



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)

**UNAUDITED ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

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(THE “STOCK EXCHANGE”)**

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* For identification purpose only

HIGHLIGHTS

For the year ended 31 December 2021,

- revenue of the Group increased from approximately RMB77.98 million in year 2020 to approximately 98.18 million in year 2021, representing an increase of approximately 25.91% when compared to the year ended 31 December 2020;
- loss for the year was approximately RMB18.82 million; and
- the Directors do not recommend the payment of a final dividend for the year ended 31 December 2021.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

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 unaudited results of the Group for the year ended 31 December 2021, together with the comparative results for the corresponding period in 2020 as follows:

	<i>Notes</i>	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Revenue	3	98,184	77,980
Cost of sales		<u>(97,734)</u>	<u>(75,553)</u>
Gross profit		450	2,427
Other income and gains	3	4,717	2,437
Selling and distribution costs		(1,750)	(1,296)
Administrative expenses		(18,369)	(16,800)
Share of results of associates		(5,908)	(7,423)
Loss on disposal of a subsidiary		—	(2,536)
Finance costs	5	<u>(2,017)</u>	<u>(6,587)</u>
Loss before taxation		(22,877)	(29,778)
Income tax credit	6	<u>4,057</u>	<u>1,087</u>
Loss for the year	7	<u>(18,820)</u>	<u>(28,691)</u>
Other comprehensive income (expense) for the year			
<i>Items that will not be reclassified to profit or loss:</i>			
Gain on revaluation of properties		2,314	2,429
Income tax relating to items that will not be reclassified to profit or loss		<u>(579)</u>	<u>(607)</u>
Other comprehensive income for the year, net of tax		<u>1,735</u>	<u>1,822</u>
Total comprehensive expenses for the year		<u>(17,085)</u>	<u>(26,869)</u>
		RMB	RMB
Loss per share			
Basic and diluted	8	<u>(1.77) cents</u>	<u>(2.70) cents</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		112,469	118,998
Right-of-use assets		5,704	5,892
Goodwill		—	—
Interests in associates		40,665	46,573
Financial asset at fair value through profit or loss		25,881	24,757
		184,719	196,220
Current assets			
Inventories		27,971	35,508
Trade and other receivables	<i>10</i>	33,229	29,944
Bank balances and cash		30,968	31,635
		92,168	97,087
Current liabilities			
Trade and other payables	<i>11</i>	20,552	17,630
Contract liabilities		7,945	8,587
Deferred income		159	159
Tax payable		334	329
		28,990	26,705
Net current assets		63,178	70,382
Total assets less current liabilities		247,897	266,602
Non-current liabilities			
Deferred tax liabilities		7,441	10,919
Amount due to immediate holding company		18,253	16,236
Deferred income		1,032	1,191
		26,726	28,346
Net assets		221,171	238,256
Capital and reserves			
Share capital		106,350	106,350
Share premium and reserves		114,821	131,906
		221,171	238,256

Notes:

1. GENERAL

Zhejiang Yongan Rongtong Holdings Co., Ltd. (the “**Company**”) is a joint stock limited company established in the People’s Republic of China (the “**PRC**”) and the H Shares of the Company are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its immediate parent is 貴州永利企業管理有限公司 (Guizhou Yongli Enterprise Management Co., Ltd.*) (“**Guizhou Yongli**”) (formerly known as 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; (iii) assets management services and (iv) investment advisory income.

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

* *English name is for identification only.*

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

In the current year, the Group has applied, for its first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning 1 January 2021:

Amendments to HKFRS 16	Covid-19-related rent concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

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

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments ³
Amendments to HKFRS 3	Reference to Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
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 ³
Amendment to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendment to HKAS 8	Definition of Accounting Estimates ³
Amendment to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction ³
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendment to HKFRS 16	COVID-19-related rent concessions beyond 30 June 2021 ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ 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:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
<u>Revenue from contracts with customers within the scope of HKFRS 15</u>		
Disaggregated by major products or services lines		
Manufacture and sale of woven fabrics	93,263	74,929
Subcontracting fee income	4,921	2,751
Investment advisory services	—	300
	<u>98,184</u>	<u>77,980</u>
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Other income and gains		
Compensation income	20	101
Dividend from financial asset at FVTPL	115	313
Foreign exchange gains, net	6	3
Gain from change in fair value of financial assets at FVTPL	1,124	—
Gain on disposal of property, plant and equipment	1,806	—
Government subsidies	497	616
Interest income	108	117
Refund of retirement benefit scheme contributions	157	234
Sales of scrap materials	555	118
Write-back of trade payables	—	453
Others	329	482
	<u>4,717</u>	<u>2,437</u>

