



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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

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

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This document, for which the directors of 浙江永安融通控股股份有限公司 (Zhejiang 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 purposes only

HIGHLIGHTS

For the six months ended 30 June 2024,

- Revenue of the Group decreased from approximately RMB29.58 million to approximately RMB16.96 million, representing a drop of approximately 42.67% when compared to the corresponding period in 2023;
- Net profit for the six months ended 30 June 2024 was approximately RMB57.29 million; and
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2024.

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

For the six months ended 30 June 2024

The board of directors (the “**Board**” or the “**Directors**”) of 浙江永安融通控股股份有限公司 (Zhejiang Yongan Rongtong Holdings Co., Ltd.*) (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2024 together with the comparative results for the corresponding period in 2023 as follows:

	Notes	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	3	16,959	29,579
Cost of sales		(16,143)	(29,694)
Gross profit (loss)		816	(115)
Other income, gains and losses, net	3	3,392	1,234
Gain on disposal of assets classified as held for sale	4	53,892	–
Selling and distribution costs		(859)	(1,592)
Administrative expenses		(11,030)	(7,399)
Share of result of an associate		(1,382)	(686)
Finance costs	6	(491)	(1,156)
Profit (loss) before taxation		44,338	(9,714)
Income tax credit (expenses)	7	12,956	(113)
Profit (loss) and total comprehensive expenses for the period	8	57,294	(9,827)
		RMB	RMB
Profit (loss) per share			
— basic and diluted	10	5.39 cents	0.92 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	<i>Notes</i>	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	16,301	18,796
Right-of-use assets		7,035	7,606
		23,336	26,402
CURRENT ASSETS			
Inventories		9,409	12,398
Trade and other receivables	<i>12</i>	26,115	25,302
Bank balances and cash		168,350	103,746
		203,874	141,446
Assets classified as held for sale	<i>4</i>	–	272,510
		203,874	413,956
CURRENT LIABILITIES			
Trade and other payables	<i>13</i>	14,505	14,686
Receipt in advance for disposal transaction		–	176,636
Contract liabilities		2,684	3,926
Amount due to immediate holding company	<i>14</i>	1,725	81,565
Deferred income		159	159
		19,073	276,972
NET CURRENT ASSETS			
		184,801	136,984
TOTAL ASSETS LESS CURRENT LIABILITIES			
		208,137	163,386
NON-CURRENT LIABILITIES			
Lease liabilities		8,096	7,606
Deferred tax liabilities		40,964	53,918
Deferred income		635	714
		49,695	62,238
NET ASSETS			
		158,442	101,148
CAPITAL AND RESERVES			
Share capital		106,350	106,350
Reserves		52,092	(5,202)
		158,442	101,148

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
NET CASH USED IN OPERATING ACTIVITIES	<u>(7,959)</u>	<u>(2,008)</u>
Purchase of property, plant and equipment	(240)	(289)
Disposal of financial asset at fair value through profit or loss	–	8,949
Interest received	253	182
Proceeds from disposal of assets classified as held for sale	149,297	–
Proceeds from disposal of property, plant and equipment	<u>3,093</u>	<u>–</u>
NET CASH FROM INVESTING ACTIVITIES	<u>152,403</u>	<u>8,842</u>
Repayment to immediate holding company	<u>(79,840)</u>	<u>–</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(79,840)</u>	<u>–</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	64,604	6,834
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>103,746</u>	<u>46,981</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, representing bank balances and cash	<u><u>168,350</u></u>	<u><u>53,815</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Paid-up capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Other reserve <i>RMB'000</i> <i>(Note a)</i>	Assets revaluation reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i> <i>(Note b)</i>	Accumulated losses <i>RMB'000</i> <i>(Note c)</i>	Total <i>RMB'000</i>
Balance at 1 January 2023	106,350	69,637	335,136	47,059	12,496	(397,645)	173,033
Loss and total comprehensive expense for the period	–	–	–	–	–	(9,827)	(9,827)
Balance at 30 June 2023	<u>106,350</u>	<u>69,637</u>	<u>335,136</u>	<u>47,059</u>	<u>12,496</u>	<u>(407,472)</u>	<u>163,206</u>
Balance at 1 January 2024	106,350	69,637	169,532	167,514	12,496	(424,381)	101,148
Profit and total comprehensive income for the period	–	–	–	–	–	57,294	57,294
Amount of assets revaluation reserve transferred to accumulated losses upon disposal of property	–	–	–	(167,514)	–	167,514	–
Balance at 30 June 2024	<u>106,350</u>	<u>69,637</u>	<u>169,532</u>	<u>–</u>	<u>12,496</u>	<u>(199,573)</u>	<u>158,442</u>

