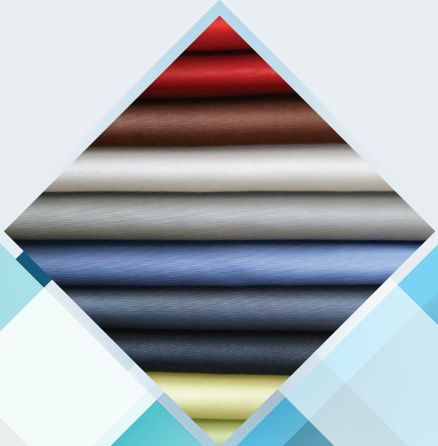




YONGAN HOLDINGS

**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*



**2023**  
**Interim Report**

*\* For identification purpose only*

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

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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 Yong'an 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 six months ended 30 June 2023,*

- Revenue of the Group decreased from approximately RMB39.27 million to approximately RMB29.58 million, representing a drop of approximately 24.68% when compared to the corresponding period in 2022;
- Net loss for the six months ended 30 June 2023 was approximately RMB9.83 million; and
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023.

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

For the six months ended 30 June 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 six months ended 30 June 2023 together with the comparative results for the corresponding period in 2022 as follows:

	Notes	Three months ended 30 June		Six months ended 30 June	
		2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Revenue	3	17,497	24,325	29,579	39,271
Cost of sales		(17,961)	(25,264)	(29,694)	(41,294)
Gross loss		(464)	(939)	(115)	(2,023)
Other income and gains	3	382	2,713	1,234	5,308
Selling and distribution costs		(1,260)	(553)	(1,592)	(1,549)
Administrative expenses		(2,864)	(2,841)	(7,399)	(6,948)
Share of result of an associate		(542)	(277)	(686)	(159)
Finance costs	5	(577)	(561)	(1,156)	(1,097)
Loss before taxation		(5,325)	(2,458)	(9,714)	(6,468)
Income tax (expenses) credit	6	(20)	(89)	(113)	(656)
Loss and total comprehensive expenses for the period	7	(5,345)	(2,547)	(9,827)	(7,124)
		RMB	RMB	RMB	RMB
Loss per share					
— basic and diluted	9	0.5 cents	0.24 cents	0.92 cents	0.67 cents

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>Notes</i>	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	102,391	106,358
Right-of-use assets		5,423	5,516
Interests in an associate		32,402	33,088
		<b>140,216</b>	<b>144,962</b>
<b>CURRENT ASSETS</b>			
Inventories		20,879	19,044
Trade and other receivables	11	19,441	25,955
Financial asset at fair value through profit or loss		–	8,949
Bank balances and cash		53,815	46,981
		<b>94,135</b>	<b>100,929</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	17,983	21,268
Contract liabilities		3,475	3,093
Amount due to immediate holding company	13	18,775	18,775
Deferred income		159	159
		<b>40,392</b>	<b>43,295</b>
<b>NET CURRENT ASSETS</b>		<b>53,743</b>	<b>57,634</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>193,959</b>	<b>202,596</b>

		<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		13,852	13,739
Amount due to immediate holding company	<i>13</i>	16,107	14,951
Deferred income		794	873
		<b>30,753</b>	<b>29,563</b>
<b>NET ASSETS</b>			
		<b>163,206</b>	<b>173,033</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		106,350	106,350
Reserves		56,856	66,683
		<b>163,206</b>	<b>173,033</b>

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(2,008)</b>	<b>(4,726)</b>
Purchase of property, plant and equipment	(289)	(1)
Net cashflow from partial redemption of financial assets at fair value through profit or loss	–	18,160
Disposal of financial asset at fair value through profit or loss	8,949	–
Interest received	182	81
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>8,842</b>	<b>18,240</b>
Advance to ultimate holding company	–	(84,634)
Repayment by ultimate holding company	–	84,634
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>–</b>	<b>–</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>6,834</b>	<b>13,514</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>46,981</b>	<b>30,968</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, representing bank balances and cash</b>	<b>53,815</b>	<b>44,482</b>

