



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)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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**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 and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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.*

\* For identification purpose only

## **HIGHLIGHTS**

*For the year ended 31 December 2022,*

- revenue of the Group decreased from approximately RMB98.18 million in year 2021 to approximately RMB79.00 million in year 2022, representing a decrease of approximately 19.54% when compared to the year ended 31 December 2021;
- loss for the year was approximately RMB35.58 million; and
- the Directors do not recommend the payment of a final dividend for the year ended 31 December 2022.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2022*

The board (the “**Board**”) of directors (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**” together with its subsidiaries, the “**Group**”), is pleased to announce the audited results of the Group for the year ended 31 December 2022, together with the comparative results for the corresponding period in 2021 as follows:

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <b>RMB'000</b>
Revenue	3	<b>78,998</b>	98,184
Cost of sales		<u><b>(91,067)</b></u>	<u>(97,734)</u>
Gross (loss) profit		<b>(12,069)</b>	450
Other income and gains	3	<b>2,960</b>	4,717
Selling and distribution costs		<b>(3,327)</b>	(1,750)
Administrative expenses		<b>(15,131)</b>	(15,416)
Share of result of an associate		<b>(2,086)</b>	(5,908)
Impairment loss reversed (recognised) in respect of trade receivables		<b>7,224</b>	(2,953)
Impairment loss recognised in respect of interest in an associate		<b>(5,491)</b>	–
Finance costs	5	<u><b>(2,273)</b></u>	<u>(2,017)</u>
Loss before taxation		<b>(30,193)</b>	(22,877)
Income tax (expense) credit	6	<u><b>(5,383)</b></u>	<u>4,057</u>
Loss for the year	7	<u><u><b>(35,576)</b></u></u>	<u><u>(18,820)</u></u>
Other comprehensive income (expense) for the year			
<i>Items that will not be reclassified to profit or loss:</i>			
Gain on revaluation of properties		<b>2,386</b>	2,314
Income tax relating to items that will not be reclassified to profit or loss		<u><b>(597)</b></u>	<u>(579)</u>
Other comprehensive income for the year, net of tax		<u><b>1,789</b></u>	<u>1,735</u>
Total comprehensive expenses for the year		<u><u><b>(33,787)</b></u></u>	<u><u>(17,085)</u></u>
		<b>RMB</b>	<b>RMB</b>
Loss per share			
Basic and diluted	8	<u><u><b>(3.35) cents</b></u></u>	<u><u>(1.77) cents</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>106,358</b>	112,469
Right-of-use assets		<b>5,516</b>	5,704
Interest in an associate		<b>33,088</b>	40,665
Financial asset at fair value through profit or loss	<i>12</i>	<b>–</b>	25,881
		<b>144,962</b>	184,719
<b>Current assets</b>			
Inventories		<b>19,044</b>	27,971
Trade and other receivables	<i>10</i>	<b>25,955</b>	33,229
Financial asset at fair value through profit or loss	<i>12</i>	<b>8,949</b>	–
Bank balances and cash		<b>46,981</b>	30,968
		<b>100,929</b>	92,168
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	<b>21,268</b>	20,552
Contract liabilities		<b>3,093</b>	7,945
Amount due to immediate holding company		<b>18,775</b>	–
Deferred income		<b>159</b>	159
Tax payable		<b>–</b>	334
		<b>43,295</b>	28,990
<b>Net current assets</b>		<b>57,634</b>	63,178
<b>Total assets less current liabilities</b>		<b>202,596</b>	247,897
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>13,739</b>	7,441
Amount due to immediate holding company		<b>14,951</b>	18,253
Deferred income		<b>873</b>	1,032
		<b>29,563</b>	26,726
<b>Net assets</b>		<b>173,033</b>	221,171
<b>Capital and reserves</b>			
Share capital		<b>106,350</b>	106,350
Share premium and reserves		<b>66,683</b>	114,821
		<b>173,033</b>	221,171

## NOTES:

### 1. GENERAL

Zhejiang Yongan Rongtong Holdings Co., Ltd. (the “**Company**”) is a joint stock limited company established in the People’s Republic of China (the “**PRC**”) and the H Shares of the Company are listed on the GEM of The Stock Exchange of Hong Kong Limited (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 its 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 Company and its subsidiaries (hereinafter collectively referred to as 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 Company.

