia and its subsidiary(ies) (collectively, "**Tepia Group**") are principally engaged in providing information planning and design, software development, system integration and project-based systems operation and maintenance services for water management systems. Tepia further expanded its business area to the field of industrial circulating water treatment since 2021 and has increasingly focused on such segment which currently accounted for the major portion of Tepia Group's revenue. Through equipment based on electrochemical and electromagnetic mixing physical technology, it solves the problems of industrial circulating water fouling, corrosion, bacteria and algae breeding, and can help customers achieve water saving, energy saving and consumption reduction.

Set out below is a summary of the financial results of Tepia Group (i) for FY2021 and FY2022 as extracted from the annual report of Tepia for FY2022 (the "**Tepia Annual Report 2022**"); and (ii) for the six months ended 30 June 2022 and 2023 as extracted from the interim report of Tepia for the six months ended 30 June 2023 (the "**Tepia Interim Report 2023**"), which are prepared in accordance with the PRC generally accepted accounting principles:

	For the year ended 31 December		**For the six months ended 30 June**	
	2021	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	28,522	24,034	12,878	9,885
— System integration	15,011	3,900	1,815	519
— Water conservancy project management	8,919	10,841	6,691	1,522
— Software development	3,582	1,394	630	255
— Information planning and design	820	268	257	5
— Industrial circulating water treatment	190	7,631	3,485	7,584
Gross profit	4,946	4,937	2,650	2,200
Gross profit margin	*17.3%*	*20.5%*	*20.6%*	*22.3%*
Loss for the year/period	(15,206)	(10,411)	(4,790)	(5,116)

For the years ended 31 December 2021 and 2022

Tepia Group's revenue decreased by approximately RMB4.5 million, or approximately 15.7%, from approximately RMB28.5 million for FY2021 to approximately RMB24.0 million for FY2022. According to Tepia Annual Report 2022, such decrease was primarily attributable to the combined effect of (i) the significant decrease in revenue from system integration due to the disposal of a major subsidiary engaging in such business during the year; (ii) the decrease in revenue from software development due to the decreased size of contracts secured by Tepia Group as compared to the previous year; (iii) the increase in revenue from water conservancy project management due to the successful retention of existing customers and acquisition of new customers during the year; and (iv) the increase in revenue from industrial circulating water treatment due to a wider brand and product recognition in the market.

Tepia Group's gross profit amounted to approximately RMB4.9 million for FY2022, which remained stable as compared to that of approximately RMB4.9 million for FY2021. The gross profit margin of Tepia Group increased from approximately 17.3% for FY2021 to approximately 20.5% for FY2022, which was mainly due to the higher gross profit margin achieved in the segments of water conservancy project management and software development during the year.

Despite the drop in revenue for the year, Tepia Group narrowed its net loss from approximately RMB15.2 million for FY2021 to approximately RMB10.4 million for FY2022, representing a decrease of approximately 31.5%. According to Tepia Annual Report 2022, such decrease was mainly attributable to the decrease in selling and distribution expenses, administrative expenses and research and development expenses for the year.

For the six months ended 30 June 2022 and 2023

Tepia Group's revenue decreased by approximately RMB3.0 million, or approximately 23.2%, from approximately RMB12.9 million for the six months ended 30 June 2022 to approximately RMB9.9 million for the six months ended 30 June 2023. According to Tepia Interim Report 2023, such decrease was primarily attributable to the decrease in revenue from water conservancy project management caused by the delay of commencement or completion of certain projects during the year.

Tepia Group's gross profit decreased by approximately 17.0% from approximately RMB2.7 million for the six months ended 30 June 2022 to approximately RMB2.2 million for the six months ended 30 June 2023. The gross profit margin of Tepia Group remained relatively stable at approximately 20.6% for the six months ended 30 June 2022 as compared to that of approximately 22.3% for the six months ended 30 June 2023.

Tepia Group recorded a net loss of approximately RMB5.1 million for the six months ended 30 June 2023, representing an increase of approximately 6.8% as compared to that of approximately RMB4.8 million for the six months ended 30 June 2022. According to Tepia Interim Report 2023, such increase was mainly due to the decrease in investment income and increase in impairment loss for the six months ended 30 June 2023, partly offset by the decrease in selling and distribution expenses for the six months ended 30 June 2023 and the turnaround from expected credit loss for the six months ended 30 June 2022 to expected credit gain for the six months ended 30 June 2023.

Set out below is a summary of the financial position of Tepia Group (i) as at 31 December 2021 and 2022 as extracted from the Tepia Annual Report 2022; and (ii) as at 30 June 2023 as extracted from the Tepia Interim Report 2023:

	As at 31 December		**As at 30 June**
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Total assets	96,209	82,924	78,516
— Non-current assets	6,903	6,176	6,401
— Current assets	89,306	76,748	72,115
Total liabilities	16,700	13,826	14,534
— Non-current liabilities	426	—	551
— Current liabilities	16,274	13,826	13,983
Net current assets	73,032	62,922	58,132
Net assets	79,509	69,098	63,982

As at 30 June 2023, the non-current assets of Tepia Group mainly comprised (i) deferred tax assets of approximately RMB3.4 million; (ii) intangible assets of approximately RMB1.7 million; (iii) fixed assets of approximately RMB0.7 million; and (iv) right-of-use assets of approximately RMB0.6 million. Meanwhile, Tepia Group's current assets mainly consisted of (i) contract assets of approximately RMB22.7 million; (ii) prepayments of approximately RMB13.3 million; (iii) inventories of approximately RMB8.8 million; (iv) other receivables of approximately RMB8.2 million; (v) bank balances and cash of approximately RMB5.9 million; (vi) trade receivables of approximately RMB5.1 million; (vii) bills receivables of approximately RMB4.4 million; and (viii) financial assets of approximately RMB3.5 million.

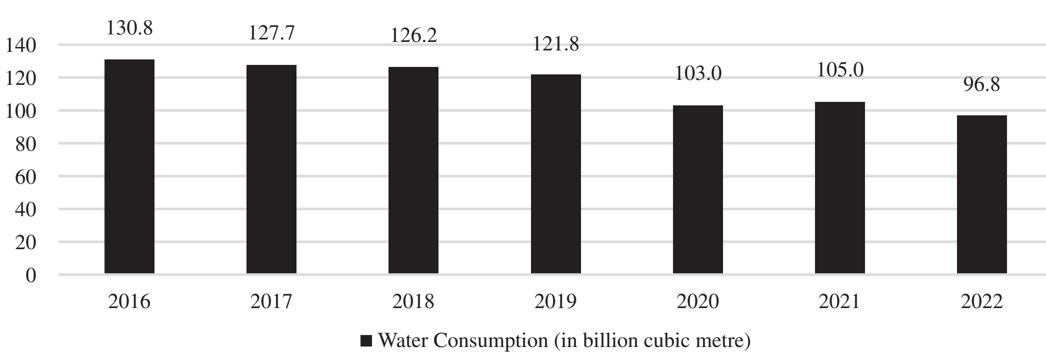
As at 30 June 2023, the non-current liabilities of Tepia Group comprised lease liabilities of approximately RMB0.6 million. Meanwhile, Tepia Group's current liabilities mainly consisted of (i) trade payables of approximately RMB8.0 million; (ii) other current liabilities of approximately RMB3.0 million; and (iii) contract liabilities of approximately RMB2.3 million.

As at 30 June 2023, the consolidated net current assets and net assets of Tepia Group were approximately RMB58.1 million and RMB64.0 million, respectively. As Tepia Group did not have any bank borrowings as at 30 June 2023, its gearing ratio was nil as at 30 June 2023.

3.2. Prospects of Tepia Group

The annual water consumption from industrial sector demonstrates a decreasing trend in recent years in China. According to the Ministry of Water Resources of the PRC, the annual water consumption from industrial sector has decreased from approximately 130.8 billion cubic metres in 2016 to approximately 96.8 billion cubic metres in 2022, showing a negative compound annual growth rate of approximately 4.9% during the period. One of the major factors contributing to the drop in water consumption in the industrial sector is the improvement of water usage efficiency. The adoption of the recirculating water system from the once-through water system allows used industrial water, such as contaminated or cooling water, to be repeatedly used, reducing the amount of water consumption by the industries. Other factors, including the advanced technologies in the crystallisation process and the promotion of cloud computing and big data to monitor the status of recirculating water systems, also play a vital role in improving water usage efficiency.

Annual Water Consumption of Industrial Sector in China



Source: Ministry of Water Resources of the PRC

As further stated in the Letter from the Board, the slow recovery of the PRC economy and the tightened budgets of local governments, who were previously major customers of Tepia Group, have adversely affected the demand for its services and the timely payment progress. These challenging operating conditions have also resulted in intense price competition during the project tendering process for Tepia Group, leading to fewer large-scale and profitable projects in the pipeline. Based on the abovementioned, the Directors are of the view that the water management-related business of Tepia Group is facing weak demand and a challenging operating environment.

4. Reasons for and benefits of the Disposal

The Group primarily operates in the textile industry, while the Target Group is principally engaged in the water management-related business. As disclosed in the Interim Report 2023, the Group recorded period-on-period decrease in both domestic and export sales of woven fabrics of approximately 24.3% and 32.7%, respectively, and the rise of electricity and labour cost further impacted the profitability of the Group. Due to the challenging business environment, the Directors consider that it is crucial for the Group to preserve its financial strength for its woven fabrics business and to continue to carry out measures to increase efficiency, reduce cost and improve liquidity.

The Group has been accounting for the share of results from the Target Group since the completion of its acquisition of the 41.67% equity interest in Tepia in August 2019. However, since then, Tepia Group has experienced a decline in revenue and has been consistently incurring losses, as detailed in the section headed "3.1. Background and financial information of the Target Group" above. Consequently, the return on the Group's investment in the Target Group has been unsatisfactory. Upon completion of the Disposal, the Target Company and Tepia will cease to be a subsidiary and an associate of the Company, respectively, and the financial results and assets and liabilities of Tepia Group will no longer impact the financial statements of the Group thereafter.

Moreover, the Company is expected to recognise an unaudited gain on disposal of approximately RMB4.0 million (subject to assessment and audit) and the net proceeds arising from the Disposal of approximately RMB32.5 million will be utilised as general working capital of the Group as detailed in the Letter from the Board, which could strengthen the Group's liquidity position and competitiveness.