4. SEGMENT INFORMATION

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

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

Woven fabrics	—	Manufacture and sale of woven fabrics
Subcontracting services	—	Provision of woven fabrics subcontracting services
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	
	2021	2020	2021	2020	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	
Segment revenue	<u>93,263</u>	<u>74,929</u>	<u>4,921</u>	<u>2,751</u>	<u>—</u>	<u>300</u>	<u>98,184</u>	<u>77,980</u>
Segment result	<u>(3,259)</u>	<u>(3,880)</u>	<u>(1,906)</u>	<u>(887)</u>	<u>—</u>	<u>(796)</u>	<u>(5,165)</u>	<u>(5,563)</u>
Unallocated corporate income							2,355	1,866
Unallocated corporate expenses							(12,142)	(9,535)
Loss on disposal of a subsidiary							—	(2,536)
Share of results of associates							(5,908)	(7,423)
Finance costs							<u>(2,017)</u>	<u>(6,587)</u>
Loss before taxation							<u>(22,877)</u>	<u>(29,778)</u>

Segment (loss)/profit represents the profit/(loss) from each segment without allocation of certain other income, directors’ remuneration, central administration costs, loss on disposal of a subsidiary, share of results of associates and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

(b) Geographical information

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

	Revenue from external customers	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
The PRC (country of domicile)	85,829	68,262
Europe	7,780	7,539
South America	3,478	740
Middle East	110	638
Other overseas	987	801
	<u>98,184</u>	<u>77,980</u>

(c) Information about major customers

During the years ended 31 December 2021 and 2020, none of the Group's individual customer contributed more than 10% to the total revenue of the Group.

5. FINANCE COSTS

	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Imputed interest on interest-free loan due to immediate holding company	<u>2,017</u>	<u>6,587</u>

6. INCOME TAX CREDIT

	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current taxation		
PRC Enterprise Income Tax	—	(49)
Deferred taxation		
— Current year	<u>4,057</u>	<u>1,136</u>
	<u>4,057</u>	<u>1,087</u>

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group is 25% for both years.

7. LOSS FOR THE YEAR

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Loss for the year has been arrived at after charging:		
Staff cost (including supervisors', directors' and chief executive's emoluments):		
Salaries and wages	18,858	13,319
Retirement benefit scheme contributions	<u>2,399</u>	<u>356</u>
Total staff costs	<u>21,257</u>	<u>13,675</u>
Auditor's remuneration		
— Audit service	669	772
Cost of inventories recognised as an expense	91,216	72,180
Depreciation of property, plant and equipment	9,104	9,479
Depreciation of right-of-use assets	188	188
Impairment loss recognised in respect of trade receivables	3,747	4,027
Research and development costs recognised as an expense (<i>note</i>)	1,998	1,975
Loss from change in fair value of financial asset at FVTPL	<u>—</u>	<u>732</u>

Note: Research and development costs includes staff costs of approximately RMB1,998,000 (2020: approximately RMB1,975,000) 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 RMB18,820,000 (2020: RMB28,691,000) and the weighted average of 1,063,500,000 (2020: 1,063,500,000) ordinary shares in issue during the year ended 31 December 2021.

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 2021 and 2020.

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2021, nor has any dividend been proposed since the end of reporting period (2020: Nil).

10. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Trade receivables	32,256	29,222
Less: Allowance for impairment of trade receivables	<u>(9,331)</u>	<u>(6,378)</u>
	<u>22,925</u>	<u>22,844</u>
Other receivables		
Prepayments to suppliers	9,235	2,217
Other tax recoverable	—	196
Other receivables	1,069	757
Consideration receivables	<u>—</u>	<u>3,930</u>
	<u>10,304</u>	<u>7,100</u>
Total trade and other receivables	<u>33,229</u>	<u>29,944</u>

Notes:

- (i) The Group allows an average credit period of 60 days to 180 days (2020: 60 days to 180 days) to its trade customers. The Group does not hold any collateral or other credit enhancements over its trade and other receivables.
- (ii) An aged analysis of trade receivables, net of allowance for impairment of trade receivables and presented based on the revenue recognition dates, at the end of the reporting period is as follows:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
0–60 days	18,567	18,367
61–90 days	411	328
91–120 days	50	256
121–365 days	<u>3,897</u>	<u>3,893</u>
	<u>22,925</u>	<u>22,844</u>

11. TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Trade payables (<i>notes i & ii</i>)	12,661	9,068
Other tax payables	2,480	2,528
Accrued expenses and other payables	<u>5,411</u>	<u>6,034</u>
	<u>20,552</u>	<u>17,630</u>

Notes:

- (i) The Group normally receives credit periods from suppliers ranging from 30 days to 90 days (2020: 30 days to 90 days). The Group has in place financial risk management policies to ensure that all payables are settled within the credit timeframe.
- (ii) An aged analysis of trade payables at the end of the reporting period based on the invoice dates is as follows:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
0–60 days	7,146	4,024
61–90 days	947	1,389
91–365 days	2,031	705
Over 365 days	<u>2,537</u>	<u>2,950</u>
	<u>12,661</u>	<u>9,068</u>

EVENTS AFTER THE REPORTING PERIOD

On 1 September 2017, the Company entered into the limited partnership agreement dated 1 September 2017 (“**Limited Partnership Agreement**”) with various parties for establishment of 深圳南山金融科技雙創股權投資基金合夥企業(有限合夥) (Shenzhen Nanshan Fintech Entrepreneurship and Innovation Equity Investment Fund Partnership Enterprise (Limited Liability Partnership)*) (the “**Limited Partnership**” or the “**Fund**”), details of the transactions were disclosed in the announcements dated 1 September 2017 and 9 November 2017, and circular dated 27 September 2017. According to the terms of the Limited Partnership Agreement, the duration period of the Fund is seven years from the date of establishment of the Limited Partnership (i.e. from 1 September 2017 to 30 August 2024) extendable to an aggregate period of not more than 10 years upon an unanimous consent of all partners for such extension. The investment period would be the first four years of the duration of the Limited Partnership, i.e. from 1 September 2017 to 30 August 2021. After the investment period, it would be the payback period for the remaining duration of the Limited Partnership, and the Limited Partnership shall not make any further investment during the payback period. Due to the impact of the COVID-19 epidemic, the private equity funds in the PRC tend to be more cautious and exercise higher level of diligence in identifying investment projects. In this regard, the Limited Partnership decided not to extend the investment period and planned to return the initial investment fund to the limited partners. The existing investment projects of the Limited Partnership will continue to be operated until the date of redemption. As at 31 December 2021, the Fund which was recorded as financial asset at fair value through profit or loss amounted to approximately RMB25,881,000. In February 2022, the Limited Partnership held a meeting and announced to refund the initial investment fund to the limited partners after deduction of the management fee up to the last remaining date of the duration of the Fund, i.e. 30 August 2024. On 28 March 2022, the Company received approximately RMB18 million of the initial investment fund from the Limited Partnership.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue and gross profit

During the year ended 31 December 2021 (the “**Current Period**”), the Group recorded a revenue of approximately RMB98.18 million, representing an overall increase of approximately 25.91% when compared to the same period in 2020 mainly contributed from the respective increase of sales of woven fabrics and subcontracting fee income. The gross profit was approximately RMB450,000 which was mainly contributed from both of domestic and export sales of woven fabrics. Due to the long-lasting outbreak of the novel coronavirus (“**COVID-19**”) epidemic (the “**Epidemic**”) since 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 further impacted the unfavorable export in such severe situation. Furthermore, shortage of labour force due to labour structure adjustment led to increase of wages and rise of cost of raw materials 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 export sales of woven fabrics. Furthermore, the COVID-19 epidemic in overseas countries also caused the logistic problems such as delay of transportation time and rise of freight cost.

