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 2020

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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 2020,

- revenue of the Group decreased sharply from approximately RMB134.54 million in year 2019 to approximately 77.98 million in year 2020, representing a decrease of approximately 42.04% when compared to the year ended 31 December 2019;

- loss for the year was approximately RMB28.69 million; and

- the Directors do not recommend the payment of a final dividend for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

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 2020, together with the comparative results for the corresponding period in 2019 as follows:

	Notes	**2020** **RMB'000**	2019 RMB'000
Revenue	*3*	**77,980**	134,537
Cost of sales		**(75,553)**	(124,392)
Gross profit		**2,427**	10,145
Other income and gains	*3*	**2,437**	7,624
Selling and distribution costs		**(1,296)**	(2,140)
Administrative expenses		**(16,800)**	(22,766)
Share of loss of associates		**(7,423)**	(4,765)
Impairment loss of interests in associates		**—**	(31,239)
Loss on disposal of a subsidiary		**(2,536)**	—
Finance costs	*5*	**(6,587)**	(5,929)
Loss before taxation		**(29,778)**	(49,070)
Income tax credit (expense)	*6*	**1,087**	(96)
Loss for the year	*7*	**(28,691)**	(49,166)
Other comprehensive income (expense) for the year			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of properties		**2,429**	2,554
Fair value gain on equity investments designated at fair value through other comprehensive income		**—**	430
Income tax relating to items that will not be reclassified subsequently		**(607)**	(745)
Other comprehensive income for the year, net of tax		**1,822**	2,239
Total comprehensive expenses for the year		**(26,869)**	(46,927)
		RMB	*RMB*
Loss per share			
Basic and diluted	*8*	**(2.70) cents**	(4.62) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		**118,998**	125,925
Right-of-use assets		**5,892**	6,080
Goodwill		**—**	1,230
Interests in associates		**46,573**	53,996
Financial asset at fair value through other comprehensive income		**—**	1,065
Financial asset at fair value through profit or loss		**24,757**	25,489
		196,220	213,785
Current assets			
Inventories		**35,508**	43,273
Trade and other receivables	*10*	**29,944**	27,997
Bank balances and cash		**31,635**	46,896
		97,087	118,166
Current liabilities			
Trade and other payables	*11*	**17,630**	32,215
Contract liabilities		**8,587**	2,065
Deferred income		**159**	—
Tax payable		**329**	332
		26,705	34,612
Net current assets		**70,382**	83,554
Total assets less current liabilities		**266,602**	297,339
Non-current liabilities			
Deferred tax liabilities		**10,919**	11,565
Amount due to immediate holding company		**16,236**	38,472
Deferred income		**1,191**	—
		28,346	50,037
Net assets		**238,256**	247,302
Capital and reserves			
Share capital		**106,350**	106,350
Share premium and reserves		**131,906**	140,952
		238,256	247,302

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 貴州永安金融控股股份有限公司(Guizhou Yongan Finance Holdings Company Ltd.*) ("**Guizhou Yongan**"), 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; (ii) the provision of woven fabrics subcontracting services; and (iii) assets management 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 Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards ("**HKFRSs**") and 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 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current year 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	Insurance Contracts and related Amendments [4]
Amendments to HKFRS 3	Reference to Conceptual Framework [3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020)
	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause [4]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use [3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract [3]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 [2]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions [1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle [3]

1 Effective for annual periods beginning on or after 1 June 2020.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 January 2023.
5 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 year are as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregrated by major products or services lines		
Manufacture and sale of woven fabrics	**74,929**	130,315
Subcontracting fee income	**2,751**	4,222
Investment advisory services	**300**	—
	77,980	134,537

Disaggregation of revenue from contracts with customers by timing of recognition

	2020	2019
	RMB'000	*RMB'000*
Timing of revenue recognition		
At a point in time	**75,229**	130,315
Over time	**2,751**	4,222
Total revenue from contract with customers	**77,980**	134,537

Transaction price allocated to the remaining performance obligations

The subcontracting and investment advisory service contracts are with an original expected duration of one year or less or contracts for which revenue is recognised at the amount to which that Group has the right to invoice for the services performed. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period.