\* *English name is for identification only.*

### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

In the current year, the Group has applied, for its first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning 1 January 2022:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference on Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle

The application of the amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

## **New and amendments to HKFRSs issued but not yet effective**

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

### **Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies**

The amendments change the requirements in HKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Guidance and examples were provided to explain and demonstrate the application of the “four-step materiality process” described in HKFRS Practice Statement 2. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future financial statements.

## Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information. In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

The application of the amendments is not expected to have significant impact on the Group’s financial statements.

### 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 sales related taxes. An analysis of the Group’s revenue and other income and gains for the year are as follows:

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or services lines		
Manufacture and sale of woven fabrics	76,165	93,263
Subcontracting fee income	2,833	4,921
	<u>78,998</u>	<u>98,184</u>
	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Other income and gains		
Compensation income	–	20
Dividend from financial asset at FVTPL	–	115
Foreign exchange gains, net	–	6
Gain from change in fair value of financial assets at FVTPL	1,177	1,124
Gain on disposal of property, plant and equipment	320	1,806
Government subsidies	382	497
Interest income	1,383	108
Refund of retirement benefit scheme contributions	18	157
Sales of scrap materials	(733)	555
Others	413	329
	<u>2,960</u>	<u>4,717</u>

#### 4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment under HKFRS 8 of segment performance focuses on the types of goods sold or services delivered or provided.

Specifically, the Group’s reportable segments are as follows:

Woven fabrics	—	Manufacture and sale of woven fabrics
Subcontracting services	—	Provision of woven fabrics subcontracting services

##### (a) Segment revenue and loss

The following is an analysis of the Group’s revenue and loss by reportable segment:

	For the year ended 31 December					
	Woven fabric		Subcontracting services		Total	
	2022	2021	2022	2021	2022	2021
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Segment revenue	<u>76,165</u>	<u>93,263</u>	<u>2,833</u>	<u>4,921</u>	<u>78,998</u>	<u>98,184</u>
Segment loss	<u>(8,410)</u>	<u>(3,259)</u>	<u>(889)</u>	<u>(1,906)</u>	<u>(9,299)</u>	<u>(5,165)</u>
Unallocated corporate income					3,370	2,355
Unallocated corporate expenses					(14,414)	(12,142)
Share of result of an associate					(2,086)	(5,908)
Impairment loss recognised in respect of interest in an associate					(5,491)	–
Finance costs					<u>(2,273)</u>	<u>(2,017)</u>
Loss before taxation					<u>(30,193)</u>	<u>(22,877)</u>

Segment loss represents the loss from each segment without allocation of certain other income, directors’ remuneration, central administration costs, share of result of an associate, impairment loss recognised in respect of interest in an associate and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.



**(b) Geographical information**

Information about the Group's revenue from external customers is presented based on the location of the operation.

	Revenue from external customers	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
The PRC (country of domicile)	58,238	85,829
Europe	15,107	7,780
South America	4,660	3,478
Middle East	284	110
Other overseas	709	987
	<u>78,998</u>	<u>98,184</u>

**(c) Information about major customers**

During the years ended 31 December 2022 and 2021, none of the Group's individual customer contributed more than 10% to the total revenue of the Group.

**5. FINANCE COSTS**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Imputed interest on interest-free loan due to immediate holding company	2,267	2,017
Interest expense	6	—
	<u>2,273</u>	<u>2,017</u>

**6. INCOME TAX (EXPENSE) CREDIT**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current taxation		
— Over-provided for prior year	318	—
Deferred taxation		
— Current year	(5,701)	4,057
	<u>(5,383)</u>	<u>4,057</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 Group is 25% for both years.

