

THIRD QUARTERLY REPORT 2020



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

**For identification purpose only*

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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 nine months ended 30 September 2020,

- Revenue of the Group decreased from approximately RMB108 million to approximately RMB62.12 million, representing a decline of approximately 42.48% when compared to the corresponding period in 2019;
- Net loss was approximately RMB21.33 million; and
- The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2020.

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

For the three months and nine months ended 30 September 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 unaudited consolidated results of the Group for the three months and nine months ended 30 September 2020 as follows:

	<i>Notes</i>	Three months ended 30 September		Nine months ended 30 September	
		2020	2019	2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	25,728	39,871	62,121	108,000
Cost of sales		<u>(25,899)</u>	<u>(36,610)</u>	<u>(61,322)</u>	<u>(98,693)</u>
Gross (loss) profit		(171)	3,261	799	9,307
Other income	3	213	2,203	2,915	3,758
Selling and distribution costs		(382)	(544)	(1,029)	(1,494)
Administrative expenses		(2,851)	(6,522)	(13,536)	(15,967)
Share of loss of an associate		(1,246)	(1,990)	(5,173)	(1,990)
Finance costs	4	<u>(1,752)</u>	<u>(1,482)</u>	<u>(5,257)</u>	<u>(4,447)</u>
Loss before taxation		(6,189)	(5,074)	(21,281)	(10,833)
Income tax expenses	5	<u>—</u>	<u>—</u>	<u>(48)</u>	<u>(357)</u>
Loss and total comprehensive expense for the period	6	<u>(6,189)</u>	<u>(5,074)</u>	<u>(21,329)</u>	<u>(11,190)</u>
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Loss per share					
— basic and diluted	8	<u>0.58 cents</u>	<u>0.48 cents</u>	<u>2.01 cents</u>	<u>1.05 cents</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Paid-up capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note a)	Assets revaluation reserve RMB'000	Statutory surplus reserve RMB'000 (Note b)	Accumulated losses RMB'000 (Note c)	Total RMB'000
Balance at 1 January 2019	106,350	69,637	331,664	39,828	12,496	(265,746)	(294,229)
Total comprehensive expenses for the period	—	—	—	—	—	(11,190)	(11,190)
Balance at 30 September 2019	<u>106,350</u>	<u>69,637</u>	<u>331,664</u>	<u>39,828</u>	<u>12,496</u>	<u>(276,936)</u>	<u>283,039</u>
Balance at 1 January 2020	106,350	69,637	331,664	42,067	12,496	(314,912)	247,302
Total comprehensive expense for the period	—	—	—	—	—	(21,329)	(21,329)
Balance at 30 September 2020	<u>106,350</u>	<u>69,637</u>	<u>331,664</u>	<u>42,067</u>	<u>12,496</u>	<u>(336,241)</u>	<u>225,973</u>

Notes:

- Other reserve represents dividends waived by the holders of domestic shares, net of tax effect and the deemed contribution arising from the discounting of the non-current interest-free loan from ultimate holding company and immediate holding company of the Company. If an entity revises its estimates of payments, the entity shall adjust the carrying amount of the financial liability to reflect actual and revised estimated cash flows. The entity recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate.
- As stipulated by the regulations in the People's Republic of China (the "PRC"), the Company is required to appropriate 10% of its after-tax profit (after offsetting prior years losses) to general reserve fund until the balance of the fund reaches 50% its registered capital and thereafter any further appropriation is optional. The general reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the general reserve fund shall be maintained at a minimum of 25% of the registered capital after such utilisation.
- Profit appropriation is subject to the approval of the board of directors. In accordance with the Articles of Association of the Company, the reserve available for distribution is the lower of the amount determined under the generally accepted accounting principles in the PRC and the amount determined under Hong Kong Financial Reporting Standards. At 30 September 2020 and 2019, no reserves were available for distribution as the Group incurred accumulated losses.

Notes:

1. BASIS OF PREPARATION

The Company is a joint stock limited company established in the PRC and the H Shares of the Company are listed on the GEM of the Stock Exchange.

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

In the opinion of the Directors, the immediate parent of the Company 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 the ultimate holding parent and ultimate controlling party of the Company is 浙江永利實業集團有限公司 (Zhejiang Yongli Industry Group Co., Ltd*) (“Zhejiang Yongli”), which is established in the PRC.

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

The principal accounting policies used in the preparation of the unaudited consolidated results are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2019. The unaudited consolidated results are prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the GEM Listing Rules.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The financial statements have been prepared in accordance with the new and revised HKFRSs (“new and revised HKFRSs”) issued by the HKICPA.

