



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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2023**

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This document, for which the directors of 浙江永安融通控股股份有限公司 (Zhejiang Yongan Rongtong Holdings Co., Ltd.) (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document 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 document misleading.*

HIGHLIGHTS

For the three months ended 31 March 2023,

- revenue of the Group decreased from approximately RMB14,946,000 to approximately RMB12,082,000, representing a drop of approximately 19.16% when compared to the corresponding period in 2022;
- net loss was approximately RMB4,482,000; and
- the Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2023.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2023

The board of directors (the “**Board**” or the “**Directors**”) of 浙江永安融通控股股份有限公司 (Zhejiang Yongan Rongtong Holdings Co., Ltd.*) (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 31 March 2023 together with the comparative results for the corresponding period in 2022 as follows:

		Three months ended	
		31 March	
		2023	2022
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
Revenue	3	12,082	14,946
Cost of sales		(11,733)	(16,030)
Gross profit (loss)		349	(1,084)
Other income and gains	3	852	2,595
Selling and distribution costs		(332)	(996)
Administrative expenses		(4,535)	(4,107)
Share of result of an associate		(144)	118
Financial costs	4	(579)	(536)
Loss before taxation		(4,389)	(4,010)
Income tax expenses	5	(93)	(567)
Loss and total comprehensive expenses for the period	6	(4,482)	(4,577)
		RMB	<i>RMB</i>
Loss per share — basic and diluted	8	0.42 cents	0.43 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Paid-up capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Other reserve <i>RMB'000</i> <i>(Note (a))</i>	Assets revaluation reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i> <i>(Note (b))</i>	Accumulated losses <i>RMB'000</i> <i>(Note (c))</i>	Total <i>RMB'000</i>
At 1 January 2022	106,350	69,637	349,487	45,270	12,496	(362,069)	221,171
Loss and total comprehensive expenses for the period	-	-	-	-	-	(4,577)	(4,577)
Balance at 31 March 2022	<u>106,350</u>	<u>69,637</u>	<u>349,487</u>	<u>45,270</u>	<u>12,496</u>	<u>(366,646)</u>	<u>216,594</u>
At 1 January 2023	106,350	69,637	335,136	47,059	12,496	(397,645)	173,033
Loss and total comprehensive expenses for the period	-	-	-	-	-	(4,482)	(4,482)
Balance at 31 March 2023	<u>106,350</u>	<u>69,637</u>	<u>335,136</u>	<u>47,059</u>	<u>12,496</u>	<u>(402,127)</u>	<u>168,551</u>

Notes:

- (a) Other reserve represents the dividends waived by the holders of domestic shares, net of tax effect and the deemed contribution arising from the discounting of the non-current interest-free loan from ultimate holding company and immediate holding company of the Company.
- (b) As stipulated by the regulations in the People's Republic of China (the "PRC"), the Company is required to appropriate 10% of its after-tax profit (after offsetting prior years losses) to general reserve fund until the balance of the fund reaches 50% of its registered capital and thereafter any further appropriation is optional. The general reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the general reserve fund shall be maintained at a minimum of 25% of the registered capital after such utilisation.
- (c) Profit appropriation is subject to the approval of the Board. In accordance with the Articles of Association of the Company, the reserve available for distribution is the lower of the amount determined under the generally accepted accounting principles in the PRC and the amount determined under Hong Kong Financial Reporting Standards. At 31 March 2023 and 2022, no reserves were available for distribution due to accumulated losses being noted.

Notes:

1. BASIS OF PREPARATION

The Company is a joint stock limited company established in the PRC and the H Shares of the Company are listed on the GEM of the Stock Exchange. Its immediate parent is 貴州永利企業管理有限公司 (Guizhou Yongli Enterprise Management Co., Ltd.*) (“**Guizhou Yongli**”), an enterprise established in the PRC, and the ultimate parent and ultimate controlling party of the Company is 浙江永利實業集團有限公司 (Zhejiang Yongli Industry Group Co., Ltd*) (“**Zhejiang Yongli**”), which is established in the PRC.

The principal activities of the Group are (i) the manufacture and sale of woven fabrics; and (ii) the provision of woven fabrics subcontracting services.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is the same as the functional currency of the Group.

The principal accounting policies used in the preparation of the unaudited consolidated results are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2022. The unaudited consolidated results of the Group are prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the GEM Listing Rules.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

The consolidated financial statements have been prepared in accordance with new and amendments to HKFRSs and interpretation that have been issued by the HKICPA.

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

¹ Effective for annual periods beginning on or after 1 January 2024.

² Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of these new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the amounts received and receivable for goods sold and services rendered by the Group to external customers, net of discounts and sales related taxes. An analysis of the Group's revenue and other income and gains for the period are as follows:

	Three months ended 31 March	
	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services lines		
Manufacture and sales of woven fabrics	11,309	15,548
Subcontracting fee income	773	(602)
	<u>12,082</u>	<u>14,946</u>
Three months ended 31 March		
	2023	2022
	RMB'000	RMB'000
Disaggregation of revenue by timing of recognition		
Timing of revenue recognition		
At a point in time	11,309	15,548
Over time	773	(602)
	<u>12,082</u>	<u>14,946</u>
Total revenue from contract with customers	<u>12,082</u>	<u>14,946</u>
Three months ended 31 March		
	2023	2022
	RMB'000	RMB'000
Other income and gains		
Interest income	88	1
Sundry income	72	8
Government subsidies (<i>note 1</i>)	40	40
Sales of scrap materials	(40)	92
Rental income (<i>note 2</i>)	321	77
Gain from change in fair value of financial assets at FVTPL	–	64
Impairment loss reversed in respect of trade receivables	371	2,313
	<u>852</u>	<u>2,595</u>

Notes:

- (1) Government subsidies of approximately RMB40,000 (2022: RMB40,000) was awarded to the Group during the three months ended 31 March 2023.

In March 2020, the Group received a government subsidy of approximately RMB1,589,000 for encouraging replacement of low productivity machinery and equipment. The amount has been treated as deferred income and transferred to other income over the useful lives of the relevant assets. The policy has resulted in a credit to the other income in the current period of approximately RMB40,000 (2022: RMB40,000) in the current period. As at 31 March 2023, an amount of approximately RMB992,000 (2022: RMB1,152,000) remains to be amortised.

- (2) Rental income of approximately RMB321,000 (2022: RMB77,000) is recognised. The Group leases out buildings under operating leases. The leases run for an initial period of 1 year to 5 years. None of the leases includes variable lease payments.

4. FINANCE COSTS

	Three months ended 31 March	
	2023	2022
	RMB'000	RMB'000
Imputed interest on interest-free loan due to immediate holding company	<u>579</u>	<u>536</u>

5. INCOME TAX EXPENSES

	Three months ended 31 March	
	2023	2022
	RMB'000	RMB'000
Deferred taxation — current period	<u>93</u>	<u>567</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Company is 25% for both periods.

No provision for PRC Enterprise Income Tax was made for both periods ended 31 March 2023 and 2022.

6. LOSS FOR THE PERIOD

	Three months ended 31 March	
	2023	2022
	RMB'000	RMB'000
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	2,128	2,175
Depreciation of right-of-use assets	<u>47</u>	<u>47</u>

7. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2023.

8. LOSS PER SHARE

Basic and diluted loss per share for the three months ended 31 March 2023 is calculated on the loss for the period of approximately RMB4,482,000 (2022: loss of approximately RMB4,577,000) and the weighted average of 1,063,500,000 (2022: 1,063,500,000) ordinary shares in issue during the three months ended 31 March 2023.

There is no difference between basic and diluted loss per share as there were no potentially dilutive shares outstanding during the three months ended 31 March 2023 and 2022.

9. RELATED PARTY TRANSACTIONS

During the period for the three months ended 31 March 2023, the Group has the following related party transactions and continuing connected party transactions.

- (a) During the period for the three months ended 31 March 2023, the Group had paid approximately RMB2,249,000 (2022: approximately RMB2,517,000) to Zhejiang Yongli for electricity charges paid by Zhejiang Yongli on behalf of the Group.

The aforesaid payments were made on behalf of the Group based on the actual costs incurred and were in the ordinary course of business of the Group.

- (b) During the period for the three months ended 31 March 2022, 浙江紹興永利印染有限公司 (Zhejiang Yongli Printing & Dyeing Co., Ltd.*), a fellow subsidiary of the Company had provided dyeing services to the Group for the usage in the production amounting to approximately RMB160,000.
- (c) During the period for the three months ended 31 March 2023, the Group had received approximately RMB77,000 (2022: approximately RMB77,000) from 紹興虹利化纖有限公司 (Shaoxing Hongli Fiber Co., Ltd.*), a related company of the Company, for leasing of certain factory buildings of the Group.
- (d) During the period for the three months ended 31 March 2023, the Group had sold woven fabrics to 浙江永利經編股份有限公司 (Zhejiang Yongli Warp Knitting Co., Ltd.*), a fellow subsidiary of the Company in the amount of approximately RMB32,000.