Other income and gains

Other income and gains increased by approximately RMB2,280,000 or approximately 93.56% during the Current Period when compared to the same period in 2020 mainly contributed from sales of scrap materials, gain on disposal of old production machinery and fair value gain on financial assets at FVTPL.

Selling and distribution cost

Selling and distribution cost increased by approximately RMB454,000 or approximately 35.03% during the Current Period when compared to the same period in 2020 mainly due to an increase of transportation expenses and exhibition expenses during the Current Period.

Administrative expenses

Administrative expenses increased by approximately RMB1,569,000 or approximately 9.34% during the Current Period when compared to the same period in 2020 mainly due to an increase of staff salaries in 2021.

Share of results of associates

Share of results of associates of approximately RMB5,908,000 represents the share of loss from the consolidated result of the associate, Beijing Tepia Technology Co., Ltd.* (北京太比雅科技股份有限公司) (“**Tepia**”) and its subsidiaries (“**Tepia Group**”). Tepia incorporated in the PRC and is listed on the NEEQ (Stock Code: 838941) which the Group has acquired an interest in 41.67% since 20 August 2019. Share of results of associates decreased by approximately RMB1,515,000 or approximately 20.41% for the Current Period when compare with the same period in 2020, mainly due to cost control implemented during the Current Period. During the Current Period, the revenue of Tepia decreased by approximately RMB8,253,000 or approximately 22.51% when compared to the same period in 2020 as some of the projects could not be carried out or completed as planned in 2020 and 2021 due to the outbreak of the Epidemic in China in early 2020 and the sporadic outbreaks in 2021. Due to the outbreak of the Epidemic and the restriction of social distancing, the government’s bidding time also has been delayed accordingly in 2021. During the Current Period, Tepia mainly continued to undergo the projects from 2019 and 2020. In addition, due to the disposal of a subsidiary in Guangdong in June 2021, only half-year of the results of the subsidiary was consolidated by Tepia Group for the year ended 31 December 2021. During Current Period, selling expenses decreased by approximately RMB1,032,000 or 8.67% when compared to the same period in 2020 mainly due to a decrease in staff salary. Administrative expenses decreased by approximately RMB6,534,000 or approximately 40.05% when compared to the same period in 2020 mainly due to a decrease in the impairment of expected credit loss.

Finance cost

Finance cost of approximately RMB2,017,000 for the Current Period represents imputed interest in interest free loan due to immediate holding company, Guizhou Yongli. In April 2020, the Company repaid RMB11 million to Guizhou Yongli and on 30 November 2020, the Company entered into a supplemental debt agreement (the “**Supplemental Debt Agreement**”) with Guizhou Yongli. Due to the Supplement Debt Agreement, the interest free loan has been modified according to HKFRS 9, details of which were disclosed in annual report 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% (January 2020 to June 2020:18.22%). In this regard, the finance cost for the Current Period decreased significantly by approximately RMB4,570,000 or approximately 69.38% when compared to the same period in 2020.

Loss for the year

Loss for the Current Period was approximately RMB18,820,000 decreased by approximately RMB9,871,000 or 34.4% when compared to the same period in 2020 mainly due to decrease in share of loss of associates and finance cost as explained above.

Loss per share

The respective loss per share for the Current Period and 2020 were approximately RMB1.77 cents and approximately RMB2.7 cents respectively.

Interest in associates

Interest in associates of approximately RMB40.67 million which represents the 41.67% of interest in Tepia as at 31 December 2021, decreased by approximately RMB5.91 million when compared with the balance as at 31 December 2020 mainly due to share of loss of associates of approximately RMB5.91 million for the year ended 31 December 2021, details of which were discussed under the previous paragraph “share of loss of associates”.

Inventories

At 31 December 2021 inventories was approximately RMB27.97 million (31 December 2020: approximately RMB35.51 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 2021 decreased by RMB454,000 or 25.36% when compared with balance as at 31 December 2020 mainly due to tighter stock turnover control was applied. Finished good of woven fabrics as at 31 December 2021 decreased by approximately RMB10.13 million or approximately 40.41% when compared with balance as at 31 December 2020 mainly due to increase of both domestic and overseas sales near the year ended 31 December 2021. Work-in-progress as at 31 December 2021 increased by approximately RMB3.05 million or approximately 35.31% when compared with that as at 31 December 2020 mainly due to increase of production volume in order to meet the increase of sales orders.