	2020	2019
	RMB'000	*RMB'000*
Other income and gains		
Gain on disposal of property, plant and equipment	—	1,346
Government subsidies *(note 1)*	**616**	6
Refund of retirement benefit scheme contributions	**234**	890
Refund of land use tax	—	439
Interest income	**117**	300
Gain from change in fair value of financial assets at FVTPL	—	360
Foreign exchange gains, net	**3**	69
Sales of scrap materials	**118**	260
Dividend from financial asset at FVTPL	**313**	369
Compensation income	**101**	382
Write-back of trade payables	**453**	2,894
Others *(note 2)*	**482**	309
	2,437	7,624

Notes:

(1) Government subsidies of approximately RMB616,000 (2019: RMB6,000) was awarded to the Group during the year ended 31 December 2020 included (i) approximately RMB247,000 (2019: RMB6,000) for encouraging enterprise development and (ii) approximately RMB130,000 (2019: nil) represents subsidies award to the group for resumption of work and production after the epidemic has been under controlled. There is no unfulfilled condition or contingencies relating to these subsidies.

In 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 of approximately RMB239,000 (2019: nil) in the current period. As at 31 December 2020, an amount of approximately RMB1,350,000 (2019: nil) remains to be amortised.

(2) Included in others, rental income of approximately RMB309,000 (2019: RMB309,000) is recognised. The Group leases out buildings under operating leases. The leases typically run for an initial period of 1 year. None of the leases includes variable lease payments.

4. SEGMENT INFORMATION

Information reported to the executive directors 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 and operating segments are as follows:

Woven fabrics	—	Manufacture and sale of woven fabrics
Subcontracting services	—	Provision of woven fabrics subcontracting services
Asset management	—	Asset management and investment advisory services

(a) Segment revenue and results

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

	For the year ended 31 December							
	Woven fabric		Subcontracting services		Asset management		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue	**74,929**	130,315	**2,751**	4,222	**300**	—	**77,980**	134,537
Segment result	**(3,880)**	5,571	**(887)**	139	**(796)**	360	**(5,563)**	6,070
Unallocated corporate income							**1,984**	4,110
Unallocated corporate expenses							**(9,653)**	(17,317)
Loss on disposal of a subsidiary							**(2,536)**	—
Share of losses of associates							**(7,423)**	(4,765)
Impairment loss of interests in associates							**—**	(31,239)
Finance costs							**(6,587)**	(5,929)
Loss before taxation							**(29,778)**	(49,070)

Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of certain other income, directors' remuneration, central administration costs, share of losses of associates, loss on disposal of a subsidiary, impairment loss of interests in associates 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 external customers is presented based on the location of the operation.

	Revenue from external customers	
	2020	2019
	RMB'000	*RMB'000*
The PRC (country of domicile)	**68,262**	117,213
Europe	**7,539**	12,190
South America	**740**	3,195
Middle East	**638**	—
Other overseas	**801**	1,939
	77,980	134,537

(c) Information about major customers

During the years ended 31 December 2020 and 2019, none of the Group's individual customer contributed more than 10% to the total revenue of the Group.

5. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Imputed interest on interest-free loan due to immediate holding company	**6,587**	5,929

6. INCOME TAX CREDIT (EXPENSE)

	2020	2019
	RMB'000	*RMB'000*
Current taxation		
PRC Enterprise Income Tax	**(49)**	(727)
Deferred taxation		
— Current year	**1,136**	631
	1,087	(96)

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

	2020	2019
	RMB'000	*RMB'000*
Loss for the year has been arrived at after charging (crediting):		
Staff cost (including supervisors', directors' and chief executive's emoluments):		
Salaries and wages	**13,319**	27,901
Retirement benefit scheme contributions	**356**	902
Total staff costs	**13,675**	28,803
Allowance for inventories (included in cost of inventories recognised as an expense)	**—**	1,176
Auditor's remuneration		
— Audit service	**772**	806
— Non-audit service	**—**	631
Cost of inventories recognised as an expense	**72,180**	123,216
Depreciation of property, plant and equipment	**9,479**	8,326
Depreciation of right-of-use assets	**188**	188
Impairment loss of trade receivables	**4,027**	1,712
Research and development costs recognised as an expense *(note)*	**1,975**	3,215
Loss from change in fair value of financial asset at FVTPL	**732**	—
Write-off of property, plant and equipment	**—**	21

Note: Research and development costs includes staff costs of approximately RMB1,975,000 (2019: approximately RMB1,729,000) 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 RMB28,691,000 (2019: RMB49,166,000) and the weighted average of 1,063,500,000 (2019: 1,063,500,000) ordinary shares in issue during the year ended 31 December 2020.