## 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>
Balance at 1 January 2022	106,350	69,637	349,487	45,270	12,496	(362,069)	221,171
Total comprehensive expense for the period	-	-	-	-	-	(7,124)	(7,124)
Balance at 30 June 2022	106,350	69,637	349,487	45,270	12,496	(369,193)	214,047
Balance at 1 January 2023	<b>106,350</b>	<b>69,637</b>	<b>335,136</b>	<b>47,059</b>	<b>12,496</b>	<b>(397,645)</b>	<b>173,033</b>
Loss and total comprehensive expense for the period	-	-	-	-	-	(9,827)	(9,827)
Balance at 30 June 2023	<b>106,350</b>	<b>69,637</b>	<b>335,136</b>	<b>47,059</b>	<b>12,496</b>	<b>(407,472)</b>	<b>163,206</b>

### 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 statutory surplus reserve fund until the balance of the fund reaches 50% of its registered capital and thereafter any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the statutory surplus 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 of directors. 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 30 June 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.

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

In the opinion of the Directors, the immediate parent of the Company 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 holding 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 consolidated financial statements are presented in Renminbi (“**RMB**”), which is the same as the functional currency of the Company.

The Group has prepared the condensed consolidated financial statements in accordance with Hong Kong Accounting Standards (“**HKAS**”) 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

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 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 the 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 <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>

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

<sup>2</sup> 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 sales related taxes. An analysis of the Group's revenue and other income and gains for the period are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>				
Disaggregated by major products or services lines				
Manufacture and sales of woven fabrics	16,957	21,771	28,266	37,319
Subcontracting fee income	540	2,554	1,313	1,952
	<b>17,497</b>	<b>24,325</b>	<b>29,579</b>	<b>39,271</b>
Disaggregation of revenue from contracts with customers by timing of recognition				
Timing of revenue recognition				
At a point in time	16,957	21,771	28,266	37,319
Over time	540	2,554	1,313	1,952
	<b>17,497</b>	<b>24,325</b>	<b>29,579</b>	<b>39,271</b>
<b>Other income and gains</b>				
Rental income	301	–	622	154
Bank interest income	94	80	182	81
Exchange difference	–	65	–	65
Government subsidies (note)	39	39	79	79
Refund of retirement benefit scheme contributions	–	76	–	76
Others	–	21	72	(48)
Impairment loss reversed in respect of trade receivables	81	2,432	452	4,745
Sales of scrap materials	(133)	116	(173)	208
Loss from change in fair value of financial assets at fair value through profit or loss (“FVTPL”)	–	(116)	–	(52)
	<b>382</b>	<b>2,713</b>	<b>1,234</b>	<b>5,308</b>

Notes:

- (1) Government subsidies of approximately RMB79,000 (2022: RMB79,000) was awarded to the Group during the six months ended 30 June 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 RMB79,000 (2022: RMB79,000). As at 30 June 2023, an amount of approximately RMB953,000 (2022: RMB1,112,000) remains to be amortised.

- (2) Rental income of approximately RMB622,000 (2022: RMB154,000) is recognised. The Group leases out buildings under operating leases. The leases typically run for an initial period of 1 year to 5 years. None of the leases includes variable lease payments.

#### 4. SEGMENTAL INFORMATION

Information reported to the Board of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods sold or services delivered or provided.

Specifically, the Group's reportable segments and operating segments are as follows:

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

##### (a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	For the six months ended 30 June					
	Woven fabric		Subcontracting services		Total	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Segment revenue	28,266	37,319	1,313	1,952	29,579	39,271
Segment loss	(4,673)	(2,139)	(1,120)	(699)	(5,793)	(2,838)
Unallocated corporate income					955	262
Unallocated corporate expenses					(3,034)	(2,636)
Share of result of an associate					(686)	(159)
Finance costs					(1,156)	(1,097)
Loss before taxation					(9,714)	(6,468)

The accounting policies of the operating segments are the same as the Group's accounting policies described in the annual financial statements of the Group for the year ended 31 December 2022. Segment profit (loss) represents the profit (loss) earned by each segment without allocation of bank interest income, exchange difference, government subsidies, refund of retirement benefit scheme contributions, sundry income, central administration costs, share of result of an associate and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

**(b) Geographical information**

Information about the Group's revenue from continuing operation from external customers is presented based on the location of the operation. Segment information about these geographical markets are as follows:

Revenue from external customers:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
The PRC (country of domicile)	23,823	24,929
Europe	4,670	11,302
South America	839	2,250
Other overseas	247	790
	<b>29,579</b>	<b>39,271</b>

**5. FINANCE COSTS**

	Three months ended 30 June		Six months ended 30 June	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Imputed interest on interest-free loan due to immediate holding company	577	555	1,156	1,091
Interest on discounted bills	–	6	–	6
	<b>577</b>	<b>561</b>	<b>1,156</b>	<b>1,097</b>

## 6. INCOME TAX (EXPENSES) CREDIT

	Three months ended 30 June		Six months ended 30 June	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Current taxation				
— PRC Enterprise Income Tax	—	318	—	318
Deferred taxation				
— Current period	(20)	(407)	(113)	(974)
	<b>(20)</b>	<b>(89)</b>	<b>(113)</b>	<b>(656)</b>

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.

## 7. LOSS FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Loss for the period has been arrived at after charging:				
Staff cost (including supervisors', directors' and chief executive's emoluments):				
Salaries, wages and other benefits in kind	5,588	3,762	9,060	7,667
Retirement benefit scheme contributions	253	249	1,019	906
Total staff costs	<b>5,841</b>	<b>4,011</b>	<b>10,079</b>	<b>8,573</b>
Depreciation of right-of-use assets	47	47	94	94
Cost of inventories recognized as an expenses	16,566	21,945	27,414	38,679
Depreciation of property, plant and equipment	2,126	2,166	4,254	4,341
Research and development costs recognized as an expenses ( <i>note</i> )	—	—	—	212
Loss from change on fair value of financial asset at FVTPL	—	116	—	52
Impairment loss reversed in respect of on trade receivables	81	—	452	(4,745)

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

## 8. DIVIDEND PAID

The Directors do not recommend the payment of an interim dividend for the three and six months ended 30 June 2023 and 2022.

## 9. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	Three months ended 30 June		Six months ended 30 June	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Loss for the purpose of calculating basic loss per share	5,345	2,547	9,827	7,124
Number of shares for the purpose of basic loss per share ( <i>Note</i> )	1,063,500,000	1,063,500,000	1,063,500,000	1,063,500,000
Weighted average number shares for the purpose of calculating loss per share	1,063,500,000	1,063,500,000	1,063,500,000	1,063,500,000

*Note:*

No diluted loss per share have been presented for the three months and six months ended 30 June 2023 and 2022, as there was no diluting events existed during these periods.

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period for the six months ended 30 June 2023, the Group spent approximately RMB289,000 (31 December 2022: approximately RMB1,000) for renovation of factory buildings and additions of office equipment.

**11. TRADE AND OTHER RECEIVABLES**

The Group allows an average credit period of 60 to 180 days (31 December 2022: 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. The aged analysis of trade receivables, net of allowance for impairment of trade receivables and presented base on the revenue recognition dates, at the end of the reporting period is as follows:

	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
0-60 days	9,059	14,581
61-90 days	2	965
91-120 days	4	102
121-365 days	2,499	2,125
	<b>11,564</b>	17,773
Other receivables		
Prepayments to suppliers	6,429	6,901
Other receivables	1,448	1,281
	<b>7,877</b>	8,182
Total trade and other receivables	<b>19,441</b>	25,955

Included in other receivables as at 30 June 2023, balance of approximately RMB1,043,000 (31 December 2022: approximately RMB883,000) is amount from a related company in relation to certain property, plant and equipment renting to the related company. The balance is unsecured, interest free and repayable upon invoice issued.