Given that (i) the Disposal aligns with the Group's strategy to preserve its financial strength for its woven fabrics business; (ii) the financial performance of the Target Group has been deteriorating in recent years which led to unsatisfactory return on the Group's investment in the Target Group; (iii) the net proceeds from the Disposal could strengthen the Group's liquidity position and competitiveness; and (iv) the water management-related business of Tepia Group is facing weak demand and a challenging operating environment as mentioned in the section headed "3.2. Prospects of Tepia Group" above, we consider that the Disposal represents a favourable opportunity for the Group to realise its investment in the Target Group and to redirect the Group's resources towards its core business.

Having considered the above reasons and benefits, we concur with the Directors' view that although the Disposal is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the Equity Transfer Agreement

The principal terms of the Equity Transfer Agreement, details of which are set out in the section headed "THE EQUITY TRANSFER AGREEMENT" in the Letter from the Board, are summarised below:

Date:	22 December 2023
Parties:	(i) The Company (as the Vendor); (ii) 紹興柯橋領悅汽車配件有限公司 (Shaoxing Keqiao Lingyue Automotive Parts Co., Ltd.*) (as the Purchaser); and (iii) 浙江紹興慧聚水務科技有限公司 (Zhejiang Shaoxing Huiju Water Technology Co., Ltd.*) (as the Target Company)
Subject matter:	The Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Target Shares free from all encumbrances at a Consideration of RMB32.5 million.
Consideration and payment terms:	The Consideration of RMB32.5 million shall be settled in cash. The Consideration was determined on the basis of normal commercial terms and after arm's length negotiations between the Vendor and the Purchaser after taking into account the preliminary valuation of the Target Group of approximately RMB32.5 million, which mainly included the fair market value of the 41.67% equity interest in Tepia held by the Target Company as at 30 September 2023 as appraised by the Valuer adopting the market approach.
Conditions precedent:	The Disposal is conditional upon and subject to the satisfaction of the following conditions: (1) the Independent Shareholders having approved the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM in accordance with the requirements of the GEM Listing Rules and such approval not being revoked;

(2) the Purchaser being satisfied with the results of due diligence review conducted in respect of the Target Group's assets, liabilities, business and affairs; and

(3) the parties to the Equity Transfer Agreement having obtained all the necessary waivers, approvals, grants, licenses, authorisations, consents and orders (if required) in relation to the Equity Transfer Agreement and the transactions contemplated thereunder required by laws, regulations and rules (including the GEM Listing Rules) and other third parties and such waivers, approvals, grants, licenses, authorisations, consents and orders not being revoked.

If any of the aforesaid conditions precedent has not been fulfilled on or before 5:00 p.m. on 30 April 2024 (or such other later date as may be agreed between the Vendor and the Purchaser), the Equity Transfer Agreement shall cease and terminate and no party to the Equity Transfer Agreement shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, conditions (2) and (3) have been fulfilled.

Completion: Completion of the Equity Transfer Agreement shall take place within 10 business days after the fulfilment of the conditions precedent save and except for any delays caused by regulatory authorities and force majeure. The completion date of the Equity Transfer Agreement shall be the date on which the change in industrial and commercial registration in the name of the Purchaser is completed. From and inclusive of the completion date of the Equity Transfer Agreement, the risks, benefits and burden of the Target Shares are transferred from the Vendor to the Purchaser.

Upon completion, the Company will cease to have any interests in the Target Company and Tepia. The Target Company and Tepia will cease to be a subsidiary and an associate of the Company, respectively.

Taking into account the Consideration being fair and reasonable as discussed below, we are of the view that the terms of the Equity Transfer Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

6. Analysis of the Consideration

6.1. Independent valuation of the Target Company

According to the Letter from the Board, the Consideration of RMB32.5 million was determined on the basis of normal commercial terms and after arm's length negotiations between the Vendor and the Purchaser with reference to the preliminary valuation of the Target Group of approximately RMB32.5 million, which mainly included the fair market value of the 41.67% equity interest in Tepia held by the Target Company as at 30 September 2023 as appraised by the Valuer adopting the market approach.

In order to assess the fairness and reasonableness of the Consideration, we have obtained and reviewed the valuation report in relation to the 100% equity value of the Target Company (the "**Valuation Report**") and the underlying workings prepared by the Valuer. As stated in the Valuation Report, the fair value of the 100% equity value of the Target Company as of 30 September 2023 (the "**Valuation Date**") is appraised at RMB32,533,000 (the "**Valuation**"). Accordingly, the Consideration is approximately equivalent to such valuation. Independent Shareholders' attention is drawn to the full text of the Valuation Report as set out in Appendix II to the Circular.

We have performed the works as required under Note 1(d) to Rule 17.92(2)(b) of the GEM Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct in respect of the Valuation Report, which included, among others, (i) review of the terms of engagement and the scope of work of the Valuer; (ii) assessment of the Valuer's qualification and experience in relation to the preparation of the Valuation Report and its independence; and (iii) discussion on the bases, assumptions and methodologies adopted by the Valuer.

Scope of work

We have reviewed the terms of engagement of the Valuer and consider that its scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might adversely impact on the degree of assurance given by the Valuation Report. We also understand from the Valuer that it had performed necessary procedures for the purpose of the Valuation Report, which included, among others, obtaining and reviewing relevant information and documents of the Target Group such as legal documents and financial statements, discussion with relevant personnel of the Company and the Target Group to understand the history, business model, operations and development plan of the Target Group, carrying out its proprietary research in the sectors concerned and collecting and analysing relevant market data from reliable sources.

Furthermore, it is noted that the Valuation Report has been prepared in compliance with the requirements of International Valuation Standards published by The International Valuation Standards Council.

Qualification, experience and independence

We have enquired into the qualification, experience and independence of the Valuer in relation to the preparation of the Valuation Report. We are given to understand that (i) the Valuer is an established professional appraisal firm with extensive experience in business valuation and other kinds of valuation services; (ii) Mr. Vincent Pang (being the managing partner of the Valuer and the signor of the Valuation Report) is a member of the CFA Institute and CPA Australia, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member and registered valuer of the Royal Institution of Chartered Surveyors who has over 20 years of experience in financial valuation and business consulting in Hong Kong and China; and (iii) the core project team members of the Valuer possess relevant experience in conducting business valuation. We have also reviewed the track record of the Valuer and noted that it provided a wide range of valuation services to numerous companies listed in Hong Kong in the past. The Valuer has also confirmed that it is independent of the Group, the parties to the Equity Transfer Agreement and their respective core connected persons. Based on the above, we are satisfied with the expertise and independence of the Valuer.

Bases, assumptions and methodologies

According to the Valuation Report, the Valuer has appraised the Valuation on a fair value basis, which refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As further disclosed in the Valuation Report, since the Target Company does not have any business operation other than holding the investment in Tepia Group, the fair value of the Target Company is derived by first determining the fair value of Tepia Group and adding it to the fair values of assets and liabilities on the balance sheet of the Target Company as of the Valuation Date.

We note from the Valuation Report that the Valuer has made several key assumptions, including, that (i) there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Company; (ii) the operational and contractual terms stipulated in the relevant contracts and agreements entered into between Tepia Group and any other parties will be honored; (iii) the Target Company will retain and have competent management, key personnel and technical staff to support its ongoing operation and will continue to operate as a going concern and have sufficient liquidity and capability; (iv) there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value; and (v) the trading share price of Tepia on NEEQ is not considered as it is deemed illiquid with negligible trading volume. As advised by the Valuer, such assumptions are commonly adopted in valuing business entities of similar nature.

We have further discussed with the Valuer on the selection of valuation methodology. In determining the appropriate valuation approach(es), the Valuer has considered the three generally accepted approaches, namely, income approach, cost approach and market approach. Please refer to the Valuation Report as set out in Appendix II to the Circular for the key features of these three different valuation approaches.

Firstly, the Valuer considered that cost approach is not appropriate for valuing Tepia Group as it assumes the assets and liabilities of Tepia Group are separable and it fails to consider the future economic benefits of ownership of the business. Secondly, income approach is also considered inappropriate as plenty of assumptions are involved in formulating the financial projection of Tepia Group, and the assumptions may not be able to reflect the uncertainties in the future performance of Tepia Group. Given that improper assumptions will impose significant impact on the fair value, income approach has not been adopted in the valuation. On the other hand, market approach has the merit of capturing the market sentiment to infer an objective valuation and is relatively more objective as publicly available data is used which reflects the market consensus on the pricing of similar business. Taking into account (i) the applicability of each of the aforesaid valuation approaches based on the status of Tepia Group as of the Valuation Date; (ii) the fact that only one recent comparable transaction can be identified by the Valuer; and (iii) the fact that there is a sufficient number of comparable companies which can provide a benchmark of valuation multiples, the Valuer has adopted market approach with comparable companies method to derive the equity value of Tepia. Having considered (i) the characteristics and business nature of Tepia Group; (ii) that during the course of determining the appropriate valuation approach(es), the Valuer considered and decided not to adopt cost approach and income approach and the reasons thereof; and (iii) that the Valuation Report is prepared by the Valuer in compliance with the requirements of International Valuation Standards which contain guideline on the basis and valuation approaches used in business valuation, we concur with the Valuer's view that it is most appropriate to adopt market approach for the valuation of Tepia Group and accordingly, we have not cross-checked the Valuation with the other two valuation approaches. We also understand from the Valuer that market approach is one of the commonly adopted approaches for valuing companies of similar nature.

In identifying comparable companies, the Valuer has considered the following selection criteria: (i) the primary industry of the companies is being in industry of Industrial Machinery and Supplies and Components or Environmental and Facilities Services, under Global Industry Classification Standard, as extracted from S&P Capital IQ; (ii) the principal business of the companies is in the provision of the design, development and manufacturing of industrial water treatment machinery in China; (iii) the companies are listed in all major exchange markets in China (including Hong Kong); and (iv) the financial information of the companies is available to the public. Based on the above criteria, the Valuer has identified an exhaustive list of seven comparable companies (the "**Comparable Companies**") that are engaged in similar business with Tepia Group. We have discussed with the

Valuer on such selection criteria and assessed the appropriateness of the selected Comparable Companies. As stated in the Valuation Report, the Valuer conducted its research of comparable companies through S&P Capital IQ database, which is considered to be a reliable source of market information of Hong Kong and international markets. We have also reviewed the business scope of each of the Comparable Companies and note that the Comparable Companies are listed on the Shenzhen Stock Exchange or Shanghai Stock Exchange with over 50% of total revenue being generated from the design, development and manufacturing of industrial water treatment machinery. Based on the foregoing, we are of the view that (i) the selection criteria of the Comparable Companies are fair and reasonable; and (ii) the Comparable Companies identified by the Valuer are fair and representative for the purpose of valuation multiples analysis.