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 2020 and 2019.

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2020, nor has any dividend been proposed since the end of reporting period (2019: Nil).

10. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**29,222**	24,515
Less: Allowance for impairment of trade receivables	**(6,378)**	(2,351)
	22,844	22,164
Other receivables		
Prepayments to suppliers	**2,217**	1,652
Other tax recoverable	**196**	3,653
Other receivables	**757**	528
Consideration receivables	**3,930**	—
	7,100	5,833
Total trade and other receivables	**29,944**	27,997

Notes:

(i) The Group allows an average credit period of 60 days to 180 days (2019: 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) Included in other receivables as at 31 December 2020, balance of approximately RMB626,000 (2019: RMB324,000) is amount due from a fellow subsidiary in relation to certain property, plant and equipment renting to fellow subsidiary. The balances are unsecured, interest-free and repayable upon invoice issued.

(iii) 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:

	2020	2019
	RMB'000	*RMB'000*
0-60 days	**18,367**	21,644
61-90 days	**328**	220
91-120 days	**256**	35
121-365 days	**3,893**	96
Over 365 days	**—**	169
	22,844	22,164

11. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables *(notes i & ii)*	**9,068**	20,088
Other tax payables	**2,528**	2,832
Accrued expenses and other payables *(note iii)*	**6,034**	9,295
	17,630	32,215

Notes:

(i) The Group normally receives credit periods from suppliers ranging from 30 days to 90 days (2019: 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 period based on invoice dates is as follows:

	2020	2019
	RMB'000	*RMB'000*
0 - 60 days	**4,024**	10,789
61 - 90 days	**1,389**	3,390
91 - 365 days	**705**	1,715
Over 365 days	**2,950**	4,194
	9,068	20,088

(iii) Included in other payables as at 31 December 2019, approximately RMB131,000 (2020: nil) is amount due to ultimate holding company in relation to electricity charges paid on behalf of the Group and to be reimbursed by ultimate holding company. The balance is unsecured, interest-free and repayable upon invoice issued.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and gross profit

During the year ended 31 December 2020, the Group recorded a revenue of approximately RMB77.98 million, representing a significant decrease of approximately 42.04% when compared to the same period in 2019 and a gross profit margin of approximately RMB2.43 million, representing a significant decrease of 76.08%. It was mainly due to outbreak of the novel coronavirus ("**COVID-19**") epidemic (the "**Epidemic**") in China in early 2020 and the long-lasting outbreak of the Epidemic worldwide in 2020, most commercial activities in China and overseas countries were either suspended or seriously affected. Although China successfully stopping the Epidemic from widely few months later after the outbreak in early 2020, the overseas countries continue to be suffered by the Epidemic which caused the decline in demand of the product of the Group from both local and overseas customers. In addition, a substantial appreciation of the renminbi in 2020 further impact the unfavorable export in such severe situation. Furthermore, shortage of labour force due to labour structure adjustment continue to impact the Group and the peer manufacturers. As such, both domestic and export sales of woven fabrics of the Group were significantly affected and so do the selling price in both domestic and export sales of woven fabrics.

Other income and gains

Other income and gains decreased by approximately RMB5.19 million or 68.04% when compared with that in 2019 mainly due to decrease of write-back of trade payables and there was no gain on disposal of property, plant and equipment and no refund of land use tax in 2020.

Selling and distribution cost

The selling and distribution costs decreased by approximately RMB0.84 million or 39.44% for the year ended 31 December 2020 when compared with the correspondence period in 2019 was in line with decrease of revenue.

Administrative expenses

Administrative expenses decreased by approximately RMB5.97 million or 26.21% during the year ended 31 December 2020 when compared to the same period in 2019. It was mainly due to decrease of salary, staff welfare expenses, travelling expenses and various office administrative expense resulted from suspension of work and business activities due to control over COVID-19 epidemic since early 2020.