Notes:

- (a) Other reserve represents the dividends waived by the holders of domestic shares, net of tax effect and the deemed contribution arising from the discounting of the non-current interest-free loan from ultimate holding company and immediate holding company of the Company.
- (b) As stipulated by the regulations in the People's Republic of China (the "PRC"), the Company is required to appropriate 10% of its after-tax profit (after offsetting prior years losses) to statutory surplus reserve fund until the balance of the fund reaches 50% of its registered capital and thereafter any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the statutory surplus reserve fund shall be maintained at a minimum of 25% of the registered capital after such utilisation.
- (c) Profit appropriation is subject to the approval of the board of directors. In accordance with the Articles of Association of the Company, the reserve available for distribution is the lower of the amount determined under the generally accepted accounting principles in the PRC and the amount determined under Hong Kong Financial Reporting Standards. At 30 June 2024 and 2023, no reserves were available for distribution due to accumulated losses being noted.

Notes:

1. BASIS OF PREPARATION

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

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

In the opinion of the Directors, the immediate parent of the Company is 貴州永利企業管理有限公司 (Guizhou Yongli Enterprise Management Co., Ltd.*) (“**Guizhou Yongli**”), an enterprise established in the PRC, and the ultimate holding parent and ultimate controlling party of the Company is 浙江永利實業集團有限公司 (Zhejiang Yongli Industry Group Co., Ltd.*) (“**Zhejiang Yongli**”), which is established in the PRC.

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

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

The principal accounting policies used in the preparation of the unaudited consolidated results are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2023. The unaudited consolidated results of the Group are prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by HKICPA and the disclosure requirements of the GEM Listing Rules.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

The consolidated financial statements have been prepared in accordance with the new and amendments to HKFRSs and interpretation that have been issued by the HKICPA.

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 21	Lack of Exchangeability ¹

¹ Effective for annual periods beginning on or after 1 January 2025.

² 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, GAINS AND LOSSES, NET

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, gains and losses, net for the period are as follows:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services lines		
Manufacture and sales of woven fabrics	16,144	28,266
Subcontracting fee income	815	1,313
	<u>16,959</u>	<u>29,579</u>
Disaggregation of revenue from contracts with customers by timing of recognition		
Timing of revenue recognition		
At a point in time	16,144	28,266
Over time	815	1,313
	<u>16,959</u>	<u>29,579</u>
Other income, gains and losses, net		
Rental income	–	622
Bank interest income	253	182
Exchange difference	558	–
Government subsidies (<i>note</i>)	79	79
Others	5	72
Impairment loss reversed in respect of trade receivables	–	452
Sales of scrap materials	(413)	(173)
Gain on disposal of property, plant and equipment	2,910	–
	<u>3,392</u>	<u>1,234</u>

Notes:

- (1) Government subsidies of approximately RMB79,000 (2023: RMB79,000) was awarded to the Group during the six months ended 30 June 2024.

In March 2020, the Group received a government subsidy of approximately RMB1,589,000 for encouraging replacement of low productivity machinery and equipment. The amount has been treated as deferred income and transferred to other income over the useful lives of the relevant assets. The policy has resulted in a credit to the other income in the current period of approximately RMB79,000 (2023: RMB79,000). As at 30 June 2024, an amount of approximately RMB794,000 (31 December 2023: RMB873,000) remains to be amortised.