In determining the appropriate valuation multiple(s), the Valuer has considered various multiples such as price-to-earnings ("**P/E**"), price-to-book ("**P/B**"), price-to-sales ("**P/S**"), enterprise value-to-sales ("**EV/S**"), enterprise value-to-earnings before interests and taxes ("**EV/EBIT**") and enterprise value-to-earnings before interests, taxes, depreciation and amortisation ("**EV/EBITDA**") multiples. As explained in the Valuation Report, P/B multiple is considered not appropriate for the valuation of Tepia Group because book value only captures the tangible assets of a company while it does not capture the intangible company-specific competencies and advantages. Thus, P/B multiple is not a good measurement of the fair value of a company. P/S multiple is also considered not appropriate for the valuation of Tepia Group because it does not capture differences in financial leverage and related risk features across the Comparable Companies. Moreover, P/E, EV/EBIT and EV/EBITDA multiples are not adopted as Tepia Group recorded net losses, negative EBIT and negative EBITDA for the trailing 12-months period ended 30 September 2023 and no meaningful results based on P/E, EV/EBIT and EV/EBITDA multiples of the Comparable Companies can be generated. The Valuer therefore considered EV/S multiple to be the most appropriate indicator of the fair values of the Comparable Companies as it eliminates the difference in capital structure and related risk features. Hence, EV/S multiple has been adopted in the valuation of Tepia Group. For our due diligence purpose, we have searched for the relevant financial information of Tepia and the Comparable Companies on S&P Capital IQ database and also reviewed their relevant published financial statements. We note that Tepia Group's capital structure was different from that of each of the Comparable Companies. In particular, Tepia Group had no borrowings or minority interest and was in net cash position as at 30 June 2023 according to Tepia Interim Report 2023, whereas the Comparable Companies had different amounts of debts and borrowings as at 30 June 2023, resulting in the vast difference in leverage levels between Tepia Group and the Comparable Companies.

In arriving at the Valuation, the Valuer firstly derived the estimated 100% enterprise value of Tepia Group by multiplying the sales of Tepia Group for the trailing 12-months period ended 30 September 2023 by the median of EV/S multiple of the Comparable Companies, and then adjusted for (i) the cash and debt of Tepia Group; (ii) a discount for lack of marketability ("**LOMD**") of 20.5%; (iii) the shareholding percentage of Tepia held by the Target Company; and (iv) the value of other assets and liabilities on the balance sheet of the Target Company as of the Valuation Date.

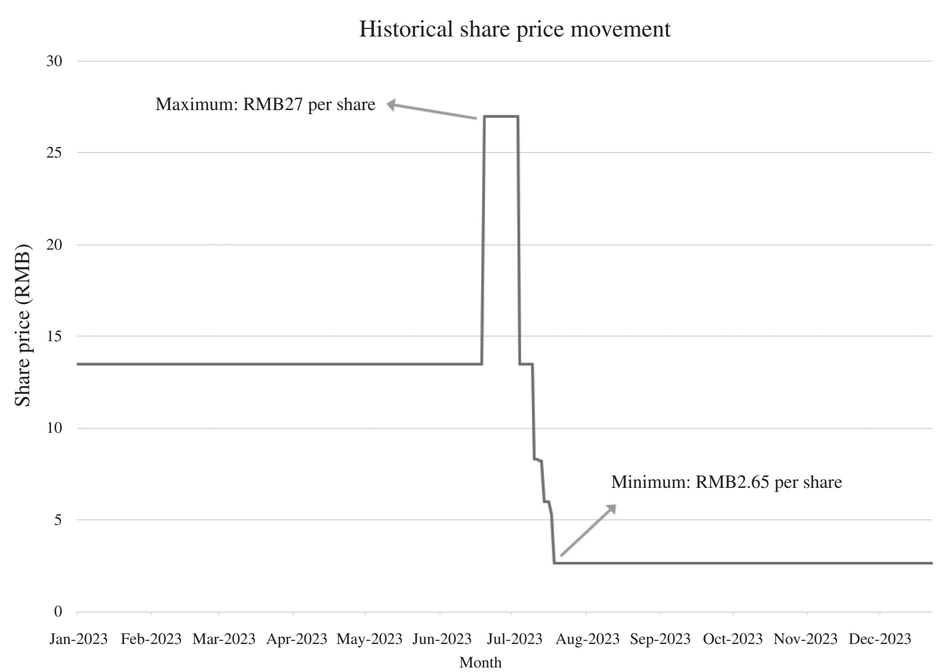
We have discussed with the Valuer in relation to the adoption of LOMD of 20.5%. We understand that LOMD reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies and therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company. The Target Company is a privately held company. Although the 60,000,000 Tepia Shares held by the Target Company are listed on NEEQ, given the inactive trading and negligible trading volume of Tepia Shares on NEEQ, the Valuer considered that the listing status of Tepia on NEEQ may not provide sufficient liquidity for immediate transaction of Tepia Shares. The Valuer further advised that since the EV/S multiple adopted in the valuation was calculated from publicly listed companies which represents marketable ownership interest, a marketability discount shall be adopted to adjust such marketable interest fair value to non-marketable interest fair value of the Target Company. We understand from the Valuer that the LOMD of 20.5% was adopted with reference to the report "Stout Restricted Stock Study Companion Guide (2022 edition)" by Stout Risius Ross, LLC, a reputable research company. In view of the above, the Valuer considered that it is appropriate and suitable to adopt the LOMD of 20.5% in the valuation.

In the course of our discussion with the Valuer, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the bases, assumptions and methodologies adopted in the Valuation Report. On the above basis and having considered the expertise and independence of the Valuer as discussed above, we are of the opinion that the Valuation is arrived at after due and careful consideration.

6.2. Historical share price movement and trading liquidity of Tepia Shares

The Disposal is in substance the disposal of the 41.67% equity interest in Tepia (representing 60,000,000 Tepia Shares) held by the Target Company. As mentioned in the section headed "3.1. Background and financial information of the Target Group" above, Tepia Shares are listed on NEEQ, which is an over-the-counter trading platform in the PRC. Owing to the nature of NEEQ and based on the information obtained from NEEQ, Tepia Shares were not actively traded and the trading volume was negligible. As such, the Company and the Purchaser have not taken into account of the share price of Tepia Shares on NEEQ in determining the Consideration. For reference purpose only, we have reviewed the historical share price and trading volume of Tepia Shares on NEEQ during the period from 1 January 2023 up to and including the date of the Equity Transfer Agreement (i.e. 22 December 2023) (the "**Review Period**"), being approximately a one-year period prior to the date of the Equity Transfer Agreement.

The chart below sets out the historical share price movement of Tepia Shares during the Review Period:



Source: National Equities Exchange and Quotations

As illustrated in the chart above, there was a significant fluctuation in the share price of Tepia Shares during the Review Period, with the maximum price at RMB27 per share and the minimum price at RMB2.65 per share.

The table below sets out the monthly trading volume of Tepia Shares during the Review Period:

Period	**Monthly trading volume**	**Percentage to the total number of Tepia Shares in issue** *(Note)* *(approximate)*
2023		
January	62,000	0.043%
February	1,600	0.001%
March	0	0%
April	0	0%
May	0	0%
June	1,700	0.001%
July	1,800	0.001%
August	0	0%
September	0	0%
October	0	0%
November	0	0%
December (up to and including the date of the Equity Transfer Agreement)	0	0%

Source: National Equities Exchange and Quotations

Note: Computed by dividing the monthly trading volume by the total number of Tepia's ordinary shares in issue of 144,000,000 as at the date of the Equity Transfer Agreement

As shown in the table above, the monthly trading volume of Tepia Shares was negligible during the Review Period, suggesting that the listing status of Tepia on NEEQ may not provide sufficient liquidity for immediate transaction of Tepia Shares. Considering the illiquidity of Tepia Shares and the substantial amount of the 60,000,000 Tepia Shares which represents 41.67% of Tepia's issued share capital, it will be unlikely for the Company to dispose of such 60,000,000 Tepia Shares in the market via NEEQ. The Disposal therefore represents an opportunity for the Company to dispose of such 60,000,000 Tepia Shares in one lot at a fixed price.

In light of the above, we are of the view that the listing status of Tepia on NEEQ is not a relevant factor to assess the Consideration and it is more appropriate to base our assessment of the Consideration on the analysis of the Valuation as set out in the section headed "6.1. Independent valuation of the Target Company" above.

Given that the Consideration of RMB32.5 million (i) is approximately equivalent to the Valuation of RMB32,533,000; and (ii) indeed represents a premium of approximately 13.9% over the unaudited net asset value of the Target Group as at 30 September 2023 of approximately RMB28.53 million, we concur with the Directors' view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

7. Financial effects of the Disposal

Upon completion of the Disposal, the Company will cease to have any interests in the Target Company and Tepia, and the Target Company and Tepia will cease to be a subsidiary and an associate of the Company, respectively. Accordingly, Tepia Group's financial results and assets and liabilities will no longer be equity accounted for in the consolidated financial statements of the Group. The financial effects of the Disposal on the Group are set out below:

7.1. Earnings

As stated in the Letter from the Board, subject to assessment and audit, the Company is expected to recognise an unaudited gain on disposal of approximately RMB4.0 million, being the difference between the Consideration and the unaudited net asset value of the Target Group as at 30 September 2023. Therefore, it is expected that the Disposal would have an immediate positive effect on the earnings of the Group upon completion.

Furthermore, having considered the recent financial performance of Tepia, more particularly, the deterioration in revenue and net loss position since FY2021 as described above, it is expected that the Disposal would improve the profitability of the Group.

7.2. Net assets

According to the Interim Report 2023, the net asset value of the Group amounted to approximately RMB163.2 million as at 30 June 2023. Taking into account the estimated gain on disposal of approximately RMB4.0 million, it is expected that the Disposal would increase the net asset value of the Group upon completion.

7.3. Working capital

According to the Letter from the Board, the Consideration of RMB32.5 million will be settled and paid in cash to the Company and the net proceeds arising from the Disposal of approximately RMB32.5 million will be utilised as general working capital of the Group. Therefore, it is expected that the Disposal would have a positive effect on the working capital of the Group upon completion.