## 7. LOSS FOR THE YEAR

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss for the year has been arrived at after charging (crediting):		
Staff cost (including supervisors', directors' and chief executive's emoluments):		
Salaries and wages	25,875	18,858
Retirement benefit scheme contributions	<u>2,244</u>	<u>2,399</u>
Total staff costs	<u>28,119</u>	<u>21,257</u>
Auditor's remuneration		
— Audit service	768	669
Cost of inventories recognised as an expense	85,088	91,216
Depreciation of property, plant and equipment	8,670	9,104
Depreciation of right-of-use assets	188	188
Impairment loss (reversed) recognised in respect of trade receivables	(7,224)	2,953
Impairment loss recognised in respect of interest in an associate	5,491	–
Research and development costs recognised as an expense ( <i>note</i> )	212	1,998
Net foreign exchange loss (gain)	121	(6)
Gain from change in fair value of financial asset at FVTPL	<u>(1,177)</u>	<u>(1,124)</u>

*Note:* Research and development costs represent staff costs which have been included in staff costs as disclosed above.

## 8. LOSS PER SHARE

Basic and diluted loss per share for the year is calculated on the loss for the year of approximately RMB35,576,000 (2021: RMB18,820,000) and the weighted average of 1,063,500,000 (2021: 1,063,500,000) ordinary shares in issue during the year ended 31 December 2022.

There is no difference between basic and diluted loss per share as there were no potentially dilutive shares outstanding during the year ended 31 December 2022 and 2021.

## 9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2022, nor has any dividend been proposed since the end of reporting period (2021: Nil).

## 10. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	19,880	32,256
Less: Allowance for impairment of trade receivables	<u>(2,107)</u>	<u>(9,331)</u>
	<u>17,773</u>	<u>22,925</u>
Other receivables		
Prepayments to suppliers	6,901	9,235
Other receivables	<u>1,281</u>	<u>1,069</u>
	<u>8,182</u>	<u>10,304</u>
Total trade and other receivables	<u><u>25,955</u></u>	<u><u>33,229</u></u>

### Notes:

- (i) The Group allows an average credit period of 60 days to 180 days (2021: 60 days to 180 days) to its trade customers. The Group does not hold any collateral or other credit enhancements over its trade and other receivables.
- (ii) An aged analysis of trade receivables, net of allowance for impairment of trade receivables and presented based on the revenue recognition dates, at the end of the reporting period is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0–60 days	14,581	18,567
61–90 days	965	411
91–120 days	102	50
121–365 days	<u>2,125</u>	<u>3,897</u>
	<u><u>17,773</u></u>	<u><u>22,925</u></u>

## 11. TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables ( <i>notes i &amp; ii</i> )	14,895	12,661
Other tax payables	2,345	2,480
Accrued expenses and other payables	<u>4,028</u>	<u>5,411</u>
	<u><u>21,268</u></u>	<u><u>20,552</u></u>

### *Notes:*

- (i) The Group normally receives credit periods from suppliers ranging from 30 days to 90 days (2021: 30 days to 90 days). The Group has in place financial risk management policies to ensure that all payables are settled within the credit timeframe.
- (ii) An aged analysis of trade payables at the end of the reporting period based on the invoice dates is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0–60 days	8,686	7,146
61–90 days	1,982	947
91–365 days	1,645	2,031
Over 365 days	<u>2,582</u>	<u>2,537</u>
	<u><u>14,895</u></u>	<u><u>12,661</u></u>

## 12. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

On 30 December 2022, the Group entered into a sale agreement to dispose of 深圳南山金融科技雙創股權投資基金合夥企業(有限合夥), which is an unlisted fund investment in the PRC to an independent third party at a consideration of approximately RMB8,949,000, the details of which are set out in the Company's announcement dated 30 December 2022.

## EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2022 and up to the date of this results announcement, no material event affecting the Group has occurred.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### *Revenue and gross (loss) profit*

During the period for the year ended 31 December 2022 (the “**Current Period**”), the Group recorded a revenue of approximately RMB79.00 million, representing a decrease of 19.54% when compared to the same period in 2021. The gross loss was approximately RMB12.07 million. It was mainly due to the significant increase in the cost of raw materials, labour cost and dyeing cost etc. In addition, the outbreak of the novel coronavirus (“**COVID-19**”) epidemic (the “**Epidemic**”) since 2020 caused the decline in demand of the product of the Group from both local and overseas customers. Furthermore, the COVID-19 epidemic in overseas countries also caused the logistic problems such as delay of transportation time and rise of freight charges.

#### *Other income and gains*

During the Current Period, the other income and gains decreased by approximately RMB1.76 million or approximately 37.25% when compared to the same period in 2021 mainly due to loss of sales of scrap materials during the Current Period.

#### *Selling and distribution costs*

During the Current Period, the selling and distribution costs increased sharply by approximately RMB1.58 million or approximately 90.11% mainly due to the increase of the transportation and freight charges which was in line with the increase of export sales.

#### *Administrative expenses*

During the Current Period, administrative expenses decreased by approximately RMB285,000 or approximately 1.85% mainly due to decrease of staff cost.

### *Share of result of an associate*

Share of result of an associate of approximately RMB2.09 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) which the Group has acquired and interest in 41.67% since 20 August 2019. During the Current Period, the revenue of Tepia decreased by approximately RMB4.52 million or approximately 15.89% compared to the same period in 2021 while due to the contribution of higher gross profit margin on certain projects, the gross profit decreased slightly by approximately RMB37,000 or approximately 0.75% when compared to the same period in 2021. Other revenue increased by approximately RMB229,000 or approximately 13.31% during the Current Period represents return of investment from the idle cash of the Tepia Group which was placed at the bank. During Current Period, selling expenses decreased by approximately RMB4.18 million or 38.46% when compared to the same period in 2021 mainly due to decrease in staff salary and staff related expenses, travelling expenses and advertising expenses. Administrative expenses decreased by approximately RMB5.16 million or approximately 52.75% when compared to the same period in 2021 mainly due to impairment loss reversed in respect of trade receivables overprovided in 2021, decrease in research and development expenses and decrease of staff salary and staff related expenses.

### *Impairment loss reversed (recognised) in respect of trade receivables*

During the Current Period, approximately RMB7,224,000 of impairment loss reversed in respect of trade receivables mainly due to trade receivables as at 31 December 2022 decreased when compared with that in 2021, which was in line with the revenue decreased during the Current Period.

### *Impairment loss recognised in respect of interest in an associate*

Impairment loss recognised in respect of interest in an associate of approximately RMB5.49 million for Current Period represents impairment of goodwill (the “**Goodwill**”) which was generated from the acquisition of 41.67% equity interest in Tepia in August 2019. The Company engaged AVISTA Valuation Advisory Limited (the “**Valuer**”), an independent qualified valuer to perform the impairment assessment of the Goodwill as at 31 December 2022. During the impairment assessment performed by the Valuer, the Company provided the Valuer with the financial budgets for Tepia Group for the 6-year ending 31 December 2028 (the “**Budget**”) based on the latest performance and future business plan of Tepia Group and a discount rate of 18% (2021:18%) was applied. This was considered necessary because of the valuation methodology (i.e. income approach) adopted by the Valuer. The figures in the Budget were estimated with a more prudent approach after taking into account the adverse impact of the economy and the business environment caused by COVID-19 epidemic, the strategic business shift and the expectations for the market development, which formed the basis of the valuation model adopted by the Valuer. Tepia’s cash flows beyond the 6-year period are extrapolated using a steady 3% (2021:3%) growth rate.

### *Finance costs*

Finance costs of approximately RMB2.27 million for the Current Period represents approximately RMB2.26 million of imputed interest on interest free loan due to immediate holding company, Guizhou Yongli and approximately RMB0.01 million of interest expenses on discounted bills.