**12. TRADE AND OTHER PAYABLES**

	<b>30 June 2023</b>	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	12,219	14,895
Other tax payables	1,108	2,345
Accrued expenses and other payables	4,656	4,028
	<b>17,983</b>	<b>21,268</b>

- (i) The Group normally receives credit periods from suppliers ranging from 30 days to 90 days (31 December 2022: 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 the trade payables at the end of the reporting periods based on invoice date is as follows:

	<b>30 June 2023</b>	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
0–60 days	6,833	8,686
61–90 days	676	1,982
91–365 days	1,970	1,645
Over 365 days	2,740	2,582
	<b>12,219</b>	<b>14,895</b>



**13. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY**

Analysed for reporting purposes as:

	<b>30 June 2023 RMB'000</b>	31 December 2022 RMB'000
Current liability	<b>18,775</b>	18,775
Non-current liability	<b>16,107</b>	14,951
	<b>34,882</b>	33,726

On 23 December 2016, Zhejiang Yongli entered into an agreement of assignment of debt with Guizhou Yongli (“**Assignment of Debt Agreement**”), pursuant to which, the debt of approximately RMB239,677,000 owed by the Company to Zhejiang Yongli was assigned to Guizhou Yongli and Guizhou Yongli committed to continue the obligations and commitments under the original debt agreement that was entered into between the Company and Zhejiang Yongli on 13 September 2011.

Referring to the principal advances of approximately RMB239,677,000 in relation to the Assignment of Debt Agreement entered into on 23 December 2016, it had been initially reduced to its present value of approximately RMB20,724,000 based on the managements' estimates of future cash payments with a corresponding adjustment of approximately RMB218,953,000, which was deemed as a contribution from the immediate holding company during the year ended 31 December 2016. The effective interest rate adopted for measurement at fair value at initial recognition of the advances from immediate holding company for the year was determined with reference to the prevailing market rates of interest for similar instruments with similar credit ratings and with reference to the timing and repayment based on the cash flow of the Company in the year ended 31 December 2016. Imputed interest on these advances had been computed at an original effective interest rate of 18.22%. The amount is unsecured, interest-free and repayable of an amount which does not exceed 50% of the Company's operating cash flow for current year on an annual basis until the full repayment of the debt.

Imputed interest on these advances had been computed at an original effective interest rate of 12.42% (31 December 2021: 12.42%). The amount is unsecured, interest-free.

On 30 November 2020, the Company and Guizhou Yongli entered into a supplemental debt agreement, pursuant to which it was agreed that, subject to the fulfilment of conditions precedents, the repayment terms of the remaining principle have been revised as follows:

- (a) No repayment will be required in the first and second year from the date of the supplementary debt agreement (ie. whole year 2021 and 2022);
- (b) From the third to the seventh year from the date of the supplementary debt agreement (ie. from year 2023 to 2027), a fixed repayment of RMB800,000 has to be repaid on or before 31 March of each year;
- (c) From the year 2028 onwards, the repayment shall not exceed 50% of the Company's operating cash flow for current year on an annual basis until the full repayment of debt.

Save for the above alterations, all other terms and conditions of the remaining advances from immediate holding company remain unchanged.

The modification of the repayment terms resulted in the extinguishment of the financial liability of the amount due to immediate holding company and the recognition of new financial liability.

On 30 November 2020, the carrying values of amount due to immediate holding company immediately before the modification were approximately RMB33,899,000. According to a valuation report issued by an independent valuer not connected with the Group, the fair values of the new liability immediately following the modification is approximately RMB16,076,000. These caused an increase of approximately RMB17,823,000 in other reserve in the consolidated statement of changes in equity impact during the year ended 31 December 2020. No further changes for the year ended 31 December 2021.

On 31 March 2022, the Company, Guizhou Yongli and Zhejiang Yongli entered into the Second Supplemental Debt Repayment Agreement, pursuant to which (i) as at the date of the Second Supplemental Debt Repayment Agreement, the amount due to immediate holding company was approximately RMB218,475,000 and the Company agreed to repay in advance part of the amount due to immediate holding company in the amount of RMB30,000,000; (ii) upon receipt of the payment of RMB30,000,000 from the Company, Guizhou Yongli agreed (a) to waive part of the amount due to immediate holding company in the amount of RMB30,000,000; (b) the amount due to immediate holding company be set off against the equivalent amount of the loan interest of approximately RMB1,145,000 which was charged by the Company under the revolving loan agreement dated 31 March 2022 (the **"Revolving Loan Agreement"**) in relation to the provision of the revolving loan to Zhejiang Yongli during the period from 1 January 2021 to 31 March 2022 (the **"Revolving Loan"**) (the **"Revolving Loan Interest"**) on dollar-for-dollar basis and upon which the Revolving Loan Interest would be repaid in full; (iii) upon completion of the above repayment in advance, waiver of part of the amount due to immediate holding company and the set off of amount due to immediate holding company against the Revolving Loan Interest, the Company will be indebted to Guizhou Yongli the amount due to immediate holding company in the total outstanding amount of approximately RMB157,330,000, which would be settled by the Company in accordance with the settlement arrangement agreed between the Company and Guizhou Yongli in relation to the repayment of the amount due to immediate holding company under the Supplemental Debt Repayment Agreement (the **"Settlement Arrangement"**).