Shareholders are reminded that the above analysis is for illustrative purposes only and does not purport to represent how the financial performance or financial position of the Group would be upon completion of the Disposal.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the terms of the Equity Transfer Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and although the Disposal is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Stanley Ng
Managing Director

Mr. Stanley Ng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 19 years of experience in the accounting and investment banking industries.

1. FINANCIAL INFORMATION OF THE GROUP

The annual report for the three years ended 31 December 2022, the interim report for the six months ended 30 June 2023 and the third quarterly report for the nine months ended 30 September 2023 of the Company together with relevant notes thereto are disclosed in the following documents which have been published on both the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.zj-yongan.com). Please refer to the hyperlinks as stated below:

(i) Third quarterly report of the Company for the nine months ended 30 September 2023 which was published on 15 November 2023:

https://www1.hkexnews.hk/listedco/listconews/gem/2023/1115/2023111500239.pdf (please refer to pages 3 to 10 in particular)

(ii) Interim report of the Company for the six months ended 30 June 2023 which was published on 14 August 2023:

https://www1.hkexnews.hk/listedco/listconews/gem/2023/0814/2023081401451.pdf (please refer to pages 3 to 19 in particular)

(iii) Annual report of the Company for the year ended 31 December 2022 which was published on 30 March 2023:

https://www1.hkexnews.hk/listedco/listconews/gem/2023/0330/2023033002758.pdf (please refer to pages 45 to 115 in particular)

(iv) Annual report of the Company for the year ended 31 December 2021 which was published on 29 April 2022:

https://www1.hkexnews.hk/listedco/listconews/gem/2022/0429/2022042902436.pdf (please refer to pages 47 to 115 in particular)

(v) Annual report of the Company for the year ended 31 December 2020 which was published on 30 March 2021:

https://www1.hkexnews.hk/listedco/listconews/gem/2021/0330/2021033001856.pdf (please refer to pages 50 to 119 in particular)

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 December 2023, 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 December 2023, the Group had an unguaranteed, unsecured and interest-free loan due to immediate holding company of approximately RMB81.57 million.

Lease Liabilities

As at 31 December 2023, the Group had unsecured and unguaranteed lease liabilities of approximately RMB7.61 million.

Contingent liabilities

As at 31 December 2023, the Group had no contingent liabilities. Save as aforesaid, as at the close of business on 31 December 2023, 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 December 2023 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, 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 from reporting accountant 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 2022, 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 principally engaged in the manufacture and sales of woven fabrics. Its products include cotton products, polyester products, spandex products and fashion fabrics, among others. The Group operates its businesses in the PRC, Europe, the Middle East and other overseas regions.

Tepia, being the main investment of the Target Group, is principally engaged in providing information planning and design, software development, system integration and project-based systems operation and maintenance services for water management systems. The relevant systems and services are used in waterworks planning and management, water resources conservation and utilization, flood prevention and drought control, water environment management and aquatic ecological restoration. It is listed on the NEEQ (Stock Code: 838941) and based in Beijing, the PRC.

As disclosed in the paragraph headed "Reasons for and Benefits of the Disposal" in the Letter from the Board of this circular, the Company has continued to carry out measures to increase efficiency, reduce cost and improve liquidity as the Company is principally engaged in the textile industry in the PRC which still needs time to recover. The Directors are of the view that the water management business of the Target Group is facing weak demand and a challenging operating environment. Therefore, the Disposal presents a favorable opportunity for the Group to realise its investment in the Target Group and redirect its resources towards its core business. The net proceeds from the Disposal will be utilised as general working capital of the Group.

Further, due to land resumption implemented by the local authorities, the Group's operations were recently relocated on 5 January 2024. For more details about this land resumption, please refer to the announcement of the Company dated 3 January 2024. As part of the relocation process, the Company intends to sell production machines and equipment that are over 20 years old. This presents an opportunity for the Company to upgrade its product offerings and increase efficiency in production process. By utilizing the compensation proceeds to purchase new machines that are more efficient in producing high-value products, the Company can improve the market competitiveness of its product offerings and enhance profitability.

The Directors considers the Disposal aligns with the Group's business strategies of concentrating resources on its core business in the PRC textile industry. The Directors expect that by utilising the proceeds as mentioned above, the Group will be able to deliver improved financial results to its Shareholders.

The following is the full text of a valuation report from AVISTA Valuation Advisory Limited, which has been prepared for the purpose of inclusion in this circular, in respect of the valuation of the Target Group as at 30 September 2023.

艾華迪集團
AVISTA GROUP

STRICTLY CONFIDENTIAL Ref. No: J23-02284

The Board of Directors
Zhejiang Yongan Rongtong Holdings Co., Ltd.
Xiwu Industrial Park, Hutang Street,
Keqiao District, Shaoxing City,
Zhejiang Province, the People's Republic of China

5 February 2024

Dear Sirs/Madams,

Re: Valuation of the 100% Equity Value of Zhejiang Shaoxing Huiju Water Technology Co., Ltd.

In accordance with your instructions, AVISTA Valuation Advisory Limited ("**AVISTA**" or "**we**") has conducted valuation in connection with the fair value of the 100% equity interest of Zhejiang Shaoxing Huiju Water Technology Co., Ltd. ("**Zhejiang Shaoxing Huiju**" or the "**Target**") for Zhejiang Yongan Rongtong Holdings Co., Ltd. (the "**Company**", "**Zhejiang Yongan**" or "**you**") as of 30 September 2023 (the "**Valuation Date**"). We understand that the Company entered into an agreement in relation to the disposal of the 100% equity interest in the Target (the "**Proposed Disposal**").

It is our understanding that this appraisal is strictly addressed to the directors of the Company (the "**Directors**") and used for the Proposed Disposal solely for your internal reference purpose. This report (the "**Report**") does not constitute an opinion on the commercial merits and structure of the Proposed Disposal. We are not responsible for unauthorized use of the Report.

We accept no responsibility for the realisation and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this Report. We assumed that financial and other information provided to us are accurate and complete.

This Report presents the summary of the business appraised, describes the basis of analysis and assumptions and explains the analysis methodology adopted in this appraisal process to calculate the value.

BASIS OF ANALYSIS

We have appraised the fair value of the 100% equity value of the Target.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Our valuation is prepared in compliance with the requirements of International Valuation Standards published by The International Valuation Standards Council. This standard contains guideline on the basis and valuation approaches used in business valuation.

COMPANY AND DISPOSAL BACKGROUND

Zhejiang Yongan is listed on the Growth Enterprise Market Board ("**GEM**") of the Hong Kong Stock Exchange in 2002 (SEHK:8211). It is mainly engaged in the design, manufacture and sales of woven fabrics internationally, as well as the provision of woven fabrics subcontracting services.

The Company owns 100% equity interest of the Target as of the Valuation Date. The Target is an investment holding company that principally holds 41.67% of the equity interest of Beijing Tepia Technology Co., Ltd. ("**Tepia**") and its subsidiary (collectively "**Tepia Group**"). The Management confirms that the Target does not have any business operation other than holding the investment of Tepia Group.

Tepia Group is listed on the National Equities Exchange and Quotations ("**NEEQ**"). Tepia Group is principally engaged in software development, system integration and information planning and design for water management systems. It is also engaged in the development and sales of industrial circulating water treatment equipment to solve the problems of industrial circulating water fouling, corrosion and algae breeding through electrochemical and electromagnetic mixing physical technology.

We understand that the Company intends to dispose 100% of the equity interest of the Target as previously defined as the Potential Disposal. Based on our discussion with the Company, the trading shares of Tepia Group on the NEEQ are considered illiquid, where shares were not traded daily and have been of negligible trading volume. Consequently, no significant emphasis on the NEEQ share prices of Tepia Group has been placed and the Company has engaged us to assess the fair value of the Target.

The Proposed Disposal constitutes a major and connected transaction for the Company and is, therefore, subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19.07 and Chapter 20 of the Rules Governing the Listing of Securities on GEM made by The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

As such, the Company engaged us as an independent valuer to assess the fair value of the 100% equity interest of the Target as of the Valuation Date.

SCOPE OF WORK

In conducting this valuation exercise, we have

- Co-ordinated with the Company's representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Target, including the legal documents, financial statements, etc. made available to us;
- Discussed with the Company and the Target to understand the history, business model, operations, business development plan, etc. of the Target for valuation purpose;
- Carried out research in the sectors concerned and collected relevant market data from reliable sources for analysis;
- Studied the information of the Target made available to us and considered the bases and assumptions of our conclusion of value;
- Selected an appropriate valuation method to analyze the market data and derived the estimated fair value of the Target; and
- Compiled this Report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should have been provided to us. We relied on such data, records and documents in arriving at our opinion of value and had no reason to doubt the truth and accuracy of the information provided to us by the Company, the Target and their authorized representatives.

ECONOMIC OVERVIEW

Overview of China's Economy

In 2023Q3, China's economy exhibited positive momentum of ongoing recovery and performance improvement. According to the National Bureau of Statistics ("**NBS**"), China's gross domestic product ("**GDP**") increased to RMB31,999 billion in 2023Q3, achieving a 4.9% year-on-year ("**y-o-y**") growth. The key drivers of this growth were attributable to the hotels and catering services sector, with a 12.7% y-o-y increase, followed by the information transmission, software, and information technology sector, with a 10.3% y-o-y growth. Nonetheless, due to the current real estate crisis, the real estate industry fell by 2.7% y-o-y in 2023Q3, partially offsetting the growth in the other sectors. Overall, with a 5.2% y-o-y GDP growth in the first three quarters of 2023, the annual target of 5% growth for 2023 is expected to be achieved.

Domestic consumption continued to recover significantly in the first three quarters of 2023. Total retail sales of consumer goods reached RMB34,211 billion, achieving a y-o-y growth rate of 6.8%. Fixed asset investment amounted to RMB37,504 billion with the y-o-y growth rate slowed down to 3.1%.