Share of loss of associates

Share of loss of associates of approximately RMB7.42 million represents share of loss from Beijing Tepia Technology Co., Ltd.* (北京太比雅科技股份有限公司) ("**Tepia**"), a company 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. Share of loss of associates increased by approximately RMB2.66 million for the year ended 31 December 2020 when compare with the same period in 2019, mainly due to the Group has to share only about four months result of Tepia for the period from 20 August 2019 to 31 December 2019 after completion of acquisition of Tepia. During the year ended 31 December 2020, the outbreak of COVID-19 epidemic led to various restrictions as imposed by the relevant government authorities including travel restrictions and temporary suspension of all commercial and social activities etc., and the impact of floods in the Southern area in China, some of the projects could not be carry out as planned. In addition, as most of the contracts were signed after the second quarter of 2019 which caused certain amount of contracts could not be completed in 2019 and then put forward to 2020. Therefore, during the year ended 31 December 2020, Tepia mainly continued to undergo the projects from 2019. Although the above events led to defer of completion of projects during the year ended 31 December 2020, compared with the same period in 2019, the revenue increased by approximately RMB16.83 million or 84.83%. It was mainly due to the unexpected government policies implemented in 2019 led to either termination or delay of project bidding opened by the relevant government authorities in 2019 caused the significant decrease of revenue in 2019. During the year ended 31 December 2020, selling expenses decreased by approximately RMB14.72 million or 55.28% and administrative expense decreased by approximately RMB6.37 million or 34.16% mainly due to various cost saving actions had been implemented in 2019 which including closed of certain low efficiency branches in August and Oct 2019, laid-off excess staff since September 2019 and shrinking of offices' size in late 2019 etc and the outbreak of COVID-19 epidemic in early 2020 and the impact of floods in the Southern area in China caused certain business activities suspended also led to decrease of travelling expenses.

Impairment loss of interests in associates

The impairment loss of interests in associates for the year ended 31 December 2020 decreased by approximately RMB31.24 million or 100% when compared to the same period in 2019 as there was no impairment on the carrying amount of interest in associates as at 31 December 2020.

In relation to the acquisition of 41.67% interest in Tepia in August 2019 (the "**Acquisition**"), the goodwill with carrying amount of approximately RMB38.7 million (the "**Goodwill**") was generated from the Acquisition. Following the recognition of the Goodwill, an impairment review and subsequently an annual review on the Goodwill is required under HKAS 36 Impairment of Assets. During the year ended 31 December 2019, an impairment loss of approximately RMB31,239,000 was recognised based on the valuation-in-use calculation. During the year ended 31 December 2020, the Company engaged an independent qualified professional valuer (the "**Valuer**") to perform the impairment assessment on the Goodwill which was included in the carrying amount of interest in associates as at 31 December 2020 by reference to the estimated cash flow projection, which was determined based on a valuation-in-use calculation. Valuation-in-use calculation adopted cash flow projections based on the forecast prepared by the Company according to the latest financial budgets covering seven years period ending 31 December 2027 approved by the Board and discount rate of 17.4% (2019: 17%). Tepia's cash flows beyond the seven-year period were extrapolated using a steady 3% (2019: 3%) growth rate. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and cost, such estimation was based on Tepia's past performance and the Board's expectations for the market development. During the year ended 31 December 2020, no impairment loss was recognised.

Finance cost

Finance cost of approximately RMB6.59 million for the year ended 31 December 2020 represents imputed interest in interest-free loan due to immediate holding company, Guizhou Yongan. During the year ended 31 December 2020, Guizhou Yongan negotiated with the Company to request for partial repayment of the outstanding principal. After negotiation and on 26 April 2020, the Board passed a resolution and agreed to partially repay the principal of RMB11 million from the internal resources of the Company with those reasons as disclosed in the interim report of the Company for the six months ended 30 June 2020. In addition, on 30 November 2020 with the outstanding interest-free loan due to Guizhou Yongan of approximately RMB218,475,000, the Company entered into a supplemental debt agreement with Guizhou Yongan ("**Supplemental**

Debt Agreement"), pursuant to which, all the terms and conditions of the original debt agreement dated 13 September 2011 and the assignment of debt agreement dated 23 December 2016 remain unchanged and to be obliged by all the relevant parties except for the terms of repayment of the remaining principal were revised as the following:

(i) no repayment will be required in the 1st and 2nd year from date of the Supplemental Debt Agreement (i.e. from 30 November 2020 to 29 November 2022, in total of two years);

(ii) from the 3rd to the 7th year from date of the Supplemental Debt Agreement (i.e. from 30 November 2022 to 31 March 2027, in total of five years), a fixed annual repayment of RMB800,000 has to be made between 31 March of each year;

(iii) from the 8th year from the date of the Supplemental Debt Agreement onwards, the Company has to make a repayment of not exceeding 50% of the Company's operating cash flow for the current year on an annual basis until the full repayment of the debt.

Due to the above new arrangement over the terms of the amount due to Guizhou Yongan, the accounting treatment of it was revisited. According to HKFRS 9 paragraph 3.3.2, a substantial modification of the terms of an existing financial liability, or a part of it, (whether or not due to the financial difficulty of the debtor) should be accounted for as an extinguishment of the original financial liability and the recognition of a new liability. According to HKFRS 9 paragraph B3.3.6, the terms of modified debt is considered as "substantially different" if the net present value of the cash flows under the new terms (including any fees paid net of any fees received) discounted at the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows of the original debt instrument. The Supplemental Debt Agreement resulting in modification of terms over the outstanding amount of due to Guizhou Yongan. In this regard, the above "10% test" as required under HKFRS 9 was performed by the Company to assess the accounting impact. Since the difference is more than 10% as compared with the discounted present value of the remaining cash flows of the original debt instrument, the modified debt is considered as "substantially different". The modification should be accounted for as an extinguishment of the original financial liability and the recognition of a new liability.

On 30 November 2020, the carrying value of amount due to immediate holding company immediately before the modification was approximately RMB33,899,000. An independent qualified professional valuer was engaged to assess the fair value of the outstanding principal of approximately RMB218,475,000 as at 30 November 2020 (the "**New Liability**"), the date that the Supplemental Debt Agreement was signed. According to the independent valuation and based on the Company's estimates of future cash payments, the fair value of the New Liability immediately following the modification on 30 November 2020 was reduced to its present value from approximately RMB33,899,000 to approximately RMB16,076,000 which resulting in a gain of approximately RMB17,823,000 was deemed contribution from the immediate holding company and was recorded in other reserve in the consolidated statement of changes in equity impact during the year ended 31 December 2020. According to the valuation report, the effective interest rate adopted for the measurement 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 for the year ended 31 December 2020.

The respective imputed interest immediately before and after 30 November 2020 on the advance had been computed at an effective interest rate of 18.22% and 12.42% (2019:18.22%).

Loss for the year

Loss for the year ended 31 December 2020 was approximately RMB28.69 million, decreased by approximately RMB20.48 million or 41.64% mainly due to no impairment loss of interest in associates during the year (2019: approximately RMB31,239,000).

Loss per share

The respective loss per share for the year ended 31 December 2020 and 2019 were approximately RMB2.70 cents and RMB4.62 cents respectively.

Goodwill

Goodwill was recognised during the year ended 31 December 2017 after the subsidiary, 貴州安恒永晟投資管理有限公司 (Guizhou Anheng Yongcheng Investment Management Co., Ltd.*) ("**Guizhou Anheng**") was acquired. As at 31 December 2020, goodwill decreased by approximately RMB1.23 million or 100% when compared with that in 2019 as the subsidiary was disposed during the year ended 31 December 2020, details of which were discussed under the following section of "business and operation review".

Interest in associates

Interest in associates of approximately RMB46.57 million which represents the 41.67% of interest in Tepia as at 31 December 2020, decreased by approximately RMB7.42 million mainly due to share of loss of associates of approximately RMB7.42 million for the year ended 31 December 2020, details of which were discussed under the previous paragraph "share of loss of associates".

Financial asset at fair value through other comprehensive income

Financial asset at fair value through other comprehensive income ("**Financial Asset**") represents financial assets owned by the subsidiary, Guizhou Anheng and was disposed together with Guizhou Anheng during the year ended 31 December 2020. In this regard, the Financial Assets decreased by approximately RMB1,065,000 or 100%.