In the current period, the Group has applied in accordance with the new and revised HKFRSs (“new and revised HKFRSs”) issued by the HKICA.

Amendments to HKAS 1 Definition of Material
and HKAS 8

Amendments to HKFRS 3 Definition of a Business

Amendments to HKFRS 9, Interest Rate Benchmark Reform
HKAS 39 and HKFRS 7

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current period and/or on the disclosures set out in the condensed consolidated financial statements.

3. REVENUE AND OTHER INCOME

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue				
Disaggregation of revenue by major products or services lines				
Manufacture and sales of woven fabrics	25,128	38,928	60,653	105,232
Subcontracting fee income	600	943	1,468	2,768
	<u>25,728</u>	<u>39,871</u>	<u>62,121</u>	<u>108,000</u>
Disaggregation of revenue by timing of recognition				
Timing of revenue recognition				
At a point in time	25,128	38,928	60,653	105,232
Over time	600	943	1,468	2,768
	<u>25,728</u>	<u>39,871</u>	<u>62,121</u>	<u>108,000</u>
Total revenue from contract with customers				
	<u>25,728</u>	<u>39,871</u>	<u>62,121</u>	<u>108,000</u>
Other income				
Bank interest income	12	7	24	76
Dividend from financial asset at FVTPL	—	6	313	375
Sundry income	124	—	257	—
Exchange difference	(24)	35	1	81
Sales of scrap materials	51	145	127	164
Compensation income	—	225	—	381
Gain on disposal of old production machinery	—	1,346	—	1,346
Government subsidies (note)	50	—	1,958	6
Refund of retirement benefit scheme contribution	—	—	235	890
Refund of land use tax	—	439	—	439
	<u>213</u>	<u>2,203</u>	<u>2,915</u>	<u>3,758</u>

Note:

Government subsidies of approximately RMB1,958,000 (2019: RMB6,000) was awarded to the Group during the period ended 30 September 2020 included (i) approximately RMB203,000 (2019: RMB6,000) for encouraging enterprise development; (ii) approximately RMB1,625,000 (2019: nil) for encouraging replacement of low productivity machinery and equipment and (iii) approximately RMB130,000 (2019: nil) represents subsidies award to the Group for resumption of work and production after the epidemic was under controlled. There is no unfulfilled condition or contingencies relating to these subsidies.

4. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Imputed interest on non-current interest-free amount due to immediate holding company	<u>1,752</u>	<u>1,482</u>	<u>5,257</u>	<u>4,447</u>

5. INCOME TAX EXPENSES

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
PRC Enterprise Income Tax				
— Current taxation	—	—	—	—
— Prior year under-provided	<u>—</u>	<u>—</u>	<u>48</u>	<u>357</u>
	<u>—</u>	<u>—</u>	<u>48</u>	<u>357</u>

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

6. LOSS FOR THE PERIOD

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Loss for the period has been arrived at after charging:				
Staff cost (including supervisors', directors' and chief executive's emoluments):				
Salaries, wages and other benefits in kind	5,538	7,271	15,013	20,245
Retirement benefit scheme contributions	(504)	324	140	781
Total staff costs	<u>5,034</u>	<u>7,595</u>	<u>15,153</u>	<u>21,026</u>
Depreciation of right-of-use assets	47	47	141	141
Cost of inventories recognized as an expenses	25,014	35,613	59,555	96,266
Depreciation of property, plant and equipment	2,487	3,009	7,203	6,539
Research and development costs recognized as an expenses (note)	586	1,960	1,321	2,741
Gain on disposal of old production machinery	—	1,346	—	1,346
Loss from change on fair value of financial asset at fair value through profit and loss	—	—	—	246
Impairment loss on trade receivables	391	733	3,024	1,443
Loss on disposal of a subsidiary	—	—	2,204	—

Note: Research and development costs includes staff costs of approximately RMB1,321,000 (2019: approximately RMB1,255,000) which have been included in the staff costs as disclosed above.

7. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three and nine months ended 30 September 2020 and 2019.

8. LOSS PER SHARE

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Loss for the purpose of calculating basic loss per share	<u>6,189</u>	<u>5,074</u>	<u>21,329</u>	<u>11,190</u>
Number of shares for the purpose of basic loss per share (<i>Note</i>)	<u>1,063,500,000</u>	<u>1,063,500,000</u>	<u>1,063,500,000</u>	<u>1,063,500,000</u>
Weighted average number of shares for the purpose of calculating loss per share	<u>1,063,500,000</u>	<u>1,063,500,000</u>	<u>1,063,500,000</u>	<u>1,063,500,000</u>

Note: No diluted loss per share have been presented for the three months and nine months ended 30 September 2020 and 2019, as there was no diluting events existed during these periods.