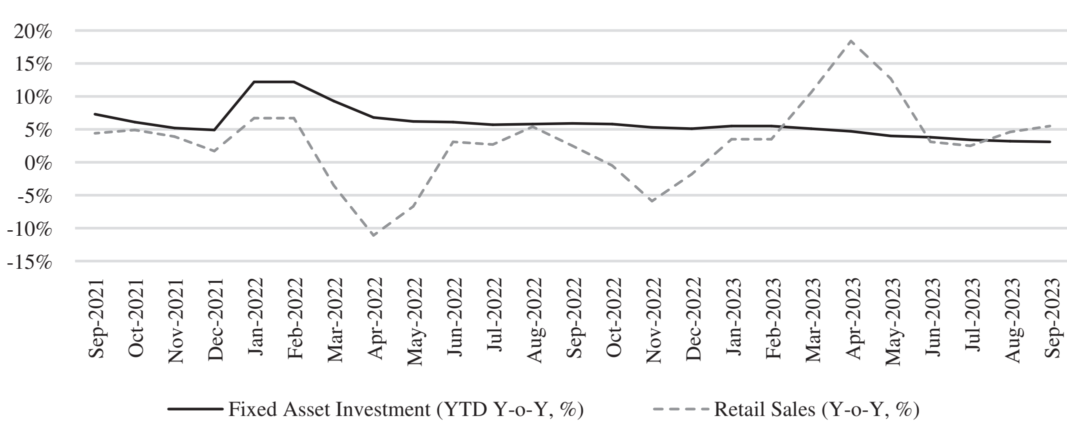
Regarding foreign trade, exports in the first three quarters of 2023 increased by 0.6% y-o-y to RMB17.6 trillion, while imports dropped by 1.2% y-o-y to RMB13.2 trillion. As a result, the total trade volume amounted to RMB30.8 trillion in the first three quarters of 2023, with a y-o-y growth rate of 0.2%. The total trade volume in September reached a new monthly high of RMB3.7 trillion in 2023.

China's price level was maintained at a stable level. NBS announced that the consumer price index ("**CPI**") for September 2023 remained unchanged compared to the previous year. This was primarily attributed to the influence of a high base effect from 2022. Meanwhile, the producer price index ("**PPI**") witnessed a y-o-y decrease of 2.5% in September 2023, which was the smallest decrease since March 2023. This was mainly driven by the gradual recovery in demand for industrial products and the rising crude oil prices in the global market.

In order to maintain the banking system liquidity, the People's Bank of China (the "**PBoC**") executed a RMB591 billion medium-term lending facility ("**MLF**") operation in September, with a constant interest rate of 2.5%. In addition, according to the PBoC, the money supply ("**M2**") at the end of September 2023 was RMB290 trillion, with a y-o-y growth rate of 10.3%, slightly slower than the growth rate of 11.3% in June 2023. The MLF operation and the increase in M2 contributed to lower borrowing costs, thereby facilitating economic activities.

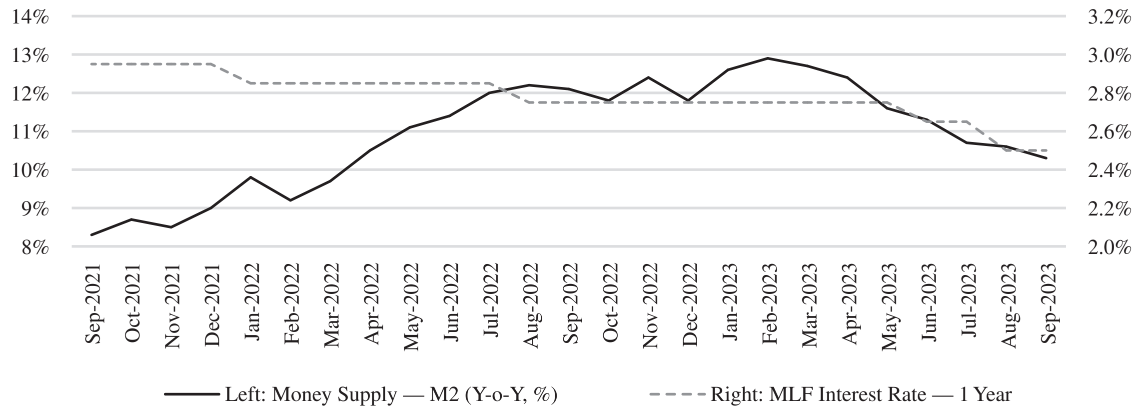
Looking forward, as economic activities continue to recover, it is expected that China's economy will grow steadily. According to the International Monetary Fund ("**IMF**"), it is anticipated that the GDP per capita of China will grow from USD12,670 in 2022 to USD16,803 in 2028, with a compound annual growth rate ("**CAGR**") of 4.8%. Nonetheless, the IMF has also highlighted the uncertainty caused by the real estate crisis, which could affect the economy in the short term.

Y-o-Y Growth in YTD Fixed Asset Investment and Monthly Retail Sales



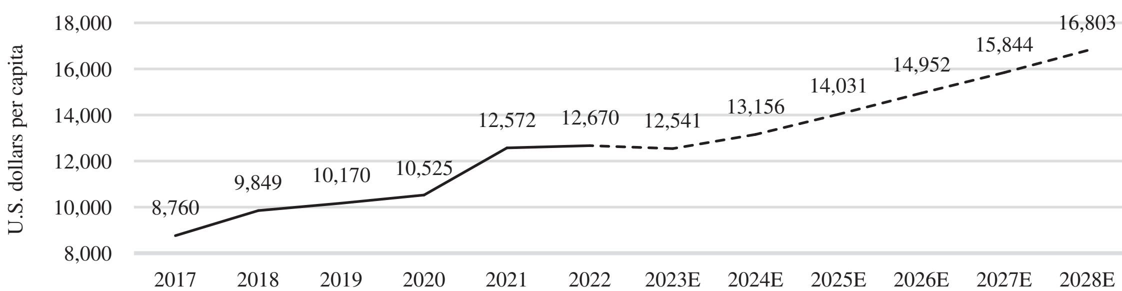
Source: NBS

Y-o-Y Growth in M2 and 1-Year MLF Interest Rate in China



Source: NBS, the PBoC

GDP per capita of China



Source: IMF

INDUSTRY OVERVIEW

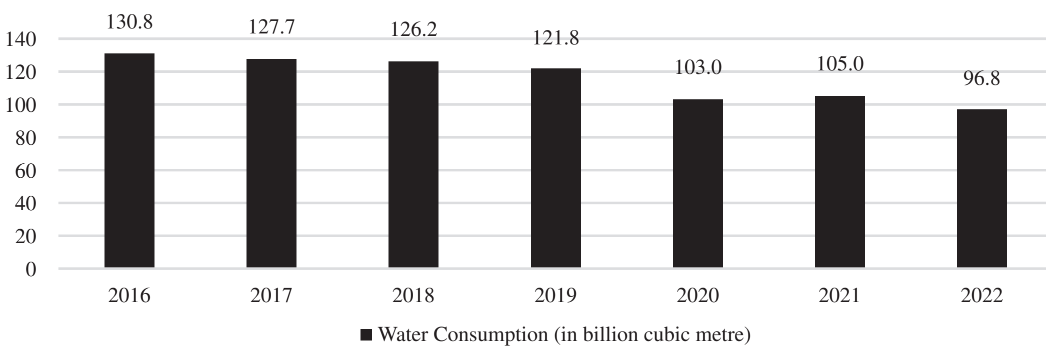
Overview of China's Industrial Water Treatment Industry

The annual water consumption from industrial sector demonstrates a decreasing trend in recent years in China. According to the Ministry of Water Resources of the People's Republic of China, the annual water consumption from industrial sector has decreased from 130.8 billion cubic metres ("**m^3**") in 2016 to 96.8 billion m^3 in 2022, showing a CAGR of -4.9% between the period. Among all provinces in China, Jiangsu province had the highest industrial water consumption, accounting for more than one-fourth of the total industrial water consumption of China, followed by Hubei province and Anhui province, accounting for 8.4% and 8.1% of the total industrial water consumption in 2022 respectively.

One of the major factors contributing to the drop in water consumption in the industrial sector is the improvement of water usage efficiency. The adoption of the recirculating water system from the once-through water system allows used industrial water, such as contaminated or cooling water, to be repeatedly used, reducing the amount of water consumption by the industries. Other factors, including the advanced technologies in the crystallization process and the promotion of cloud computing and big data to monitor the status of recirculating water systems, also play a vital role in improving water usage efficiency.

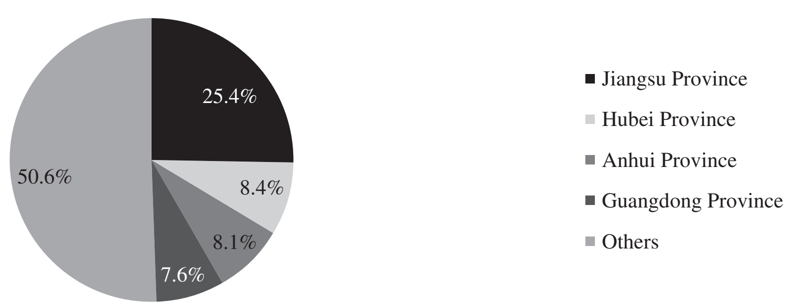
According to the implementation plan published by the Ministry of Industry and Information Technology of the People's Republic of China and five other national departments, the 2020 recycling rate of industrial water in China was 92.5%, with the target aiming to reach 94% by the end of 2025. Meanwhile, the implementation plan also emphasized the development of recirculation technologies, together with "the National 14th Five-Year Plan", which aims to develop a higher efficiency in wastewater treatment.

Annual Water Consumption of Industrial Sector in China



Source: Ministry of Water Resources of the People's Republic of China

Annual Water Consumption from Industrial Sector by Province in 2022



Source: Ministry of Water Resources of the People's Republic of China

LIMITATIONS OF THE REPORT

The Report is addressed strictly to the Directors for their internal reference only. Accordingly, the Report may not be used nor relied upon in any other connection by, and are not intended to confer any benefit on, any person (including without limitation the respective shareholders of the Company and the Target).

The Report does not constitute an opinion on the commercial merits and structure of the Proposed Disposal. The Report does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Disposal. We are not required to and have not conducted a comprehensive review of the business, technical, operational, strategic or other commercial risks and merits of the Proposed Disposal and such remain the sole responsibility of the Directors and the management of the Company (the "**Management**").

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us, whether written or verbal, in the Report, especially for the historical financial information of Tepia Group of the trailing 12-months ("**LTM**") period ended 30 September 2023 provided by the Management. No representation or warrant, expressed or implied, is made and we accept no responsibility concerning the accuracy, completeness or adequacy of all such information.