On 16 May 2022, the Company, Guizhou Yongli and Zhejiang Yongli entered into the Third Supplemental Debt Repayment Agreement, pursuant to which, (i) as at the date of the Third Supplemental Debt Repayment Agreement, the Company is indebted to Guizhou Yongli the amount due to immediate holding company in the total outstanding amount of approximately RMB218,475,000 and the Company agreed to repay in advance part of the amount due to immediate holding company in the amount of RMB18,000,000 (instead of RMB30,000,000 previously agreed under the Second Supplemental Debt Repayment Agreement) to Guizhou Yongli, which will be settled by the internal resources of the Company; (ii) upon receipt of the payment of RMB18,000,000 from the Company, Guizhou Yongli agreed (a) to waive part of the amount due to immediate holding company in the amount of RMB18,000,000; (b) the amount due to immediate holding company be set off against the equivalent amount of the Revolving Loan Interest on dollar-for-dollar basis and upon which the Revolving Loan Interest would be repaid in full; (iii) upon completion of the above repayment in advance, waiver of part of the amount due to immediate holding company and the set off of the amount due to immediate holding company against the Revolving Loan Interest, the Company will be indebted to Guizhou Yongli in the total outstanding amount of approximately RMB181,330,000, which would be settled by the Company in accordance with the Settlement Arrangement agreed by the parties under the Supplemental Debt Repayment Agreement.

On 31 December 2022, the carrying values of amount due to immediate holding company immediately before the modification were approximately RMB19,375,000. According to a valuation report issued by an independent valuer not connected with the Group, the fair values of the new liability immediately following the modification are approximately RMB33,726,000. These caused a decrease of approximately RMB14,351,000 in other reserve in the consolidated statement of changes in equity impact during the year ended 31 December 2022.

Imputed interest on these advances had been computed at an original effective interest rate of 12.42% during the year ended 31 December 2020. The amount is unsecured, interest-free.

During the year ended 31 December 2022, the Group has repaid the principal of approximately RMB1,145,000 (2021: Nil) according to the Second Supplement Debt Repayment Agreement as mentioned above.

During the six months ended 30 June 2023, the Group did not repay any principal.

#### **14. CONNECTED AND RELATED PARTY TRANSACTIONS**

Other than as disclosed elsewhere in this document, the Group had the following related party transactions and continuing connected party transaction during the periods:

- (a) During the six months ended 30 June 2023, the Group had paid approximately RMB6,090,000 (2022: approximately RMB5,502,000) 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 six months ended 30 June 2022, the Group had paid approximately RMB556,000 to 浙江紹興永利印染有限公司 (Zhejiang Yongli Printing & Dyeing Co., Ltd.\*), a fellow subsidiary of the Company for providing dyeing services to the Group.

- (c) During the six months ended 30 June 2023, the Group had received approximate RMB152,000 (2022: approximately RMB154,000) 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 property, plant and equipment to it.
- (d) During the six months ended 30 June 2023, the Group had received approximately RMB32,000 (2022: approximately RMB3,000) from 浙江永利經編股份有限公司 (Zhejiang Yongli Warp Knitting Co., Ltd.), a fellow subsidiary of the Company for its purchase of woven fabrics from the Group.

The aforesaid transactions were in the ordinary course of business of the Group.

- (c) During the period for the six months ended 30 June 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 six months ended 30 June 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 loss*

During the period for the six months ended 30 June 2023 (the “**Current Period**”), the Group recorded a revenue of approximately RMB29.58 million, representing a decrease of approximately 24.68% when compared to the same period in 2022. The gross loss for the Current Period was approximately RMB0.12 million while there was gross loss of approximately RMB2.02 million in 2022 which mainly due to decrease of cost of raw materials.