4. GAIN ON DISPOSAL OF ASSETS CLASSIFIED AS HELD FOR SALE

During the six months ended 30 June 2024, the transactions of disposal of assets classified as held for sale have been completed and the aggregate gain of approximately RMB53,892,000 on disposal of assets classified as held for sale was recognised in the profit and loss. The relevant transactions are disclosed as follows:

(a) **Gain on disposal of property, plant and equipment and right-of-use-assets**

On 20 December 2023, the Company entered into the Land Resumption Agreement with the Local Authorities, pursuant to which the Local Authorities have agreed to resume, and the Company has agreed to surrender, the Resumed Land, Construction and Fixtures at a total Compensation of approximately RMB294.4 million payable by the Local Authorities to the Company. Details of the transaction were disclosed in the announcement of the Company dated 4 January 2024. During the year ended 31 December 2023, the corresponding right-of-use assets and property, plant and equipment, which were expected to be disposed within twelve months, have been classified as assets classified as held for sale. The transaction of the Land Resumption has been completed during the six months ended 30 June 2024. The Company has received all the compensation from the Local Authorities during the six months ended 30 June 2024. The gain of approximately RMB47.18 million was recognised in the profit and loss for the six months ended 30 June 2024.

(b) **Gain on assets of a disposal group reclassified as held for sale**

Pursuant to equity transfer agreement dated 22 December 2023 (“**Equity Transfer Agreement**”), the Group agreed to dispose of the 100% equity interests 浙江紹興慧聚水務科技有限公司 (Zhejiang Shaoxing Huiju Water Technology Co., Ltd*) (the “**Zhejiang Shaoxing Huiju**”) to 紹興柯橋領悅汽車配件有限公司 (Shaoxing Keqiao Lingyue Automotive Parts Co., Ltd.*) (“**the Purchaser**”), a fellow subsidiary of the Company for a total consideration of RMB32,560,000. Details of the transaction were disclosed in the circular of the Company dated 5 February 2024.

	<i>RMB'000</i>
Consideration	<u>32,560</u>

Analysis of assets and liabilities over which control was lost:

	<i>RMB'000</i>
Interest in an associate	25,790
Bank balances and cash	1
Other payable	(6)
	<hr/>
Net assets disposed of	<u>25,785</u>
Gain on disposal of a subsidiary	
Consideration received	32,500
Net assets disposed of	(25,785)
	<hr/>
Gain on disposal	<u>6,715</u>
Net cash inflow arising on disposal:	

	<i>RMB'000</i>
Cash consideration received	32,500
Less: bank balances and cash disposed of	(1)
	<hr/>
	<u>32,499</u>

The assets classified as held for sale represent as at 31 December 2023 as follows:

(a) *Property, plant and equipment and right-of use assets reclassified as held for sale:*

	<i>RMB'000</i>
Property, plant and equipment	240,009
Right-of-use assets	5,328
	<hr/>
	<u>245,337</u>

(b) *Assets of a disposal group reclassified as held for sale:*

Investment in an associate classified as held for sale	27,172
Cash and bank balances	1
	<hr/>
	<u>27,173</u>
Total assets classified as held for sale	<u>272,510</u>

5. SEGMENTAL INFORMATION

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

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

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

(a) Segment revenues and results

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

	For the six months ended 30 June					
	Woven fabric		Subcontracting services		Total	
	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	<u>16,144</u>	<u>28,266</u>	<u>815</u>	<u>1,313</u>	<u>16,959</u>	<u>29,579</u>
Segment loss	<u>(1,584)</u>	<u>(4,673)</u>	<u>(2,148)</u>	<u>(1,120)</u>	<u>(3,732)</u>	<u>(5,793)</u>
Unallocated corporate income					57,141	955
Unallocated corporate expenses					(7,198)	(3,034)
Share of result of an associate					(1,382)	(686)
Finance costs					<u>(491)</u>	<u>(1,156)</u>
Profit (loss) before taxation					<u>44,338</u>	<u>(9,714)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in the annual financial statements of the Group for the year ended 31 December 2023. Segment profit (loss) represents the profit (loss) earned by each segment without allocation of bank interest income, exchange difference, government subsidies, sundry income, gain on disposal of property, plant and equipment, gain on disposal of assets classified as held for sale, central administration costs, share of result of an associate and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

(b) Geographical information

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

Revenue from external customers:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
The PRC (country of domicile)	13,588	23,823
Europe	1,320	4,670
South America	1,982	839
Other overseas	69	247
	<u>16,959</u>	<u>29,579</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Imputed interest on interest-free loan due to immediate holding company	–	1,156
Interest on lease liabilities	491	–
	<u>491</u>	<u>1,156</u>

7. INCOME TAX CREDIT (EXPENSES)

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current taxation		
— PRC Enterprise Income Tax	–	–
Deferred taxation		
— Current period	12,956	(113)
	<u>12,956</u>	<u>(113)</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.