The aforesaid transactions were carried out at the terms determined and agreed by the Group and the relevant parties and were in the ordinary course of business of the Group.

- (e) During the period for the three months ended 31 March 2022, the Group provided revolving loan to Zhejiang Yongli, detail of which was disclosed in the announcement of the Company dated 31 March 2022. In this regard, during the period for the three months ended 31 March 2022, the aggregated cash advanced by the Group to Zhejiang Yongli was approximately RMB84,634,000 and the aggregated cash repaid to the Group from Zhejiang Yongli was approximately RMB84,634,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Revenue and gross profit (loss)

During the period for the three months ended 31 March 2023 (the “**Current Period**”), the Group recorded a revenue of approximately RMB12.08 million, representing a decrease of approximately 19.16% when compared to the same period in 2022. The gross profit for the Current Period was approximately RMB0.35 million while there was gross loss of approximately RMB1.08 million in 2022 which mainly contributed from the control on cost of raw materials and labour.

Other income and gains

During the Current Period, the other income and gains decreased by approximately RMB1.74 million or approximately 67.17% when compared to the same period in 2022 mainly due to significant amount of impairment loss reversed in respect of trade receivables in 2022.

Selling and distribution costs

During the Current Period, the selling and distribution costs decreased sharply by approximately RMB0.66 million or approximately 66.67% was in line with the decrease of export sales.

Administrative expenses

During the Current Period, administrative expenses increased by approximately RMB0.43 million or approximately 10.42% mainly due to rental expenses paid for a new sales office.

Share of result of an associate

Share of result of an associate of approximately RMB0.14 million represents share of loss from the consolidated result of an associate, 北京太比雅科技股份有限公司 (Beijing Tepia Technology Co., Ltd.*) (“**Tepia**”) and its subsidiary (“**Tepia Group**”). Tepia incorporated in the PRC and is listed on the NEEQ (Stock Code: 838941) of which the Group has acquired the interest of 41.67% since 20 August 2019. During the Current Period, the revenue of Tepia decreased by approximately RMB2.96 million or approximately 49.43% when compared to the same period in 2022 mainly due to decrease of revenue from provision of maintenance and management services of reservoirs. In late 2022, the outbreak of COVID-19 epidemic in China and the Chinese New Year Holidays during late January 2023 caused the delay of completion of certain

projects and the delay of signing of certain project contracts lead to decrease of revenue in the Current Period when compared to the same period in 2022. Gross profit decreased by approximately RMB297,000 or approximately 35.43% when compared to the same period in 2022 was in line with decrease of revenue. Other revenue decreased significantly by approximately RMB1.25 million or approximately 94.35% during the Current Period mainly due to decrease of bank interest income as Tepia planned to use the cash for other business purpose instead of place it in the bank for earning bank interest income. During Current Period, selling expenses decreased by approximately RMB444,000 or 19.73% when compared to the same period in 2022 mainly due to decrease in staff salary and staff related expenses and advertising expenses. Administrative expenses decreased by approximately RMB505,000 or approximately 25.19% when compared to the same period in 2022 mainly due to decrease in research and development expenses and decrease of staff salary and staff related expenses.

Finance costs

Finance costs of approximately RMB0.58 million for the Current Period represents imputed interest on interest free loan due to immediate holding company, Guizhou Yongli.

Loss for the period

Loss for the Current Period was approximately RMB4.48 million, decreased slightly by approximately RMB95,000 or 2.08% when compared to the same period in 2022.

Loss per share

The respective loss per share for the Current Period and 2022 were approximately RMB0.42 cents and approximately RMB0.43 cents respectively.

Business and operation review

Manufacture and sales of woven fabrics and provision of woven fabrics subcontracting services

The textile sector is the Group's main business. Although China has successfully control 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. During the Current Period, both domestic and export sales of woven fabrics of the Group decreased by approximately 16.67% and approximately 67.34% respectively. In addition, the rise of raw material cost, electricity and labour cost continue to impact the Group and the peer manufacturers. Due to the expectation that the challenging business environment may persist at least in the coming few quarters, the Group understands that it is important to preserve its financial strength. In this regard, measures will continue to be carried out to increase efficiency, reduce cost and improve liquidity.