9. CONNECTED AND RELATED PARTY TRANSACTIONS

During the periods, the Group had the following related party transactions and continuing connected party transactions with the related parties:

- (a) During the period for the nine months ended 30 September 2020, the Group had paid approximately RMB7,751,000 (2019: RMB13,596,000) to Zhejiang Yongli for electricity charges paid by Zhejiang Yongli on behalf of the Group. The aforesaid payments were made on behalf of the Group based on the actual costs incurred and were in the ordinary course of business of the Group.

As at 30 September 2020, amount due from Zhejiang Yongli was approximately RMB1,122,000 (2019: approximately RMB708,000) which was unsecured, interest-free and repayable on demand.

- (b) During the period for the nine months ended 30 September 2020, the Group had paid approximately RMB149,000 (2019: approximately RMB494,000) to Zhejiang Shaoxing Yongli Printing & Dyeing Co., Ltd., a fellow subsidiary of the Company for providing dyeing services to the Group. The aforesaid transactions were in the ordinary course of business of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

During the nine months ended 30 September 2020, the Group recorded a revenue of approximately RMB62.12 million, represents a significant decrease of approximately 42.48% when compared to the same period in 2019. It was mainly due to outbreak of the Novel Coronavirus (“COVID-19”) disease in the PRC in early 2020 caused impact to the production and sales of the Group during the nine months ended 30 September 2020, details of which were disclosed in the announcement dated 20 February 2020. In addition, the then worldwide outbreak of the COVID-19 epidemic since early 2020 also led to the temporary suspension of most of the business activities all round the world. As such, both domestic and export sales of woven fabrics of the Group were significantly affected.

Other income and gains decreased by approximately RMB843,000 as no fixed assets were disposed during the nine months ended 30 September 2020 and the amount of refund of retirement benefit scheme contribution and refund of land use tax decreased when compared with the same period in 2019.

The selling and distribution costs decreased by approximately RMB465,000 or 31.12% for the nine months ended 30 September 2020 when compared with the correspondence period in 2019 was in line with decrease of revenue.

Administrative expenses decreased by approximately RMB2.43 million or 15.23% during the nine months ended 30 September 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 of approximately RMB5.17 million represents share of losses 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 RMB3.18 million for the nine months ended 30 September 2020 when compare with the same period in 2019, mainly due to the Group has to share only 10 days of result of Tepia for the period from 20 August 2019 to 30 September 2019 after completion of acquisition of Tepia. During the nine months ended 30 September 2020, the outbreak of COVID-19 epidemic and the various restrictions as imposed by the relevant government authorities including travel restrictions and temporary suspension of all commercial and social activities etc., Tepia could not commence work as scheduled after Chinese New Year Holidays. In addition, as most of the contracts were signed after the second quarter of 2019 which led to those contracts could not be completed in 2019 and then put forward to 2020. Therefore, during the nine months ended 30 September 2020, Tepia mainly continued to undergo the projects from 2019. Although the above events led to defer of completion of projects during the nine months ended 30 September 2020, compared with

the same period in 2019, the revenue increased by approximately RMB4.67 million or 41.16%. 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 nine months ended 30 September 2020, selling expenses decreased by approximately RMB12.13 million or 57.53% and administrative expense decreased by approximately RMB4.67 million or 34.34% 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.

Finance cost of approximately RMB5.26 million for the nine months ended 30 September 2020 represents imputed interest in interest-free loan due to immediate holding company.

The respective loss per share for the nine months ended 30 September 2020 and 2019 were approximately RMB2.01 cents and RMB1.05 cents respectively.

Business and operation review

During the nine months ended 30 September 2020, both domestic and export sales dropped by approximately 42.39% and subcontracting fee income also dropped sharply by approximately 46.97% 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, the Directors expect that the economic outlook and operating environment of China are anticipated to be more challenging in the second half of 2020. In this regard, the Group has planned to place more effort in develop and enlarge the domestic market share so as to minimise the market risk of the Group. In addition, the Group will place more attention to the creditability of the existing and new customers in order to minimise the risk of expected credit loss from the customers.

貴州安恒永晟投資管理有限公司(Guizhou Anheng Yongcheng Investment Management Co., Ltd.*) (“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 outbreak 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.