Trade and other receivables

At 31 December 2021, trade and other receivables was approximately RMB33.23 million (31 December 2020: approximately RMB29.94 million) increased by approximately RMB3.29 million or approximately 10.97% when compared with that at 31 December 2020 mainly due to (i) trade receivables increased by approximately RMB81,000 or approximately 0.35% mainly due to increase of sales since the second quarter of 2021; and (ii) prepayment to suppliers increased by approximately RMB7.02 million or approximately 316.55% as more purchase orders on raw materials were made so as to meet the increasing of production volume.

Bank balances and cash

Bank balances and cash as at 31 December 2021, was approximately RMB30.97 million (31 December 2020: approximately RMB31.64 million), representing a drop of approximately RMB667,000 when compared with that as at 31 December 2020 mainly due to prepayment to suppliers increased.

Trade and other payables

Trade and other payables as at 31 December 2021 was approximately RMB20.55 million (31 December 2020: approximately RMB17.63 million), representing an increase of approximately RMB2.92 million or approximately 16.57% mainly due to the increase in the purchase of raw materials in order to meet the increase in production volume during the year ended 31 December 2021.

Contract liabilities

Contract liabilities representing receipt in advance from customers as at 31 December 2021 was approximately RMB7.95 million (31 December 2020: approximately RMB8.59 million), representing a decrease of approximately RMB642,000 or approximately 7.48% mainly due to the increase of sales orders since the second quarter of 2021.

Deferred income

Deferred income as at 31 December 2021 was approximately RMB1.19 million (31 December 2020: approximately RMB1.35 million) represents part of the government subsidy of approximately RMB1,589,000 which was received by the Group in 2020 for encouraging the 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 2021, an amount of approximately RMB159,000 (31 December 2020: approximately RMB239,000) was credit to the other income in the current period according to this policy. As at 31 December 2021, the amount of approximately RMB1.19 million, (2020: approximately RMB1.35 million) remains to be amortised.

Amount due to immediate holding company

Amount due to immediate holding company, Guizhou Yongli as at 31 December 2021 was approximately RMB18.25 million (31 December 2020: approximately RMB16.24 million), representing an increase of approximately RMB2.02 million or 12.42% mainly due to effect of imputed interest during the year ended 31 December 2021, 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 Current Period, both domestic and export sales of woven fabrics increased by approximately RMB18.33 million or approximately 24.47% and subcontracting fee income also increased by approximately RMB2.17 million or approximately 78.88% mainly due to commercial activities has been resumed as normal in China in 2021 after China has successfully stopped the Epidemic widely after few months since the outbreak of COVID-19 in early January 2020 in China. However, the long-lasting outbreak of the Epidemic in some overseas countries since 2020 and the rise of tension between China and the U.S. continued to impact to the export sales

of the Group. In addition, the appreciation of the renminbi in 2020 also impact the unfavorable export in such severe situation. Furthermore, the shortage of labour force due to the labour structure adjustment continues to impact the Group and the peer manufacturers. In this regard, the Group has continued to implement various measures and actions including the development of new sales channels for increasing the exposure of the Group's product to potential customers and research and development of the new and high-quality products so as to attract high profile customers, etc. In addition, further to the 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.

Water management-related business by associates

In 2021, Tepia mainly engaged in small and medium-sized reservoirs as the starting point, focusing on “small water conservancy projects”, make full use of existing customers and technology accumulation, for Water Conservancy, Water government customers, to provide small water conservancy project operation and maintenance management scheme design, management system development, equipment installation and commissioning, aerial three-dimensional data, property management, repair and maintenance. Tepia's performance in 2021 has further improved somewhat from the previous year. During the reporting period, Tepia 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. At present, Tepia has expanded some customers, however due to a certain time lag in equipment delivery and acceptance, income has not yet been confirmed during the Current Period.

Production facilities

During the year ended 31 December 2021, the Group spent approximately RMB261,000 (2020: RMB123,000) for renovation of factory buildings.

Product research and development

During the year ended 31 December 2021, 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 2021, the Group actively participated in various trade fairs held in PRC so as to gain the Group's exposure in the fabrics market and to popularise the Group's new products.