Based on our discussion with the Company, no significant emphasis on the NEEQ share prices of Tepia Group has been considered in this Report as the trading shares of Tepia Group on the NEEQ are considered illiquid with negligible trading volume. Moreover, our valuation has also relied upon other information obtained from public sources which we believe to be reliable. We accept no responsibility for the accuracy and reliability of any information obtained from public sources.

The outbreak of the Coronavirus Disease 2019 ("**COVID-19**"), as declared by the World Health Organization as a global pandemic on 11 March 2020, has been adversely affecting the global economy and the financial markets. As such, the subsequent impact due to COVID-19 has imposed an unprecedented set of circumstances on which to base a valuation judgment as of the Valuation Date. In particular, the increased volatility in political, legal, fiscal, and economic conditions and/or other market situations as a result of COVID-19 would bring higher uncertainties to the underlying assumptions. Consequently, a higher degree of caution should be attached to our valuation than would normally be the case.

VALUATION ASSUMPTIONS OF BUSINESS ENTERPRISE VALUE ANALYSIS

In arriving at our opinion of value, we have considered the following principal factors:

- the economic outlook for the region operated by the Target and specific competitive environments affecting the industry;
- the nature of business and historical financial performance of the Target;
- the business risks of the Target;
- the financial condition of the Target;
- the selected comparable companies are engaging in business operations similar to Tepia Group;
- the experience of the management team of the Target and support from its shareholders; and
- the legal and regulatory issues of the industry in general.

A number of general assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation include:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target;
- The operational and contractual terms stipulated in the relevant contracts and agreements entered into between Tepia Group and any other parties will be honored;
- The Target will retain and have competent management, key personnel, and technical staff to support their ongoing operating and will continue to operate as a going concern and have sufficient liquidity and capability;
- We have not considered the trading share price of Tepia Group on the NEEQ as it is deemed illiquid with negligible trading volume; and
- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

VALUATION APPROACH

General Valuation Approaches

There are three generally accepted approaches to appraise the fair value of the equity interest of the Target, namely Income Approach, Cost Approach and Market Approach. All three of them have been considered regarding the valuation of the Target.

Income Approach	The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset. The fundamental method for income approach is the discounted cash flow ("**DCF**") method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. Thus, an indication of the equity value is calculated as the present value of the future free cash flow of a company less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.
Cost Approach	The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.
Market Approach	The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset. Under the market approach, the comparable company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are comparable to the subject asset and then applies the result to a base of the subject asset.

Selected Valuation Approach

Each of the abovementioned approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature. In this appraisal, given the Management confirms the Target does not have any business operation other than holding the investment of Tepia Group, the fair value of the Target is derived by first determining the fair value of Tepia Group and adding it to the fair values of assets and liabilities on the balance sheet of the Target as of the Valuation Date. Regarding the fair value of the equity interest of Tepia Group, we applied the Market Approach due to the following reasons:

- Cost Approach is not appropriate in current appraisal as it assumed the assets and liabilities of Tepia Group are separable and can be sold separately. This methodology is more appropriate for the industries that its assets are highly liquid, like property development and financial institution. Thus, Cost Approach is not adopted in this valuation.

- Income Approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projections of Tepia Group, and the assumptions might not be able to reflect the uncertainties in the future performance of Tepia Group. Given that improper assumptions will impose significant impact on the fair value, Income Approach is not adopted in this valuation.

- Fair value arrived from Market Approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies and/or the comparable transactions were arrived from market consensus. Since there are sufficient public companies in similar nature and business to that of Tepia Group, their market values are good indicators of the industry of Tepia Group. Therefore, Market Approach has been adopted in this valuation.

There are two methods commonly used in performing market approach, namely comparable transactions and comparable companies.

Comparable Transactions Method

The comparable transactions are selected for Tepia Group with reference to the following selection criteria:

- The primary industry of the acquiree is being in industry of Industrial Machinery and Supplies and Components or Environmental and Facilities Services, under Global Industry Classification Standard, as extracted from S&P Capital IQ;

- The principal business of the acquiree is in the provision of the design, development and manufacture of industrial water treatment machinery in China;

- The transaction was completed and announced between October 2022 and September 2023; and

- The financial information of the acquiree is available to the public.

Based on the above selection criteria, there was one available comparable transaction with the acquiree engaging in similar businesses as Tepia Group during the selected period. Details of the selected comparable transaction are illustrated as follows:

Announcement Date	25 May 2023
Transaction Closed Date	24 May 2023
Acquiree	Guangxi Bossco Environmental Protection Technology Co.,Ltd.
Acquirer	Ningguo State-owned Capital Holding Group Co., Ltd
Business Description of the Acquiree	Guangxi Bossco Environmental Protection Technology Co.,Ltd. provides environmental management, professional technical, and operations services in China and internationally. The company offers industrial wastewater treatment solutions, which includes up-flow multistage anaerobic reactor and heterogeneous oxidation towers. It also provides urban and rural environmental services, including urban black odor water treatment services; water supply and drainage integration projects; and sewage treatment system equipment.
% of Shareholding Acquired	10.34%
Consideration	RMB519.4 million
Implied Price-to-sales Multiple	2.5x

Given the fact that only one recent comparable transaction can be identified, we consider that the multiple derived based on comparable transactions may not be representable for our valuation, and thus, the comparable transactions method is not appropriate as the primary method for the valuation of 100% equity interest of Tepia Group.

Comparable Companies Method

Comparable companies method is therefore selected as the primary method for the valuation of the 100% equity interest of Tepia Group. By adopting comparable companies method, we have to select the appropriate comparable public companies. The selection of the comparable companies was based on the comparability of the overall industry sector. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

The comparable public companies are selected with reference to the following selection criteria:

- The primary industry of the companies is being in industry of Industrial Machinery and Supplies and Components or Environmental and Facilities Services, under Global Industry Classification Standard, as extracted from S&P Capital IQ;
- The principal business of the companies is in the provision of the design, development and manufacturing of industrial water treatment machinery in China;
- The companies are listed in all major exchange markets in China (including Hong Kong); and
- The financial information of the companies is available to the public.

During our research process, as obtained on the best effort basis, we have identified an exhaustive list of seven comparable companies that engaged in similar business with Tepia Group. As mentioned above, since no two companies are ever exactly alike, the differences should not overshadow the similarities of the business nature of the companies. We consider these companies are comparable to Tepia Group.

Details of the selected comparable companies are listed as follows:

#	Company Name	Stock Code	Listing Location	Business Description	Revenue Contribution from Business Segment(s)[1]
1)	Beijing Sys Science & Technology Co., Ltd. ("**Sys Science**")	SZSE: 301372	China	Beijing Sys Science & Technology Co., Ltd. provides water environment system treatment services in China. The company offers water treatment products, water environment management solutions, and operational services. It also designs, consults, and services sewage treatment.	Relevant to the business of Tepia Group: Water Treatment Products (53.3%)

#	Company Name	Stock Code	Listing Location	Business Description	Revenue Contribution from Business Segment(s)[(1)]
2)	Cscec Scimee Sci. & Tech. Co., Ltd ("**Cscec Scimee**")	SZSE: 300425	China	Cscec Scimee Sci.&Tech. Co., Ltd manufactures and sells environmental protection equipment and services in China. It offers magnetic separation products, such as magnetic separation water purification equipment and rare earth disk separation and purification wastewater equipment.	Relevant to the business of Tepia Group: Water Treatment Business Segment (71.2%)
3)	Jiangsu Jingyuan Environmental Protection Co., Ltd. ("**Jiangsu Jingyuan**")	SHSE: 688096	China	Jiangsu Jingyuan Environmental Protection Co., Ltd. provides water treatment solutions in China. The company offers industrial waste treatment equipment and systems, including coal-containing wastewater treatment, desulfurization wastewater treatment, and electrocatalytic oxidation treatment systems.	Relevant to the business of Tepia Group: Industry Water Treatment (70.1%)
4)	Zhejiang Haiyan Power System Resources Environmental Technology Co.,Ltd. ("**Haiyan Power System**")	SHSE: 688565	China	Zhejiang Haiyan Power System Resources Environmental Technology Co.,Ltd. researches, designs, develops, and integrates water treatment systems for nuclear and thermal power plants, metallurgy, chemical, and other industrial enterprises and municipal industries in China. It offers condensate polishing, demineralized water treatment, sewage treatment, and smart power station equipment and other systems.	Relevant to the business of Tepia Group: Condensate Polishing System Equipment (49.6%); Water Diversion Engineering System Equipment (22.7%); Demineralized Water Treatment System Equipment (20.2%)
5)	Anhui Shunyu Water Affairs Co.,Ltd. ("**Anhui Shunyu**")	SZSE: 301519	China	Anhui Shunyu Water Affairs Co.,Ltd. engages in the research, design, development, manufacture, installation, commissioning, upgrading, and sale of secondary water supply and sewage treatment equipment in China. It is also involved in the research, development, and construction of the intelligent management platform.	Relevant to the business of Tepia Group: Sewage Treatment (59.9%)

#	Company Name	Stock Code	Listing Location	Business Description	Revenue Contribution from Business Segment(s)[1]
6)	Cec Environmental Protection Co.,Ltd ("**Cec Environmental**")	SZSE: 300172	China	CEC Environmental Protection Co.,Ltd provides ecological environmental management services. The company's activities comprise industrial water treatment; urban sewage treatment and water environment treatment; solid and hazardous waste disposal, sludge drying and coupling treatment, and soil remediation; kitchen and food waste co-treatment.	Relevant to the business of Tepia Group: Industrial Water Treatment (49.6%); Urban Water Environment Management (24.8%)
7)	Guangxi Bossco Environmental Protection Technology Co.,Ltd. ("**Guangxi Bossco**")	SZSE: 300422	China	Guangxi Bossco Environmental Protection Technology Co.,Ltd. provides environmental management, professional technical, and operations services in China and internationally. The company offers industrial wastewater treatment solutions, which includes up-flow multistage anaerobic reactor and heterogeneous oxidation towers.	Relevant to the business of Tepia Group: Comprehensive Environmental Governance — Water Treatment (51.4%)

Source: S&P Capital IQ and Bloomberg

(1) Based on the latest annual financial data as of the Valuation Date from Bloomberg.

As over 50% of revenue of the above comparable companies are generated from the design, development and manufacturing of industrial water treatment machinery, these comparable companies, together with Tepia Group, are considered to be similarly subject to the fluctuations in the economy and performance of the water treatment industry, among other factors. Thus, we consider they are confronted with similar industry risks and rewards.