No provision for Enterprise Income Tax has been made as there is sufficient tax loss available to set off the assessable profits for the six months ended 30 June 2024.

8. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Profit (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	6,253	9,060
Retirement benefit scheme contributions	793	1,019
	<u>7,046</u>	<u>10,079</u>
Total staff costs	<u>7,046</u>	<u>10,079</u>
Amortisation of right-of-use assets	570	94
Cost of inventories recognised as an expenses	9,219	27,414
Depreciation of property, plant and equipment	1,635	4,254
Impairment loss reversed in respect of on trade receivables	–	(452)
Impairment losses on trade receivable	108	–

9. DIVIDEND PAID

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2024 and 2023.

10. PROFIT (LOSS) PER SHARE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Profit (loss) for the purpose of calculating basic profit (loss) per share	<u>57,294</u>	<u>(9,827)</u>
Number of shares for the purpose of basic profit (loss) per share (<i>Note</i>)	<u>1,063,500,000</u>	<u>1,063,500,000</u>
Weighted average number shares for the purpose of calculating profit (loss) per share	<u>1,063,500,000</u>	<u>1,063,500,000</u>

Note:

No diluted profit (loss) per share have been presented for the six months ended 30 June 2024 and 2023, as there was no diluting events existed during these periods.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period for the six months ended 30 June 2024, the Group spent approximately RMB240,000 (31 December 2023: approximately RMB327,000) for additions of plant and machinery.

12. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 to 180 days (31 December 2023: 60 days to 180 days) to its trade customers. The Group does not hold any collateral or other credit enhancements over its trade and other receivables. The aged analysis of trade receivables, net of allowance for impairment of trade receivables and presented base on the revenue recognition dates, at the end of the reporting period is as follows:

	30 June 2024 RMB'000	31 December 2023 RMB'000
0–60 days	8,830	8,828
61–90 days	70	134
91–120 days	–	2
121–365 days	2,370	819
	11,270	9,783
Other receivables		
Prepayments to suppliers	12,789	14,345
Other receivables	2,056	1,174
	14,845	15,519
Total trade and other receivables	26,115	25,302

13. TRADE AND OTHER PAYABLES

	30 June 2024 RMB'000	31 December 2023 RMB'000
Trade payables	9,541	9,372
Other tax payables	2,520	1,868
Accrued expenses and other payables	2,444	3,446
	14,505	14,686

- (i) The Group normally receives credit periods from suppliers ranging from 30 days to 90 days (31 December 2023: 30 days to 90 days). The Group has in place financial risk management policies to ensure that all payables are settled within the credit timeframe.
- (ii) An aged analysis of the trade payables at the end of the reporting periods based on invoice date is as follows:

	30 June 2024 RMB'000	31 December 2023 RMB'000
0–60 days	3,644	3,686
61–90 days	735	1,406
91–365 days	2,751	1,274
Over 365 days	2,411	3,006
	9,541	9,372

14. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

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

Referring to the principal advances of approximately RMB239,677,000 in relation to the Assignment of Debt Agreement entered into on 23 December 2016, it had been initially reduced to its present value of approximately RMB20,724,000 based on the managements' estimates of future cash payments with a corresponding adjustment of approximately RMB218,953,000, which was deemed as a contribution from the immediate holding company during the year ended 31 December 2016. The amount is unsecured, interest-free and repayable of an amount which does not exceed 50% of the Company's operating cash flow for current year on an annual basis until the full repayment of the debt.

During the six months ended 30 June 2024, no impute interest was estimated for the interest free loan due to immediate holding company as all the outstanding amount due to immediate holding company was expected to be settled in 2024 according to the Fourth Supplemental Debt Repayment Agreement. The amount is unsecured, interest-free.