Outlook

The global economy was clouded by the continued impact from the COVID-19 epidemic which was far beyond expectation, leading to an obvious decrease in the demand. At present, woven fabrics for high-end women's wear are actually in a downward cycle and the demand will take long to pick up. Despite an increase in the sales order during the year, the directors expect that there will be still huge market fluctuations in woven fabrics for high-end women's wear. However, we must remain true to our original aspiration and keep our mission firmly in mind at this time of immense difficulties. The Group is committed to maximizing capital return for the shareholders of the Company, providing customers across the world with quality products, and releasing the goal of the long-term sustainable development of the Group. It will resume and even exceed the sales level prior to the COVID-19 epidemic as soon as practicable. The Group will take effective measures to increase sales, reduce costs, increase its liquidity, and make capital expenditure based on its main business. Considering uncertainties in the future, the Board will carefully execute the plans above to improve profitability, preserve financial strength and enhance the Group's long-term competitiveness. The Board believes that the short-term pressure on profitability is only temporary. The Board is confident that it can overcome the difficulties ahead and create long-term value for our shareholders and deliver the objective to achieve sustainable growth.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year ended 31 December 2021, the Group financed its operations mainly by internally generated cash and financial support from the immediate holding company, Guizhou Yongan.

As at 31 December 2021, the Group's current assets and net current assets were approximately RMB92.17 million (31 December 2020: approximately RMB97.09 million) and approximately RMB63.18 million (31 December 2020: approximately RMB70.38 million) respectively. The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was approximately 3.18 (31 December 2020: approximately 3.64). The Group's gearing ratio, represented by the ratio of the interest free loan due to immediate holding company over shareholders' equity, was approximately 8.25% (2020: 6.81%).

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

As at 31 December 2021, the Group did not have capital commitments (2020: nil) and significant investments held (2020: nil).

MATERIAL DISPOSALS

During the year ended 31 December 2021, the Group did not have any material disposal. (31 December 2020: a wholly owned subsidiary with an original investment cost of RMB10,000,000 was disposed, details of which was discussed in the annual report for the year ended 31 December 2020.)

SEGMENT INFORMATION

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

CONTINGENT LIABILITIES

As at 31 December 2021 and 2020, the Group did not have any material contingent liabilities.

CHARGES ON ASSETS

As at 31 December 2021 and 2020, the Group did not have any charges on its assets.

EMPLOYEE AND EMOLUMENT POLICIES

As at 31 December 2021, the Group had 281 employees (31 December 2020: 312), comprising 3 (31 December 2020: 2) in research and development, 9 (31 December 2020: 3) in sales and marketing, 218 (31 December 2020: 256) in production, 30 (31 December 2020: 38) in quality control, 5 (31 December 2020: 5) in management, and 16 (31 December 2020: 8) 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 2021 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.

REVIEW OF UNAUDITED ANNUAL RESULTS

The annual results set out in this announcement have not been reviewed and verified by the Group’s auditor, SHINEWING (HK) CPA Limited.

The annual result audit process for the year ended 31 December 2021 has not been completed due to travel, logistical and other prevention and control quarantine measures and restrictions related to the recent outbreak of novel coronavirus (COVID-19) in the PRC and Hong Kong, the Group's ability to gather necessary documents has been severely restricted and the auditing process of the auditors of the Company (the "Auditors") has been adversely affected.

The auditing process of annual results for the year ended 31 December 2021 and the annual report for the year ended 31 December 2021 of the Group are expected to be completed on or before 30 April 2022. The Company will issue the announcement of the audited results after the auditor has completed the audit process in accordance with the audit criteria.

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited annual results for the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

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

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 2021.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2021 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. (ii) the proposed date on which the forthcoming annual general meeting ("AGM") will be held, (iii) the period during which the register of members holding H shares of the Company will be closed in order to ascertain shareholders' eligibility to attend and vote at the AGM. In addition, the Company will issue further announcements as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed on or before 30 April 2022 if the COVID-19 coronavirus outbreak is improved.

The financial information contained herein in respect of the annual results of the Group has not been audited and has not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Zhejiang, the PRC, 31 March 2022

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

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

* *English name is for identification only.*