#### *Other income and gains*

During the Current Period, the other income and gains decreased by approximately RMB4.07 million or approximately 76.75% when compared to the same period in 2022 mainly due to significant amount of impairment loss in respect of trade receivables reversed in 2022.

#### *Selling and distribution costs*

During the Current Period, the selling and distribution costs increased slightly by approximately RMB0.043 million or approximately 2.78% mainly due to increase of exhibitions expenses.

#### *Administrative expenses*

During the Current Period, administrative expenses increased by approximately RMB0.45 million or approximately 6.49% mainly due to rental expenses incurred for a new sales office.

***Share of result of an associate***

Share of result of an associate of approximately RMB0.69 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 RMB2.92 million or approximately 22.81% 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 led to decrease of revenue in the Current Period when compared to the same period in 2022. Gross profit decreased by approximately RMB375,000 or approximately 14.63% when compared to the same period in 2022 was in line with decrease of revenue. Other revenue decreased by approximately RMB1.91 million or approximately 36.65% during the Current Period mainly due to decrease of bank interest income and reversal of impairment loss in respect of trade receivables. During Current Period, selling expenses decreased by approximately RMB547,000 or 14.96% 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 RMB339,000 or approximately 8.61% 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 RMB1.16 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 RMB9.83 million, increased by approximately RMB2.7 million or 37.94% when compared to the same period in 2022.

***Loss per share***

The respective loss per share for the Current Period and 2022 were approximately RMB0.92 cents and approximately RMB0.67 cents respectively.

***Interest in an associate***

Interest in an associate of approximately RMB32.4 million represents 41.67% of interest in Tepia as at 30 June 2023, decreased by approximately RMB0.69 million when compared with the balance as at 31 December 2022 mainly due to share of result of an associate of approximately RMB0.69 million for the Current Period, details of which were discussed under the previous paragraph “share of result of an associate”.

***Inventories***

As at 30 June 2023 inventories was approximately RMB20.88 million (31 December 2022: approximately RMB19.04 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 30 June 2023 decreased by approximately RMB522,000 or approximately 51.89% when compared with that at as 31 December 2022. Finished good of woven fabrics as at 30 June 2023 increased by approximately RMB2.51 million or approximately 18.08% when compared with that as at 31 December 2022. Work-in-progress as at 30 June 2023 decreased by approximately RMB0.15 million or approximately 3.65% when compared with that at 31 December 2022. During the Current Period, the decrease of inventories was in line with the decrease of sales of woven fabrics.

***Trade and other receivables***

As at 30 June 2023, trade and other receivables was approximately RMB19.44 million (31 December 2022: approximately RMB25.96 million) decreased by approximately RMB6.51 million or approximately 25.1% when compared with that as at 31 December 2022 mainly due to trade receivables decreased by approximately RMB6.21 million or approximately 34.94% which was in line with that of decrease of as sales of woven fabrics and subcontracting fee income during the Current Period.

***Bank balances and cash***

As at 30 June 2023, bank balances and cash was approximately RMB53.82 million (31 December 2022: approximately RMB46.98 million), representing an increase of approximately RMB6.83 million when compared with that as at 31 December 2022 mainly due to disposal of financial assets at fair value through profit or loss at a consideration of approximately RMB8.95 million during the Current Period.

***Trade and other payables***

As at 30 June 2023, trade and other payables was approximately RMB17.98 million (31 December 2022: approximately RMB21.27 million), representing a decrease of approximately RMB3.29 million or approximately 15.45% which was mainly due to decrease of trade payables which was in line with decrease of cost of raw materials.

***Contract liabilities***

As at 30 June 2023, contract liabilities represents receipt in advance from customers was approximately RMB3.48 million (31 December 2022: approximately RMB3.09 million), representing an increase of approximately RMB0.39 million or approximately 12.62% mainly due to sales orders placed by customers during the latest few months ended 30 June 2023.

### ***Deferred income***

As at 30 June 2023, deferred income of approximately RMB0.95 million (31 December 2022: approximately RMB1.03 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 RMB79,000 (2022: approximately RMB79,000).