### *Loss for the period*

Loss for the Current Period was approximately RMB35.58 million, increased by approximately RMB16.76 million or 89.03% when compared to the same period in 2021 mainly due to significant gross loss incurred and impairment loss recognised in respect of interest in an associate during the Current Period.

### *Loss per share*

The respective loss per share for the Current Period and 2021 were approximately RMB3.35 cents and approximately RMB1.77 cents respectively.

### *Interest in an associate*

Interest in an associate of approximately RMB33.09 million represents 41.67% of interest in Tepia as at 31 December 2022, decreased by approximately RMB7.58 million when compared with the balance as at 31 December 2021 mainly due to share of result of an associate of approximately RMB2.09 million and impairment loss recognised in respect of interest in an associate of approximately RMB5.49 million for the year ended 31 December 2022, details of which were discussed under the previous paragraph “share of result of an associate” and “impairment loss recognised in respect of interest in an associate”.

### *Inventories*

As at 31 December 2022 inventories was approximately RMB19.04 million (31 December 2021: approximately RMB27.97 million) which representing aggregation of inventories in various status being raw materials, working-in-progress and finished good of woven fabrics. Raw materials as at 31 December 2022 decreased by approximately RMB330,000 or approximately 24.70% when compared with that at as 31 December 2021. Finished good of woven fabrics as at 31 December 2022 decreased by approximately RMB1.07 million or approximately 7.13% when compared with that as at 31 December 2021 mainly due to decrease of both domestic and overseas sales in the fourth quarter of 2022. Work-in-progress as at 31 December 2022 decreased by approximately RMB7.53 million or approximately 64.41% when compared with that at 31 December 2021. During the Current Period, the decrease of inventories was in line with the decrease of domestic sales of woven fabrics.

### *Trade and other receivables*

As at 31 December 2022, trade and other receivables was approximately RMB25.96 million (31 December 2021: approximately RMB33.23 million) decreased by approximately RMB7.27 million or approximately 21.89% when compared with that as at 31 December 2021 mainly due to trade receivables decreased by approximately RMB5.15 million or approximately 22.47% which was in line with that of decrease of sales of woven fabrics and subcontracting fee income during the Current Period.

### *Bank balances and cash*

At as 31 December 2022, bank balances and cash was approximately RMB46.98 million (31 December 2021: approximately RMB30.97 million), representing an increase of approximately RMB16.01 million when compared with that as at 31 December 2021 mainly due to redemption of certain portion of financial assets at FVTPL of approximately RMB18.11 million during the Current Period.

### *Trade and other payables*

As at 31 December 2022, trade and other payables was approximately RMB21.27 million (31 December 2021: approximately RMB20.55 million), representing a slight increase of approximately RMB716,000 or approximately 3.48% mainly due to increase of trade payables.

### *Contract liabilities*

As at 31 December 2022, contract liabilities represents receipt in advance from customers was approximately RMB3.09 million (31 December 2021: approximately RMB7.95 million), representing a decrease of approximately RMB4.85 million or approximately 61.07% which was in line with decrease of sales in woven fabrics and subcontracting fee income.

### *Deferred income*

As at 31 December 2022, deferred income of approximately RMB1.03 million (31 December 2021: approximately RMB1.19 million) represents part of the government subsidy of approximately RMB1,589,000 which was received by the Group in 2020 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 RMB159,000 (2021: approximately RMB159,000).