Water management-related business by associates

Tepia mainly engaged in small and medium-sized reservoirs as the starting point, focusing on “small water conservancy projects”, make full use of existing customers and technology accumulation, for water conservancy, water government customers, to provide small water conservancy project operation and maintenance management scheme design, management system development, equipment installation and commissioning, aerial three dimensional data, property management, repair and maintenance. In 2021, Tepia further expanded its business area to the field of industrial circulating water treatment. 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. The business is mainly aimed at enterprise customers in electric power, chemical industry, iron and steel and machinery manufacturing industries. During the Current Period, due to the outbreak of COVID-19 epidemic in China in late 2022 and the Chinese New Year Holidays during late January 2023, the completion of certain projects has been delayed and the delay of signing of certain project contracts also lead to the delay in commencement of certain projects, hence the revenue decreased in the Current Period when compared to the same period in 2022.

Product research and development

During the three months ended 31 March 2023, the Group continued to innovate and develop new product so as to meet the customers’ need and enhance sales orders from customers.

OUTLOOK

The impact of the COVID-19 pandemic will eventually pass, and the past three years have been the most difficult period for the Group. The Board believes that there will be a favourable external environment in the post-pandemic era. The management of the Group will continue to uphold the principle of maximising shareholder interests, saving costs, increasing revenue, providing high-quality products, and earning greater profits. We strive to create greater value for the shareholders of the Company in the new fiscal year, provide better products for people around the world, and continue to work hard for the sustainable development of our Group.

DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS IN SECURITIES

As at 31 March 2023, 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 (the “**Supervisor**”), is a manager of the internal audit department of Zhejiang Yongli. Zhejiang Yongli and Guizhou Yongan are associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (“**SFO**”)) by virtue of being a 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 31 March 2023, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) 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 such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) 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.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2023, so far as it is known to the Directors or chief executive or Supervisors, the interests and short positions of person in the shares or underlying shares of the Company, other than the interest of the Directors or Supervisors, which would fall to be disclosed under Divisions 2 and 3 or Part XV of the SFO or which were required, pursuant to section 336 of Part XV of the SFO, to be entered in the register referred to therein, or who is interested directly or indirectly in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Company were as follows:

Long positions in the shares of the Company

Domestic shares of the Company (“Domestic Shares”)

Name of shareholders	Capacity	Number of Domestic Shares held	Approximate percentage of interests in Domestic Shares in issue as at 31 March 2023	Approximate percentage of interests in total issued shares as at 31 March 2023
Guizhou Yongli	Beneficial owner (<i>Note 1</i>)	588,000,000	100.00%	55.29%
Zhejiang Yongli	Interest in controlled corporation (<i>Note 2</i>)	588,000,000	100.00%	55.29%
Mr. Zhou Yongli	Interest in controlled corporation (<i>Note 2</i>)	588,000,000	100.00%	55.29%
Ms. Xia Wanmei	Interest of spouse (<i>Note 2</i>)	588,000,000	100.00%	55.29%

Notes:

- (1) On 8 April 2021, the Company received 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.
- (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% interest in Guizhou Yongli. Mr. Zhou Yongli and Ms. Xia Wanmei are therefore deemed to be interested in the 588,000,000 Domestic Shares held by Guizhou Yongli, representing 55.29% of the total issued share capital of the Company.

H shares of RMB0.1 each of the Company (“H Shares”)

Name of shareholder	Capacity	Number of shares held	Approximate	Approximate
			percentage of interests in H Shares in issue as at 31 March 2023	percentage of interests in total issued shares as at 31 March 2023
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,530,000	43.85%	19.61%

Saved as disclosed above, as at 31 March 2023, so far as was known to the Directors, chief executives and Supervisors, no other person (other than the Directors, chief executives or Supervisors) has an interest or short position in the shares or underlying shares which would fall to be disclosed under Divisions 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.

COMPETING INTERESTS

During the three months ended 31 March 2023, none of the Directors, Supervisors, the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) had any interest in any business which competes or is likely to complete, directly or indirectly with the business of the Group or any other conflicts of interest with the Group.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 5.28 and 5.29 of the GEM Listing Rules and code provision C3.3 of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board. The Audit Committee has three members comprising the three independent non-executive Directors, Mr. Yue Weidong, Mr. Yuan Lingfeng and Mr. Zhang Jianyong. Mr. Yue Weidong is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited first quarterly results of the Group for the three months ended 31 March 2023 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure had been made.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors and Supervisors, all Directors and Supervisors confirmed that they have complied with the required standard and the code of conduct regarding securities transactions by Directors and supervisors adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries purchase, sell or redeem any of the Company's listed securities during the three months ended 31 March 2023.

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

Zhejiang, the PRC, 15 May 2023

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

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

* *For identification purpose only*