### ***Amount due to immediate holding company***

As at 30 June 2023, amount due to immediate holding company, Guizhou Yongli was approximately RMB34.88 million (31 December 2022: approximately RMB33.73 million), representing an increase of approximately RMB1.16 million or 34.39% which mainly due to impute interest recognised During the Period.

## **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 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 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. In addition, Tepia has concentrated in the business of industrial circulating water treatment, during the Current Period, the revenue on this part of business increased sharply.

### **Product research and development**

During the six months ended 30 June 2023, 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 six months ended 30 June 2023, the Group actively prepared for participating in various trade fairs to be held in PRC so as to gain 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 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.

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

During six months ended 30 June 2023, the Group financed its operations mainly by internally generated cash and financial support from Guizhou Yongli, the immediate holding company of the Company.

As at 30 June 2023, the Group's current assets and net current assets were approximately RMB94.14 million (31 December 2022: approximately RMB100.93 million) and approximately RMB53.74 million (31 December 2022: approximately RMB57.63 million) respectively. The Group's gearing ratio, represented by the ratio of the interest free loan due to immediate holding company over shareholders' equity, was approximately 21.37% (31 December 2022: 19.49%).



## **CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS**

As at 30 June 2023, the Group did not have any capital commitments (31 December 2022: nil) and significant investments held (31 December 2022: nil).

## **CONTINGENT LIABILITIES**

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: nil).

## **CHARGES ON GROUP ASSETS**

As at 30 June 2023, the Group has no charges on Group assets (31 December 2022: nil).

## **MATERIAL DISPOSALS**

Financial asset at fair value through profit or loss was disposed on 31 March 2023 at a consideration of approximately RMB8,949,000, details of which were set out in the Company's announcement dated 30 December 2022. Except for that, during the six months ended 30 June 2023, the Group did not have any other material disposal. (31 December 2022: nil.)

## **SEGMENTAL INFORMATION**

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

## **EMPLOYEE AND EMOLUMENT POLICIES**

As at 30 June 2023, the Company had 230 employees (31 December 2022: 241), comprising 5 (31 December 2022: 3) in research and development, 10 (31 December 2022: 8) in sales and marketing, 178 (31 December 2022: 186) in production, 22 (31 December 2022: 26) in quality control, 5 (31 December 2022: 5) in management, and 10 (31 December 2022: 13) 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 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 or other means to hedge its foreign currency exposure. The Group considers it has no material foreign exchange risk.

## DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY

As at 30 June 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 ("**Supervisor**"), is a manager of the internal audit department of Zhejiang Yongli. Zhejiang Yongli and Guizhou Yongli 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 30 June 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 30 June 2023, so far as it is known to the Directors or chief executive or Supervisors of the Company, the interests and short positions of person in the shares or underlying shares of the Company, other than the interest of the Directors or Supervisors, which would fall to be disclosed under Divisions 2 and 3 or Part XV of the SFO or which were required, pursuant to section 336 of Part XV of the SFO, to be entered in the register referred to therein, or who is interested directly or indirectly in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Company were as follows:

**Long positions in the shares 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	Approximate percentage of interests in total issued share capital as at
			30 June 2023	30 June 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 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 capital of the Company.

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

Name of shareholder	Capacity	Number of H Shares held	Approximate percentage of interests in H Shares in issue as at	Approximate percentage of interests in total issued share capital as at
			30 June 2023	30 June 2023
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,540,000	43.86%	19.61%

Saved as disclosed above, at 30 June 2023, 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) 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

None of the Directors or the management shareholders (as defined under the GEM Listing Rules) of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group under the period under review and up to the date of this document.

## 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 Corporate Governance (“**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. 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. Yu Weidong is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited first quarterly results and interim results of the Group for the three months ended 31 March 2023 and the six months ended 30 June 2023 respectively 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.

## CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2023, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the “Code Provision”) as set out in Appendix 15 of the GEM Listing Rules.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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.

## 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 six months ended 30 June 2023.

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

Zhejiang, the PRC, 14 August, 2023

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

*This document will remain on the “Latest Listed Company Information” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its publication and on the Company's website at <http://www.zj-yongan.com>.*

\* For identification purpose only