### *Amount due to immediate holding company*

As at 31 December 2022, amount due to immediate holding company, Guizhou Yongli was approximately RMB33.73 million (31 December 2021: approximately RMB18.25 million), representing an increase of approximately RMB15.47 million or 84.77% mainly due to (i) the loan interest of approximately RMB1.15 million (the “**Revolving Loan Interest**”) receivable from Zhejiang Yongli as arose from revolving loan incurred during the periods from 1 January 2021 to 31 March 2022 was set off against the outstanding amount due to Guizhou Yongli during the year ended 31 December 2022 according to the terms of the second supplemental debt repayment agreement dated 31 March 2022 (the “**Second Supplemental Debt Repayment Agreement**”) and the third supplemental debt repayment agreement dated 16 May 2022 (the “**Third Supplemental Debt Repayment Agreement**”), details of which were disclosed in the announcements dated 31 March 2022 and 16 May 2022; and (ii) the outstanding principal of approximately RMB217,330,000 as at 31 December 2022 was reduced to its present value of approximately RMB33.73 million due to set off of the Revolving Loan Interest and certain repayment terms were revised according to the Third Supplemental Debt Repayment Agreement.

### **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. Due to the on and off outbreak of COVID-19 epidemic in China during the Current Period, domestic sales of woven fabrics decreased by approximately RMB25.50 million or approximately 31.52% and subcontracting fee income also decreased by approximately RMB2.09 million or approximately 42.43%. Since late 2021 to early 2022, the sporadic outbreaks of COVID-19 epidemic in different city in China has temporary affect the domestic sales of the Group. On the other hand, due to the gradually unlock of the Epidemic prevention control in most of the overseas countries, export sales of woven fabrics increased by approximately RMB8.40 million approximately 68.02%. The rise of raw material cost, electricity and labour cost continues to impact the Group and the peer manufacturers. In this regard, the Group has continued to implement various measures and actions including the development of new sales channels for increasing the exposure of the Group’s product to potential customers and research and development of the new and high-quality products so as to attract high profile customers, etc.. 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*

In 2021, 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. Tepia’s performance in 2021 and 2022 has further improved somewhat from the previous year. In 2021, Tepia expanded its business area to the field of industrial circulating water treatment (the “**New Business**”). 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, certain revenue from the New Business has been recognised and confirmed.

### **Production facilities**

During the year ended 31 December 2022, the Group spent approximately RMB136,000 (2021: RMB261,000) for renovation of factory buildings and approximately RMB37,000 for additions of plant and machinery (2021: nil).

### **Product research and development**

During the year ended 31 December 2022, the Group continued to innovate and develop new product so as to meet the customers’ need and enhance sales orders from customers.

### **Sales and marketing**

During the year ended 31 December 2022, the Group actively participated in various trade fairs held in PRC so as to gain the Group’s exposure in the fabrics market and to popularise the Group’s new products.

### **Outlook**

The impact of the COVID-19 pandemic will eventually pass, and the past three years have been the most difficult period for our Group. The Board of Directors believes that this was also the industry’s lowest point, and we are confident 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.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

During the year ended 31 December 2022, the Group financed its operations mainly by internally generated cash and financial support from the immediate holding company, Guizhou Yongli.

As at 31 December 2022, the Group's current assets and net current assets were approximately RMB100.93 million (31 December 2021: approximately RMB92.17 million) and approximately RMB57.63 million (31 December 2021: approximately RMB63.18 million) respectively. The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was approximately 2.33 (31 December 2021: approximately 3.18). The Group's gearing ratio, represented by the ratio of the interest free loan due to immediate holding company over shareholders' equity, was approximately 19.49% (2021: 8.25%).

## **CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS**

As at 31 December 2022, the Group did not have capital commitments (2021: nil) and significant investments held (2021: nil).

## **MATERIAL DISPOSALS**

During the year ended 31 December 2022 and 2021, the Group did not have any material disposal.

## **SEGMENT INFORMATION**

Segment information of the Group is set out in note 4.

## **CONTINGENT LIABILITIES**

As at 31 December 2022 and 2021, the Group did not have any material contingent liabilities.

## **CHARGES ON ASSETS**

As at 31 December 2022 and 2021, the Group did not have any charges on its assets.