On 30 November 2020, the Company and Guizhou Yongli entered into a supplemental debt agreement to revise the repayment terms of the remaining principle and continue to provide the most favorable terms to support the Company's continued operations.

On 31 March 2022, the Company and Zhejiang Yongli entered into a Revolving Loan Agreement, pursuant to which (i) Zhejiang Yongli has repaid the Company all the principal of the loan according to the Revolving Loan Agreement; (ii) as at the date of the Revolving Loan Agreement, Zhejiang Yongli still owes the company approximately RMB1,145,000 loan interest.

On 31 March 2022 and 16 May 2022, the Company, Guizhou Yongli and Zhejiang Yongli entered into the Second Supplemental Debt Repayment Agreement and the Third Supplemental Debt Repayment Agreement respectively, pursuant to which (i) the Company agreed to repay in advance part of the amount due to immediate holding company in the amount of RMB18,000,000; (ii) upon receipt of the payment of RMB18,000,000 from the Company, Guizhou Yongli agreed to waive part of the amount due to immediate holding company in the amount of RMB18,000,000; (iii) the amount due to immediate holding company was set off against the equivalent amount of the loan interest of RMB1,145,000 which was charged by the Company under the Revolving Loan Agreement dated 31 March 2022.

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

On 22 December 2023, the Company, Guizhou Yongli and Zhejiang Yongli entered into the Fourth Supplemental Debt Repayment Agreement, pursuant to which, (i) as at the date of the Fourth Supplemental Debt Repayment Agreement, the Company is indebted to Guizhou Yongli in the total outstanding amount of approximately RMB218,475,000 and Guizhou Yongli agreed to waive part of the debt in the amount of RMB18,000,000; upon the waiver of part of the amount due to immediate holding company, the Company will be indebted to Guizhou Yongli in the total outstanding amount of approximately RMB199,330,000, which would be settled by the Company in accordance with the Fourth Supplemental Debt Repayment Agreement. The Fourth Supplemental Debt Repayment Agreement will take effect after all the following conditions are fulfilled:

- (a) the land resumption arrangement entered into by the Company on 20 December 2023 is completed and all the compensation has been received; details of the land resumption described under “Material Disposals” in the section of Management Discussion and Analysis on page 22;
- (b) the Fourth Supplemental Debt Repayment Agreement is approved by the shareholders on an extraordinary general meeting (“EGM”) in accordance with the request of the GEM Listing Rule;
- (c) approval from the relevant parties is obtained according to the GEM Listing Rule; and
- (d) conditions (i) to (iii) are fulfilled on or before 5:00 p.m. on 30 April 2024.

On 31 December 2023, the carrying amount of the amount due to the immediate holding company immediately before the modification was approximately RMB33,726,000. According to the Fourth Supplemental Debt Repayment Agreement, the fair value of the liability immediately following the modification are approximately RMB199,330,000. These caused a decrease of approximately RMB165,604,000 in other reserve in the consolidated statement of changes in equity during the year ended 31 December 2023. During the year ended 31 December 2023, the Group has repaid the principal of approximately RMB117,765,000.

During the six months ended 30 June 2024, the Group has repaid the principal of approximately RMB79,840,000.

15. CONNECTED AND RELATED PARTY TRANSACTIONS

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

- (a) During the six months ended 30 June 2024, the Group had paid approximately RMB200,000 (2023: approximately RMB6,090,000) to Zhejiang Yongli for electricity charges paid by Zhejiang Yongli on behalf of the Group.
- (b) During the six months ended 30 June 2024, the Group had paid approximately RMB960,000 (2023: nil) to 浙江永利經編股份有限公司 (Zhejiang Yongli Warp Knitting Co., Ltd.) (“**Yongli Warp**”), a fellow subsidiary of the Company for electricity charges paid by Yongli Warp 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.

- (c) During the six months ended 30 June 2023, the Group had received approximately RMB32,000 from Yongli Warp for its purchase of woven fabrics from the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Revenue and gross profit

During the six months ended 30 June 2024 (the “**Current Period**”), the Group recorded a revenue of approximately RMB16.96 million, representing a decrease of approximately 42.67% when compared to the same period in 2023. The gross profit for the Current Period was approximately RMB0.82 million while there was gross loss of approximately RMB0.12 million in 2023 which mainly due to decrease of depreciation, cost of raw materials, wages and water and electricity during the Current Period.