Inventories

As at 31 December 2020 inventories was approximately RMB35.51 million (2019: approximately RMB43.27 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 2020 decreased by approximately RMB0.36 million or approximately 16.74% when compared with that in 2019 mainly due to tighter control on the stock level of raw materials was adopted during the year ended 31 December 2020. Finished good of woven fabrics as at 31 December 2020 decreased by approximately RMB4.49 million or approximately 15.19% when compared with that in 2019 mainly due to decrease of both domestic and overseas sales as explained before. There was no material changes in work-in-progress during the year ended 31 December 2020.

Trade and other receivables

As at 31 December 2020, trade and other receivables was approximately RMB29.94 million (2019: approximately RMB28 million) and compared with that in 2019, increased by approximately 6.93% mainly due to consideration receivables of approximately RMB3.93 million recorded from disposal of the subsidiary, Guizhou Anheng. The consideration receivables was subsequently settled in cash by the purchasers as at the date of this document.

Bank balances and cash

At as 31 December 2020, bank balances and cash was approximately RMB31.64 million (2019: approximately RMB46.9 million), representing a drop of approximately RMB15.26 million when compared with that in 2019 mainly due to the decrease of sales turnover during the year ended 31 December 2020 and a partial repayment of RMB11 million to the immediate holding company during the year ended 31 December 2020.

Trade and other payables

As at 31 December 2020, trade and other payables was approximately RMB17.63 million (2019: approximately RMB32.22 million), representing a decrease of approximately RMB14.59 million or approximately 45.28% mainly due to decrease in purchase of raw materials as a result of decrease in production volume during the year ended 31 December 2020 and tighter control over raw material stock level was adopted.

Contract liabilities

As at 31 December 2020, contract liabilities represents receipt in advance from customers was approximately RMB8.59 million (2019: approximately RMB2.07 million), representing an increase of approximately RMB6.52 million or approximately 315.84% mainly due to more sales order were received nearby the year end date of 31 December 2020.

Deferred income

As at 31 December 2020, deferred income of approximately RMB1,350,000 (2019: nil) represents part of the government subsidy of approximately RMB1,589,000 which was received by the Group during the year for encouraging replacement of low productivity machinery and equipment. The amount of approximately RMB1,589,000 has been recognised as deferred income and transferred to other income over the useful lives of the relevant assets. During the year ended 31 December 2020, an amount of approximately RMB239,000 (2019: nil) was credit to the other income in the current period according to this policy. As at 31 December 2020, the amount of approximately RMB1,350,000 (2019: nil) remains to be amortised.

Amount due to immediate holding company

As at 31 December 2020, amount due to immediate holding company, Guizhou Yongan was approximately RMB16.24 million (2019: approximately RMB38.47million), representing a decrease of approximately RM22.24 million or 57.80% mainly due to repayment of the principal of RMB11 million to Guizhou Yongan during the year ended 31 December 2020 and the outstanding principal of approximately RMB218,475,000 as at 30 November 2020 was reduced to its present value of approximately RMB16,076,000 due to the Supplement Debt Agreement entered into on 30 November 2020, details of which were discussed in the above paragraph of "finance cost".

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. During the year ended 31 December 2020, both domestic and export sales of woven fabrics dropped by approximately 42.5% and subcontracting fee income also dropped sharply by approximately 34.84% mainly due to the outbreak of COVID-19 since early January 2020 in the PRC, and then worldwide led to temporary suspension of business activities in the PRC and overseas countries and the rise of tension between China and the U.S. led to impact to the export sales. The COVID-19 epidemic in the PRC seems has been under controlled while most of the overseas countries still impacted by the epidemic. In addition, a substantial appreciation of the renminbi in 2020 further impact the unfavorable export in such severe situation. Furthermore, shortage of labour force due to the labour structure adjustment continue to impact the Group and the peer manufacturers. In order to alleviate the difficulties and overcome the risk as facing by the Group, the following measures and actions have been carried during the year ended 31 December 2020:

(1) established a new trading company in 2020 in order to diversify the product line of the Group and increase sales revenue;

(2) reform the traditional sales channels and actively develop new online sales model through the social media platform such as wechat and participate in the form of online exhibitions to further increase exposure of the Group's product to the market and expand the geographical scope of potential customers;