## **EMPLOYEE AND EMOLUMENT POLICIES**

As at 31 December 2022, the Group had 241 employees (31 December 2021: 281), comprising 3 (31 December 2021: 3) in research and development, 8 (31 December 2021: 9) in sales and marketing, 186 (31 December 2021: 218) in production, 26 (31 December 2021: 30) in quality control, 5 (31 December 2021: 5) in management, and 13 (31 December 2021: 16) in finance and administration. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Discretionary bonuses on individual performance will be paid to employees as recognition of and reward for their contribution. Other benefits include contributions to retirement scheme and medical scheme.

## **FOREIGN EXCHANGE EXPOSURE**

The Group operates in the PRC with most of the transactions denominated and settled in Renminbi (“**RMB**”). However, foreign currencies, mainly United States Dollars, Euro and Hong Kong Dollars, are required to settle the Group’s expenses and additions on plant and equipment. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government, if necessary, the Group will use forward contracts, foreign currency borrowings and other means to hedge its foreign currency exposure. The Group considers it has no material foreign exchange risk.

## **COMPETING INTERESTS**

During the year ended 31 December 2022 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. As at the date of this document, the Audit Committee has three members comprising the three independent non-executive Directors, Mr. Yu Weidong, Mr. Yuan Lingfeng and Mr. Zhang Jianyong. Mr. Zhang Jianyong was appointed as an independent non-executive Director and a member of Audit Committee of the Company on 6 January 2022 for taking up the position of Mr. Zhu Weizhou due to his resignations on 6 January 2022. Mr. Yu Weidong is the chairman of the Audit Committee.

The annual results of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee.

### **SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditors, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

### **CORPORATE GOVERNANCE PRACTICES**

During the year ended 31 December 2022, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "**Code Provision**") as set out in the Appendix 15 of the GEM Listing Rules except for the failure by the Company to comply with the full disclosure and independent shareholders' approval requirements under the GEM Listing Rules in respect of the provision of a revolving loan in the principal amount of up to RMB35 million for Zhejiang Yongli during the period from 1 January 2021 to 31 March 2022, which were due to the oversight of the Company. The revolving loan advanced by the Company to Zhejiang Yongli constituted connected transactions under Chapter 20 of the GEM Listing Rules and should have been disclosed by way of announcement and circular and should have been approved by independent shareholders of the Company. The Company entered into a revolving loan agreement with Zhejiang Yongli on 31 March 2022 to confirm the revolving loan advanced by the Company to Zhejiang Yongli. Details of the transactions of the revolving loan between the Company and Zhejiang Yongli were disclosed in the announcement of the Company dated 31 March 2022 and the circular of the Company dated 26 May 2022. All resolutions including approval of the revolving loan were passed by the independent shareholders of the Company at an extraordinary general meeting held on 22 July 2022, details of which were disclosed in the poll result announcement of the Company dated 22 July 2022.

## **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 of the Company, all directors and supervisors of the Company confirmed that they have complied with the required standard and the code of conduct regarding securities transactions by directors and supervisors adopted by the Group.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this document, the Company has maintained the prescribed public float under the GEM Listing Rules.

## **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 year ended 31 December 2022.

## **ANNUAL GENERAL MEETING**

Annual general meeting (“AGM”) of the Company for the year 2022 will be held on 17 May 2023. A notice convening the annual general meeting will be published in due course.

## **CLOSURE OF H SHARE REGISTER**

The H Share register of shareholders of the Company will be closed from 17 April 2023 to 17 May 2023 (both days inclusive), during which period no transfer of H Shares will be affected. The shareholders of H Shares whose names appeared on the register of shareholders of the Company at 4:00 p.m. on Friday, 14 April 2023 will be entitled to attend and vote at the AGM.

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

Zhejiang, the PRC, 27 March 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. Yu Weidong, Mr. Zhang Jianyong and Mr. Yuan Lingfeng.*

*This announcement will appear on the GEM website at <http://www.hkgem.com> on the “Latest Listed Company Information” page for at least 7 days from the day of its posting thereon and the Company’s website at <http://www.zj-yongan.com>.*