In order to diversify the business risk and enhance the return of capital investment of the shareholders of the Company, on 20 August 2019, the Group successfully acquired 41.67% of the Tepia. The Directors consider that acquisition of Tepia is in line with the Group's business diversification strategy and represents an attractive investment opportunity of the Group to tap into the water management-related business in the PRC with growth potential and to generate diversified income and additional cash flow through the acquisition. In 2020, the development of the new water related management business was on track and receive encourage response from the users, hence Tepia has signed some new services contracts from the new water related management business. The Board believes that the acquisition of Tepia will enable the Group to seize the opportunities brought by the potential growth of the related businesses such as water resources management, planning and operation and maintenance.

Production facilities

During the nine months ended 30 September 2020 under review, the Group spent approximately RMB90,000 (2019: RMB858,000) for renovation of factory buildings.

Product research and development

During the nine months ended 30 September 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 nine months ended 30 September 2020, the Group actively prepared for participated in various trade fairs to be held in PRC so as to gain the Group's exposure in the fabrics market and to popularise the Group's new products.

OUTLOOK

In view of the rise of tension between China and the U.S. and the impact of global financial crisis due to the COVID-19 epidemic (“Epidemic”) spread worldwide, the economic outlook and operating environment in the PRC are anticipated to be more challenging in the second half of 2020. In this regard, the Group has implemented various measures to mitigate the adverse impact as discussed under sections of the business and operation. However, the measures can only be effective when the situation of the Epidemic is stabilised and under controlled as soon as possible. The Board will continue to assess the impact of the Epidemic on the operation and financial performance of the Group, while closely monitoring the development of the Epidemic and the risks and uncertainties faced by the Group as a result of the Epidemic.

Under the leadership of the management team, the Board believes that the Group will be able to meet the forthcoming challenges in 2020.

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

As at 30 September 2020, Ms. He Lianfeng, an executive Director and her spouse totally have approximately 0.039% of interest in Zhejiang Yongli, the ultimate holding company of the Company. Ms. Wang Ai Yu, a supervisor of the Company, is a manager of the internal audit department of Zhejiang Yongli. Zhejiang Yongli is associated corporations (within the meaning of Part XV of the SFO) by virtue of being an ultimate holding company of the Company.

Save as disclosed above, as at 30 September 2020, none of the Directors, supervisors or chief executive of the Company had an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2020, so far as it is known to the Directors, chief executives or supervisors of the Company, the persons (not being a Director, chief executive or supervisor of the Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, or who is interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Company are as follows:

Long positions in the shares of the Company*Domestic shares of the Company (“Domestic Shares”)*

Name of shareholders	Capacity	Number of Domestic Shares held	Approximate percentage of interests in Domestic Shares	Approximate percentage of interests in total registered capital
Guizhou Yongan	Beneficial owner	588,000,000	100%	55.29%
Zhejiang Yongli	Interest in controlled corporation (<i>Note</i>)	588,000,000	100%	55.29%
Mr. Zhou Yongli	Interest in controlled corporation (<i>Note</i>)	588,000,000	100%	55.29%
Ms. Xia Wanmei	Interest of spouse (<i>Note</i>)	588,000,000	100%	55.29%

Notes:

Mr. Zhou Yongli and his spouse Ms. Xia Wanmei, own approximately 94.25% and approximately 3.49% in Zhejiang Yongli respectively. Zhejiang Yongli owns 65% in Guizhou Yongan. Mr. Zhou Yongli and Ms. Xia Wanmei are therefore deemed to be interested in the 588,000,000 domestic shares of the Company held by Guizhou Yongan, representing 55.29% of the total issued share capital of the Company.

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

Name of shareholder	Capacity	Number of H Shares held	Approximate	Approximate
			percentage of interests in H Shares in issue at 30 September 2020	percentage of interests in total issued share capital 30 September 2020
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,530,000	43.85%	19.61%

As at 30 September 2020, save as disclosed above, so far as was known to the Directors, chief executives and supervisors of the Company, no other person (other than the Directors, chief executives or supervisors of the Company) had an interest or short position in the shares or underlying shares which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

COMPETING INTERESTS

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

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with Rule 5.28 and 5.29 of the GEM Listing Rules and code provision C3.3 of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board. The Audit Committee has three members comprising the three independent non-executive Directors, Ms. Wu Yuejuan, Mr. Leng Peng and Mr. Zhu Weizhou. Ms. Wu Yuejuan was appointed as member of Audit Committee 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 Audit Committee has reviewed the unaudited first quarterly results, interim results and the third quarterly results of the Group for the three months ended 31 March 2020, the six months ended 30 June 2020 and the nine months ended 30 September 2020 respectively and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure had been made.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

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

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2020.

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

Zhejiang, the PRC, 13 November, 2020

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

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