Other income, gains and losses, net

During the Current Period, the other income, gains and losses, net increased by approximately RMB2.16 million or approximately 174.88% when compared to the same period in 2023 mainly due to gain on disposal of property, plant and equipment during the six months ended 30 June 2024.

Gain on disposal of assets classified as held for sale

During the Current Period, the gain on disposal of assets classified as held for sale represents the transactions of land resumption and disposal of a subsidiary. Details of the transactions were disclosed in the above note 4 to the financial statements.

Selling and distribution costs

During the Current Period, the selling and distribution costs decreased by approximately RMB0.73 million or approximately 46.04% mainly due to decrease of salary and sales commission which was in line with decrease of sales revenue.

Administrative expenses

During the Current Period, administrative expenses increased by approximately RMB3.63 million or approximately 49.07% mainly due to professional expenses incurred for preparing the relevant announcements and reporting for the respective transaction of land resumption and disposal of a subsidiary and compensation paid to the tenants for early termination of tenancy agreement due to land resumption.

Share of result of an associate

Share of result of an associate of approximately RMB1.38 million represents share of loss from the consolidated result of an associate up to the date before disposal of the interest in a subsidiary of the Group was effective.

Finance costs

During the Current Period, finance cost of approximately RMB0.49 million represents interest expenses on lease liabilities. Impute interest was not estimated for the interest free loan due to immediate holding company as all the outstanding amount due to immediate holding company was expected to be settled in 2024 according to the Fourth Supplemental Debt Repayment Agreement.

Profit (loss) for the period

Profit for the Current Period was approximately RMB57.29 million, while there was loss of approximately RMB9.83 million for the period in 2023 mainly due to gain on disposal of assets classified as held for sale of approximately of RMB53.89 million during the Current Period.

Profit (loss) per share

The respective profit and loss per share for the Current Period and 2023 were approximately RMB5.39 cents and approximately RMB0.92 cents respectively.

Inventories

As at 30 June 2024, inventories was approximately RMB9.41 million (31 December 2023: approximately RMB12.4 million) which representing aggregation of inventories in various status being raw materials, working-in-progress and finished good of woven fabrics. Raw materials as at 30 June 2024 increased by approximately RMB0.12 million or approximately 14.81% when compared with that at as 31 December 2023. Finished good of woven fabrics as at 30 June 2024 decreased by approximately RMB2.51 million or approximately 27.36% when compared with that as at 31 December 2023. Work-in-progress as at 30 June 2024 increased by approximately RMB4.37 million or approximately 179.42% when compared with that at 31 December 2023 During the Current Period, the decrease of inventories was in line with the decrease of sales of woven fabrics.

Bank balances and cash

At as 30 June 2024, bank balances and cash was approximately RMB168.35 million (31 December 2023: approximately RMB103.75 million), representing an increase of approximately RMB64.6 million when compared with that as at 31 December 2023 mainly due to balance of land resumption compensation received from the local government authorities according to the Land Resumption Agreement entered into between Company and the government authority on 20 December 2023 and consideration for disposal of interest in a subsidiary, details of which were disclosed in the announcement of the Company dated 3 January 2024 and circular 5 February 2024 respectively.

Assets classified as held for sale

As at 30 June 2024, assets classified as held for sales decreased by approximately RMB272.51 million since the disposal transactions were completed during the six months ended 30 June 2024, details of which were disclosed in above note 4 to the financial statements.

Contract liabilities

As at 30 June 2024, contract liabilities represents receipt in advance from customers was approximately RMB2.68 million (31 December 2023: approximately RMB3.93 million), representing a decrease of approximately RMB1.24 million or approximately 31.64% was in line with decrease of sales turnover during the Current Period.