(3) in the cost reduction and efficiency to inventory at the same time, actively and effectively manage the inventory by implementing a system on raw material control so as to shorten the inventory turnover period, accelerate the recovery of accounts receivable in order to shorten the accounts receivable turnover period and ensure the rapid funds return;

(4) through the advantages of the new loom so as to improve efficiency of production and optimising the quality of woven fabric manufactured by the Group. The development of new products, increase the technical content and sense of science and technology so as to outstanding the product of the Group. Furthermore, the use of advanced production machines in 2020 for strengthen the elastic of woven fabrics further streamline the production process and hence increase efficiency of production;

(5) as a special year of the Epidemic, resulting in some employees could not return home for holidays, the Group through the improvement of employee welfare, enrich the life of employees to achieve humanized management, stabilize the staff, enhance the sense of belonging of employees.

In addition, further to launch of the COVID-19 vaccines and increase of the vaccination population globally, the Directors expect that the business environment ahead will continue to be tough and uncertain as many countries are still being exposed to the risk of having a new wave of coronavirus outbreak. 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.

Assets management services and investment advisory services

Guizhou Anheng, a wholly owned subsidiary of the Company that is principally engaged in assets management in the PRC. As discussed above, although the COVID-19 epidemic in China seems has been under controlled, the epidemic outbroke worldwide led to the global financial crisis which would also impact the economy and the securities market in the PRC. Therefore, the private equity funds in the PRC tend to be more cautious and exercise higher level of diligence in identifying investment projects. In additions, the Company was required to inject further cash to Guizhou Anheng for fulfilment of the capital requirement under the relevant regulations. In view of the increase of global financial crisis, the Directors decided to concentrate the resources of the Group to cope with the crisis and for future development. On 26 May 2020, the Company entered into share transfer agreements with two independent third parties at a total consideration of RMB5.93 million, which was determined by reference to an independent valuation prepared by an independent professional valuer in the PRC with 17.5% discount, for transferring all the shareholding rights in Guizhou Anheng. The cash of RMB5.93 million from the sale of Guizhou Anheng will be used as the Group's general working capital to strengthen the liquidity of working capital and to cope with the global economic crisis that may impact the Group's business.

Water management-related business by associates

In order to diversify business risk and increase the return on capital investment of the shareholders of the Company, on 20 August 2019, the Company's wholly owned subsidiary, 深圳永安慧聚水務科技有限公司 (Shenzhen Yongan Huiju Water Technology Co., Ltd.*)("**Shenzhen Yongan Huiju**") had completed the acquisition of 41.67% of the issued share capital of Beijing Tepia Technology Co., Ltd. ("**Tepia**"). In 2020, 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, maintenance and maintenance. Tepia's performance in 2020 has improved somewhat from the previous year, but due to the outbreak of COVID-19 and the impact of floods in the Southern area in China, some of the projects could not be carry out as planned. In this regard, management of Tepia actively respond to:

(1) in the internal management, through the integration of resources to save the costs, annual personnel costs, sales costs, management costs significantly reduced by nearly 50% year-on-year;

(2) through a variety of ways, including litigation and other forms to enhance the recovery of accounts receivable, so as to accelerate the time of return of funds;

(3) in the sales market, through the development of internet telephone product introduction, free trial and other sales methods, Tepia further consolidate or expand the business opportunities in Guangdong, Fujian and Hebei, expand the sales market in Yunnan, Hunan and other provinces in China. Tepia planning to further step into market opportunities in Guangdong, Fujian, Hebei, Yunnan, Hunan and other provinces, while looking for new opportunities in Shaanxi, Anhui and other provinces.

Production facilities

During the year ended 31 December 2020, the Group spent approximately RMB123,000 (2019: RMB858,000) for renovation of factory buildings.