Below are the financial details of the comparable companies:

#	Company Name	Stock Code	Listing Location	For the Twelve Months Ended 30 June 2023		As of 30 June 2023	As of 30 September 2023
				Sales	Net Profits/ (Losses)	Net Asset/ (Net Debt) Value	Market Capitalization
				(In RMB million)			
1)	Sys Science	SZSE: 301372	China	431	84	321	3,987
2)	Cscec Scimee	SZSE: 300425	China	1,752	193	2,180	3,345
3)	Jiangsu Jingyuan	SHSE: 688096	China	521	46	856	1,462
4)	Haiyan Power System	SHSE: 688565	China	217	(55)	578	1,320
5)	Anhui Shunyu	SZSE: 301519	China	801	108	744	3,983
6)	Cec Environmental	SZSE: 300172	China	955	85	1,825	4,534
7)	Guangxi Bossco	SZSE: 300422	China	1,992	(361)	2,286	3,090

Source: S&P Capital IQ

Adopted Valuation Multiples

After selecting the abovementioned comparable companies, we have to determine the appropriate valuation multiples for the valuation of Target, in which we have considered price-to-earnings ("**P/E**"), price-to-book ("**P/B**"), price-to-sales ("**P/S**"), enterprise value/sales ("**EV/S**"), enterprise value/earnings before interests and taxes ("**EV/EBIT**") and enterprise value/earnings before interests, taxes, depreciation and amortization ("**EV/EBITDA**") multiples.

P/B multiple is considered not appropriate for the valuation of Tepia Group because book value captures only the tangible assets of a company which, if a company creates any added market value (as reflected by a P/B multiple of larger than one), should have its own intangible competencies and advantages. These intangible company-specific competencies and advantages are not captured in the P/B multiple and so in general, the equity's book value has little bearing with its fair value. Thus, the P/B multiple is not a good measurement of the fair value of a company.

P/E, EV/EBIT and EV/EBITDA multiples are considered not appropriate for this valuation because Tepia Group recorded net losses, negative EBIT and negative EBITDA for the LTM period as of the Valuation Date. No meaningful results based on P/E, EV/EBIT and EV/EBITDA multiples of the comparable companies can be generated. Thus, P/E, EV/EBIT and EV/EBITDA multiples are not adopted in the valuation of Tepia Group.

P/S multiple is considered not appropriate for the valuation of Tepia Group because it does not capture differences in financial leverage and related risk features across the companies. Thus, P/S multiple is not adopted in the valuation of Tepia Group.

Therefore, EV/S multiple is considered to be the most appropriate indicator of the fair values of the comparable companies, as the multiple eliminates the difference in capital structure and related risk features. Hence, it is adopted in the valuation of Tepia Group. Enterprise value is generally derived based on the market capitalization of a company, plus net debt (total debt minus cash and short-term investment), minority interest and preferred shares.

The EV/S multiples of comparable companies of Tepia Group are as follows:

No.	Company Name	Currency (in million)	Enterprise Value as of 30 September 2023[(1)]	LTM Sales[(2)]	LTM EV/S Multiple
1	Sys Science	RMB	4,266	431	9.9x
2	Cscec Scimee	RMB	4,154	1,752	2.4x
3	Jiangsu Jingyuan	RMB	1,865	521	3.6x
4	Haiyan Power System	RMB	1,386	217	6.4x
5	Anhui Shunyu	RMB	4,633	801	5.8x
6	Cec Environmental	RMB	4,231	955	4.4x
7	Guangxi Bossco	RMB	7,776	1,992	3.9x
				Maximum	9.9x
				Median[(3)]	**4.4x**
				Minimum	2.4x

Notes:

(1) Data sourced from S&P Capital IQ. The enterprise values of the comparable companies are computed based on the market capitalization of the companies as of 30 September 2023 and the latest financial data of the comparable companies available as of the Valuation Date.

(2) Data sourced from S&P Capital IQ based on latest financial data of the comparable companies available as of the Valuation Date.

(3) Median and average share the same role in understanding the central tendency of a sets of numbers. Median, which would not be affected by extreme values, is regarded a better mid-point measure for skewed number distributed. Hence, median is adopted to derive the result, which we consider to be a more reasonable approach to prevent the outliers from distorting the result.

VALUATION RESULT

(in RMB'000 unless otherwise specified)

LTM Sales of Tepia Group [(1)]	20,298
Median of EV/S Multiple	4.4x
Estimated 100% Enterprise Value of Tepia Group (Marketable basis)	**89,311**
Less: Debt [(1)]	(476)
Add: Cash and Cash Equivalents [(1)]	9,363
Estimated 100% Equity Value of Tepia Group (Marketable basis)	**98,198**
Less: Lack of Marketability Discount ("**LOMD**") [(2)]	*20.5%*
Estimated 100% Equity Value of Tepia Group (Non-marketable basis)	**78,067**
Shareholding % of Tepia Group held by the Target	41.67%
Estimated 41.67% Equity Value of Tepia Group (Non-marketable basis)	**32,531**
Add: Net Assets/(Liabilities) of the Target [(3)]	2
Fair Value of 100% Equity Value of the Target	**32,533**

Notes:

(1) The financial data for the period 1 October 2022 to 30 September 2023, which is based on the audited financial statements of Tepia Group provided by the Management for the year ended 31 December 2022 and the 9-month periods ended 30 September 2022 and 30 September 2023 respectively.

(2) LOMD reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

The EV/S multiples adopted in the valuation were calculated from public listed companies, which represent marketable ownership interest. Fair value calculated using such EV/S multiple, therefore, represent the marketable interest. Thus, LOMD was adopted to adjust such marketable interest fair value to non-marketable interest fair value.

The report "Stout Restricted Stock Study Companion Guide (2022 edition)" by Stout Risius Ross, LLC, a reputable research company, suggested a marketability discount is 20.5%. A marketability discount of 20.5% is considered appropriate and suitable for this valuation as the Target is a privately held company.

We understand that Tepia Group is an entity with its equity shares publicly traded in the NEEQ, which is an over-the-counter trading platform in China. Based on the information obtained from NEEQ, equity shares of the Tepia Group are not traded on a daily basis, and the transaction volume is negligible. Hence, we consider the listing status of Tepia Group on NEEQ may not provide sufficient liquidity for the immediate transaction of equity interest in Tepia Group, and thus, a marketability discount of 20.5% is considered appropriate and suitable for this valuation.

The value of non-marketable interest can be calculated from marketable interest using the following formula:

Fair Value of Non-Marketable Interest = Fair Value of Marketable Interest x (1 – LOMD)

(3) The Target is an investment holding company, which holds the 41.67% equity interest in Tepia Group without any other business operation as represented by the Management. The fair value of the Target is therefore considered to be the sum of the fair value of the equity investment in Tepia Group and the values of other assets and liabilities on the balance sheet of the Target as of the Valuation Date. The value of the net asset of the Target is based on the unaudited financial statements of the Target (on company level) as of 30 September 2023 provided by the Management. The entire balance is cash and cash equivalents, and therefore, the book value is considered representative to be its fair value.

CONCLUSION OF VALUE

Based on our investigation and analysis method employed, it is our opinion that as of the Valuation Date, the fair value of the 100% equity value of the Target is **RMB32,533,000 (RENMINBI THIRTY-TWO MILLION FIVE HUNDRED AND THIRTY-THREE THOUSAND ONLY)**.

The conclusion of the fair value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in Zhejiang Yongan Rongtong Holdings Co., Ltd., the Target nor the value reported.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Vincent C B Pang
CFA, FCPA(HK), FCPA (Aus.), MRICS, RICS Registered Valuer
Managing Partner

Analysed and Reported by:
Ivan K K Lui
ACA, CFA, FCPA (HK), MRICS, RICS Registered Valuer, LL.M.
Partner

Mos H M Kwan
CFA, FRM
Manager

Jeffrey C F Lo
Senior Analyst

Note: Mr. Vincent Pang is a member of CFA Institute and CPA Australia, a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of Royal Institution of Chartered Surveyors (RICS) and a RICS registered valuer. He has over 20-year experience in financial valuation and business consulting in Hong Kong and China.

APPENDIX — GENERAL LIMITATIONS AND CONDITIONS

This Report was prepared based on the following general assumptions and limiting conditions:

- All data, including historical financial data, which we relied upon in reaching opinions and conclusions or set forth in the Report are true and accurate to our best knowledge. Whilst reasonable care has been taken to ensure that the information contained in the Report is accurate, we cannot guarantee its accuracy and we assume no liability for the truth or accuracy of any data, opinions, or estimates furnished by or sourced from any third parties which we have used in connection with the Report.

- We also assume no responsibilities in the accuracy of any legal matters. In particular, we have not carried out any investigation on the title of or any encumbrances or any interest claimed or claimable against the equity interest of the Target appraised. Unless otherwise stated in the Report, we have assumed that the owner's interest is valid, the titles are good and marketable, and there are no encumbrances that cannot be identified through normal processes.

- The value opinion presented in this Report is based on the prevailing or then prevailing economic conditions and on the purchasing power of the currency stated in the Report as of the date of analysis. The date of value on which the conclusions and opinions expressed apply is stated in this Report.

- This Report has been prepared solely for the use or uses stated. Except for extraction of or reference to the Report by the Company, its financial advisor and/or its independent financial advisor for their respective work in relation to the Proposed Disposal, it is not intended for any other use or purpose or use by any third parties. We hereby disclaim that we are not liable for any damages and/or loss arisen in connection with any such unintended use.

- Prior written consent must be obtained from AVISTA Valuation Advisory Limited for publication of this Report. Except for disclosure in the Announcement and/or the Circular in relation to the Proposed Disposal, no part of this Report (including without limitation any conclusion, the identity of any individuals signing or associated with this Report or the firms/companies with which they are connected, or any reference to the professional associations or organisations with which they are affiliated or the designations awarded by those organisations) shall be disclosed, disseminated or divulged to third parties by any means of publications such as prospectus, advertising materials, public relations, news.

- We assume all applicable laws and governmental regulations are being complied with unless otherwise stated in this Report. We have also assumed responsible ownership and that all necessary licenses, consents, or other approval from the relevant authority or private organisations have been or to be obtained or renewed for any use that is relevant to value analysis in this Report.