Business and operation review

Manufacture and sales of woven fabrics and provision of woven fabrics subcontracting services

The textile sector is the Group's main business. Due to the worldwide economic downturn, the textile industry needs time to recover. During the Current Period, both domestic and export sales of woven fabrics of the Group decreased by approximately 42.89% and approximately 37.93% respectively. 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

On 22 December 2023, The Company entered into the Equity Transfer Agreement to dispose the equity interest on Zhejiang Shaoxing Huiju in order to dispose of the Tepia Group (“**the Disposal**”). The Directors are of the view that the Disposal presents a favorable opportunity for the Group to realise its investment in the Tepia Group and redirect its resources towards its core business. The Disposal has been completed during the Current Period.

Product research and development

During the six months ended 30 June 2024, the Group continued to innovate and develop new product so as to meet the customers' need and enhance sales orders from customers.

Sales and marketing

During the six months ended 30 June 2024, the Group actively prepared for participating in various trade fairs so as to gain exposure in the fabrics market and to popularise the Group's new products.

OUTLOOK

The Group is principally engaged in the manufacture and sales of woven fabrics. The disposal of assets classified as held for sale was completed during the Current Period. The Group would then concentrate resources on the Company's core business in the PRC textile industry. As at 30 June 2024, the bank and cash balance of the Group was approximately RMB168.35 million mainly represents the proceeds from disposal of assets classified as held for sale of which the Group will be able to deliver improved financial results to its Shareholders. The Board believes that there will be a favourable external environment in the post-pandemic era. The management of the Group will continue to uphold the principle of maximising shareholder interests, saving costs, increasing revenue, providing high-quality products, and earning greater profits.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During six months ended 30 June 2024, the Group financed its operations mainly by internally generated cash and financial support from Guizhou Yongli, the immediate holding company of the Company.

As at 30 June 2024, the Group's current assets and net current assets were approximately RMB203.87 million (31 December 2023: approximately RMB413.96 million) and approximately RMB184.8 million (31 December 2023: approximately RMB136.98 million) respectively. The Group's gearing ratio, represented by the ratio of the interest free loan due to immediate holding company over shareholders' equity, was approximately 1.09% (31 December 2023: 80.64%).

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

As at 30 June 2024, the Group did not have any capital commitments (31 December 2023: nil) and significant investments held (31 December 2023: nil).

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any significant contingent liabilities (31 December 2023: nil).

CHARGES ON GROUP ASSETS

As at 30 June 2024, the Group has no charges on Group assets (31 December 2023: nil).

MATERIAL DISPOSALS

- (i) On 19 December 2023, the Company received a notice from the subdistrict office of Yangxun Qiao Town in Keqiao District, Shaoxing City (“紹興市柯橋區楊汛橋街道辦事處”). According to the government notice, the Company was informed that the resumed land and the construction and fixtures over the land were subject to the resumption by the local government in the Keqiao District, Shaoxing City. The Company shall return the resumed land to the local government during the period between 19 December 2023 and 20 January 2024. On 20 December 2023, the Company entered into the land resumption agreement with the authority of the local government (the “**Authority**”) pursuant to which the Authority have agreed to resume, and the Company has agreed to surrender, the resumed land, construction and fixtures at a total compensation of approximately RMB294,394,000 payable by the Authorities to the Company.

During the six months ended 30 June 2024, the resumption arrangement had been completed and all the land resumption compensation has been received.

- (ii) On 22 December 2023, the Group entered into an equity transfer agreement, pursuant to which the Group has conditionally agreed to sell the equity interest on Zhejiang Shaoxing Huiju, the investment holding company of Beijing Tepia at a consideration of approximately RMB32,500,000. Upon completion, Zhejiang Shaoxing Huiju and Beijing Tepia will cease to be a subsidiary and an associate of the Company, respectively. The equity transfer was approved by the shareholder through an extraordinary general meeting (the “**EGM**”) held on 22 March 2024, details of which were disclosed in the poll result announcement of the Company dated 22 March 2024. All relevant transactions for the transfer of the equity interest in Zhejiang Shaoxing Huiju were completed during the six months ended 30 June 2024.

Details of gain on the above two disposals are disclosed in note 4 to the financial statements on page 9.

SEGMENTAL INFORMATION

Segmental information of the Group is set out in note 5.