Product research and development

During the year ended 31 December 2020, 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 2020, 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

Further to launch of the COVID-19 vaccines and increase of the vaccination population globally, the Directors expect that the business environment ahead will continue to be tough and uncertain as many countries are still being exposed to the risk of having a new wave of coronavirus outbreak. There is no guarantee that any vaccine, supported with mass immunization program, can effectively control the spread of virus. It is expected that it will be a long road for the market to resume its growth momentum and let consumers rebuild their confidence on spending even if the virus can be later under control. Furthermore, the relationship between China and the United States, which is a key factor significantly affecting the pace of recovery of the global economy, is still tense. It is uncertain whether such relationship can improve after the recent presidential election in the United States. For the above reasons, although there are signs that orders from customers are stronger in the second half of the current fiscal year, the Directors still anticipate that the market demand for the woven fabrics in the future will be highly volatile and it takes time for the Group's business volume to be fully restored to the pre-pandemic level. 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. Capital expenditures will be managed in a very prudent manner without compromising the needs for strategic investments in key areas. The measures as discussed under the section of business and operation review will help the Group survive the highly challenging and volatile business landscape ahead.

Looking ahead, the business environment in the coming future will be full of challenges. The Board will carefully execute the plans and measures above to improve profitability, preserve financial strength and enhance the Group's long-term competitiveness. Despite the short-term pressure on profitability, the Board are confident that it can overcome the difficulties ahead and continue to create long-term value for the shareholders of the Company and deliver the objective to achieve sustainable growth in the long run.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year ended 31 December 2020, the Group financed its operations mainly by internally generated cash and financial support from the immediate holding company, Guizhou Yongan.

As at 31 December 2020, the Group's current assets and net current assets were approximately RMB97.09 million (31 December 2019: approximately RMB118.17 million) and approximately RMB70.38 million (31 December 2019: approximately RMB83.55 million) respectively. The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was approximately 3.64 (31 December 2019: approximately 3.4). The Group's gearing ratio, represented by the ratio of the interest free loan due to immediate holding company over shareholders' equity, was approximately 6.81% (2019: 15.56%).

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

As at 31 December 2020, the Group did not have any capital commitments (2019: nil) and significant investments held (2019: RMB90,000,000).

MATERIAL DISPOSALS

During the year ended 31 December 2020, the Company has disposed the wholly owned subsidiary, Guizhou Anheng which was engaged in the assets management business. Details of the disposal was discussed under the section of business and operation review. Except for that, the Group did not have any material disposals during the year ended 31 December 2020 and 2019.

SEGMENT INFORMATION

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

CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, the Group did not have any material contingent liabilities.

CHARGES ON ASSETS

As at 31 December 2020 and 2019, the Group did not have any charges on its assets.

EMPLOYEE AND EMOLUMENT POLICIES

As at 31 December 2020, the Company had 312 employees (31 December 2019: 391), comprising 2 (31 December 2019: 9) in research and development, 3 (31 December 2019: 8) in sales and marketing, 256 (31 December 2019:317) in production, 38 (31 December 2019: 40) in quality control, 5 (31 December 2019: 5) in management, and 8 (31 December 2019: 12) 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 2020 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**") in May 2002 and the primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board. The Audit Committee has three members comprising the three independent non-executive Directors, Ms. Wu Yuejuan, Mr. Leng Peng and Mr. Zhu Weizhou. Ms. Wu Yuejuan was appointed as independent non-executive Director and member of Audit Committee of the Company on 8 September 2020 for taking up the position of Mr. Song Ke due to his resignation on 8 September 2020. Mr. Leng Peng is the chairman of the Audit Committee.

The annual results of the Group for the year ended 31 December 2020 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 2020 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 ended 31 December 2020. 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 2020, 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.

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 2020.

ANNUAL GENERAL MEETING

The annual general meeting ("**AGM**") of the Company for the year 2020 will be held on 18 May 2021. A notice convening the AGM will be published in due course.

CLOSURE OF H SHARE REGISTER

The H Share register of shareholders of the Company will be closed from 18 April 2021 to 18 May 2021 (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, 16 April 2021 will be entitled to attend and vote at the AGM.

By Order of the Board
Zhejiang Yongan Rongtong Holdings Co., Ltd.*
Wang Hengzhuang
Chairman

Zhejiang, the PRC, 22 March 2021

As at the date of this announcement, the executive Directors are Mr. Wang Hengzhuang (Chairman), Ms. He Lianfeng (Chief Executive Officer) and Mr. Hu Hua Jun; the non-executive Director is Mr. Ma Jinsong (Deputy Chairman); and the independent non-executive Directors are Ms. Wu Yuejuan, Mr. Leng Peng and Mr. Zhu Weizhou.

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.

* *English name is for identification only.*