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 of the Company, 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 *(Note 1)*	588,000,000	100%	55.29%
Zhejiang Yongli	Interest in controlled corporation *(Note 2)*	588,000,000	100%	55.29%
Mr. Zhou Yongli	Interest in controlled corporation *(Note 2)*	588,000,000	100%	55.29%
Ms. Xia Wanmei	Interest of spouse *(Note 2)*	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 close 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 2022 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

The following contracts (not being contracts in the ordinary course of business of the Group) have been entered into by members of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

(i) 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 by the Company or its subsidiary to Zhejiang Yongli or its designated parties in the principal amount of up to RMB35 million;

(ii) the second supplemental debt repayment agreement dated 31 March 2022 entered into between the Company and Guizhou Yongli in relation to the repayment in advance part of the shareholder's loan owed by the Company to Guizhou Yongli in the amount of RMB30 million;

(iii) the third supplemental debt repayment agreement dated 16 May 2022 entered into between the Company, Guizhou Yongli and Zhejiang Yongli in relation to the repayment in advance part of the shareholder's loan owed by the Company to Guizhou Yongli in the amount of RMB18 million;

(iv) the land resumption agreement* (非住宅拆遷貨幣補償協議) dated 20 December 2023 entered into between Zhejiang Shaoxing Hangshao Airport Demonstration Zone Development Group Co., Ltd.* (浙江紹興杭紹臨空示範區開發集團有限公司), subdistrict office of Yangxun Qiao Town in Keqiao District, Shaoxing City (紹興市柯橋區楊汛橋街道辦事處) and the Company in relation to the resumption of the land use rights of the two adjoining industrial land parcels located in Yangxun Qiao Town and the construction and fixtures erected thereon at a consideration of RMB294.4 million;

(v) the property lease agreement dated 22 December 2023 entered into between the Company and 浙江永利經編股份有限公司 (Zhejiang Yongli Warp Knitting Co., Ltd.*) in relation to the lease of the premises at Xiwu Industrial Park, Hutang Street, Keqiao District, Shaoxing City, Zhejiang Province, the PRC (中國浙江省紹興市柯橋區湖塘街道西屋工業園) at a total rent payable of RMB16.49 million;

(vi) the fourth supplemental debt repayment agreement dated 22 December 2023 entered into between the Company, Guizhou Yongli and Zhejiang Yongli in relation to the repayment in advance of the shareholder's loan owed by the Company to Guizhou Yongli in the amount of RMB199.33 million; and

(vii) the Equity Transfer Agreement.

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. She is a member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants.

(iii) The compliance officer of the Company is Mr. Hu Hua Jun.

(iv) The legal address of the Company is Xiwu Industrial Park, Hutang Street, Keqiao District, Shaoxing City, 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 experts who have given opinion or advice which is contained in this circular:

Name	Qualifications
Lego Corporate Finance Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
AVISTA Valuation Advisory Limited	Independent valuer

The above experts have 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 experts:

(a) did not have any direct or indirect, interest in any assets which have been since 31 December 2022 (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. AUDIT COMMITTEE

The primary duties of the audit committee of the Company are to review and supervise the financial reporting process and internal control system of the Company, nominate and monitor external auditors, review quarterly report of the compliance department's findings, meet with external auditor regularly and provide advices and comments to the Directors. As at the Latest Practicable Date, the audit committee of the Company comprised of three independent non-executive Directors, Namely, Mr. Yu Weidong, Mr. Yuan Lingfeng and Mr. Zhang Jianyong. Mr. Yu Weidong is the chairman of the Audit Committee. Brief biographies of the independent non-executive Directors are set out below:

Mr. Yu Weidong (余偉東先生) ("**Mr. Yu**"), aged 54, is currently an independent non-executive Director of the Company. He graduated from Zhejiang Institute of Finance and Economics (浙江財經學院) with the bachelor's degree in Accountancy in July 2001. From July 1992 to December 1999, Mr. Yu worked as an audit officer of Shaoxing County Audit Office, a department under Shaoxing City Audit Bureau (紹興縣審計事務所(紹興市審計局屬下之部門)). From December 1999 to December 2017, he served as vice director of Shaoxing Xingye CPA Firm* (紹興興業會計師事務所). Since December 2017, he has been a director of Shaoxing Zhongjing CPA Firm* (紹興中景會計師事務所). Mr. Yu has been granted a certificate of senior accountant (高級會計師) in December 2003. He has registered as a Chinese Certified Public Accountant (中國註冊會計師) since February 1998, as a Chinese Certified Valuer (中國註冊評估師) since June 1998 and as a Chinese Certified Tax Agent (中國註冊税務師) since June 1999. He is now a practising Chinese Certified Public Accountant. He has been appointed as an independent non-executive Director of the Company at the extraordinary general meeting held on 30 July 2021.

Mr. Yuan Lingfeng (袁靈烽先生) ("**Mr. Yuan**"), aged 40, is currently an independent non-executive Director of the Company. He graduated from Shaoxing University (紹興文理學院) with the bachelor's degree in Accountancy in June 2006. From July 2006 to March 2021, Mr. Yuan worked as a finance officer of Zhejiang Baoye Construction Group Co., Ltd.* (浙江寶業建設集團有限公司). Since March 2021, he has served as a deputy finance manager of Zhejiang Dongsha Construction Group Ltd.* (浙江東廈建工集團有限公司). Mr. Yuan has been granted a certificate of senior accountant (高級會計師) in December 2019. He has been appointed as an independent non-executive Director of the Company at the extraordinary general meeting held on 30 July 2021.

Mr. Zhang Jianyong (章建勇先生) (formerly named Zhang Jianyong (章劍勇)) ("**Mr. Zhang**"), aged 57, is currently an independent non-executive Director of the Company. He graduated from Hangzhou City Law School* (杭州市法律學校) (currently named Hangzhou Normal University* (杭州師範大學)) with a certificate of professional in law in July 1990. He also graduated from the online education faculty of Southwest Jiaotong University (西南交通大學) with a certificate of professional in law in January 2007. From July 1990 to May 1996, Mr. Zhang worked as a clerk at the legal department of the People's Government of Meishan Village Yuecheng Qu, Shaoxing City* (紹興市越城區梅山鄉人民政府). From June 1996 to August 2000, he worked as a lawyer of Yueshao (Shaoxing) Law Firm* (越紹(紹興)律師事務所). From September 2000 to October 2010, he served as a senior partner of Zhejiang Tianyun Law Firm* (浙江天銳律師事務所). Since October 2010, he has been a senior partner of Zhejiang Jianhu Law Firm* (浙江鑒湖律師事務所). Mr. Zhang was granted a certificate as a Chinese Lawyer (中國律師) in April 1994 and has been registered as a practising Chinese Lawyer since June 1996. He is now a practising Chinese Lawyer (中國執業律師). He has been appointed as an independent non-executive Director of the Company at the extraordinary general meeting held on 6 January 2022.

11. 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 Equity Transfer Agreement;

(b) the letter from the Board, the text of which is set out in this circular;

(c) the letter from the Independent Board Committee, the text of which is set out in this circular;

(d) the letter from the Independent Financial Adviser, the text of which is set out in this circular;

(e) the valuation report from the Valuer, the text of which is set out in the section headed "Valuation Report of the Target Group" of this circular; and

(f) the written consents given by each of the experts as referred to in the paragraph headed "Expert and Consent" in this Appendix.

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 Xiwu Industrial Park, Hutang Street, Keqiao District, Shaoxing City, Zhejiang Province, the People's Republic of China (the "**PRC**") at 10:00 a.m. on Friday, 22 March 2024 (or any adjournment thereof). for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company as ordinary resolution:

ORDINARY RESOLUTION

1. "**THAT**:

   (a) the equity transfer agreement dated 22 December 2023 (the "**Equity Transfer Agreement**") entered into between the Company and 紹興柯橋領悅汽車配件有限公司 (Shaoxing Keqiao Lingyue Automotive Parts Co., Ltd.*), a wholly-owned subsidiary of 浙江永利實業集團有限公司 (Zhejiang Yongli Industry Group Co., Ltd*) in the PRC, the ultimate controlling shareholder of the Company as the purchaser in relation to, among other things, the disposal of entire equity interest in 浙江紹興慧聚水務科技有限公司 (Zhejiang Shaoxing Huiju Water Technology Co., Ltd.*) at a consideration of RMB32.5 million upon and subject to the terms and conditions set out therein (a copy of the Equity Transfer Agreement has been produced to the EGM marked "A" and signed by the chairman of the EGM for identification purpose), and the transactions contemplated thereby be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company ("**Director(s)**") be and is hereby authorised, for and on behalf of the Company, to enter into any agreement, deed or instrument and/or to execute and deliver all such documents and/or do all such acts and things on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with (i) the implementations and completion of the Equity Transfer Agreement and transactions contemplated thereunder; and/or (ii) any amendment, variation or modification of the terms of the Equity Transfer Agreement upon such terms and conditions as such Director may think fit."

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

Zhejiang, the PRC, 5 February 2024

Notes:

1. The H shares ("**H Shares**") register of members of the Company will be closed from 21 February 2024 to 22 March 2024 (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 members of the Company on Friday, 22 March 2024 will be entitled to attend and vote at the EGM. In order to qualify for attendance and voting at the EGM, all transfer documents accompanied by share certificates must be lodged with the H share registrar of the Company in Hong Kong, Union Registrars Limited ("**H Share Registrar**") at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by no later than 4:00 p.m. on Tuesday, 20 February 2024.

2. Any shareholder of H Shares and domestic shares of the Company ("**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 H Share Registrar 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 Xiwu Industrial Park, Hutang Street, Keqiao District, Shaoxing City, Zhejiang Province, the People's Republic of China not less than 24 hours before the time for holding the EGM (or any adjournment 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 March 2024. The reply slip may be delivered to the Company by hand, by post or by fax (at fax No.: (86) 575 8457 6060).

6. The EGM is not expected to take more than half a day. Shareholders or their proxies attending the EGM shall bear their own traveling and accommodation expenses.

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

   Xiwu Industrial Park,
   Hutang Street, Keqiao District,
   Shaoxing City, Zhejiang Province,
   the People's Republic of China
   Tel: (86) 575-84570099
   Fax: (86) 575-84576060
   Contact person: Mr. Lou Lijiang

8. As required under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**"), the above resolution 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 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 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 website of the Stock Exchange at www.hkexnews.hk 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*