EMPLOYEE AND EMOLUMENT POLICIES

As at 30 June 2024, the Company had 120 employees (31 December 2023: 154), comprising 5 (31 December 2023: 5) in research and development, 8 (31 December 2023: 9) in sales and marketing, 85 (31 December 2023: 118) in production, 11 (31 December 2023: 10) in quality control, 5 (31 December 2023: 5) in management, and 6 (31 December 2023: 7) in finance and administration. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Discretionary bonuses on individual performance will be paid to employees as recognition of and reward for their contribution. Other benefits include contributions to retirement scheme and medical scheme.

FOREIGN EXCHANGE EXPOSURE

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

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

Ms. Zhou Youqin, an executive Director, is the younger sister of Mr. Zhou Yongli (the ultimate controlling shareholder of the Company). She is also a director of Zhejiang Yongli and one of the shareholders, directors and general manager and legal representative of Yongli Warp. Ms. Wang Ai Yu, a supervisor of the Company ("**Supervisor**"), is a manager of the internal audit department of Zhejiang Yongli. Zhejiang Yongli, Yongli Warp and Guizhou Yongli are associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong ("**SFO**")). Mr. Xia Zhenbo ("**Mr. Xia**"), a non-executive Director is beneficially interested in 640,000 H Shares of the Company.

Save as disclosed above, as at 30 June 2024, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2024, so far as it is known to the Directors or chief executive or Supervisors of the Company, the interests and short positions of person in the shares or underlying shares of the Company, other than the interest of the Directors or Supervisors, which would fall to be disclosed under Divisions 2 and 3 or Part XV of the SFO or which were required, pursuant to section 336 of Part XV of the SFO, to be entered in the register referred to therein, or who is interested directly or indirectly in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Company were as follows:

Long positions in the shares of the Company

Domestic shares of the Company (“Domestic Shares”)

Name of shareholders	Capacity	Number of Domestic Shares held	Approximate percentage of interests in Domestic Shares in issue as at 30 June 2024	Approximate percentage of interests in total issued share capital as at 30 June 2024
Guizhou Yongli	Beneficial owner (Note 1)	588,000,000	100.00%	55.29%
Zhejiang Yongli	Interest in controlled corporation (Note 2)	588,000,000	100.00%	55.29%
Mr. Zhou Yongli	Interest in controlled corporation (Note 2)	588,000,000	100.00%	55.29%
Ms. Xia Wanmei	Interest of spouse (Note 2)	588,000,000	100.00%	55.29%

Notes:

- (1) On 8 April 2021, the Company received a notice from Guizhou Yongli that 588,000,000 Domestic Shares has been pledged to an independent third party, China Zheshang Bank Co., Ltd., Shaoxing Branch (“**CZBank**”) as a security for a loan of RMB50 million as provided by CZBank to Zhejiang Yongli, details of which were disclosed in the announcement dated 8 April 2021 of the Company. As at the date of this document, the 588,000,000 Domestic Shares still have been pledged to CZBank for security of the bank loan granted to Zhejiang Yongli.
- (2) Mr. Zhou Yongli and his spouse Ms. Xia Wanmei, own approximately 94.25% and approximately 3.49% in Zhejiang Yongli respectively. Zhejiang Yongli owns 65% in Guizhou Yongli. Mr. Zhou Yongli and Ms. Xia Wanmei are therefore deemed to be interested in the 588,000,000 domestic shares of the Company held by Guizhou Yongli, representing 55.29% of the total issued share capital of the Company.

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

Name of shareholder	Capacity	Number of H Shares held	Approximate percentage of interests in H Shares in issue as at 30 June 2024	Approximate percentage of interests in total issued share capital as at 30 June 2024
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,540,000	43.86%	19.61%

Saved as disclosed above, at 30 June 2024, so far as was known to the Directors, chief executives and Supervisors of the Company, no other person (other than the Directors, chief executives or Supervisors of the Company) has an interest or short position in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

COMPETING INTERESTS

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

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 5.28 and 5.29 of the GEM Listing Rules and code provision C3.3 of the Corporate Governance (“**CG**”) Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board. At the date of this document, the Audit Committee has three members comprising the three independent non-executive Directors, Mr. Yu Weidong, Mr. Yuan Lingfeng and Mr. Zhang Jianyong. Mr. Yu Weidong is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2024 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure had been made.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2024, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the “**Code Provision**”) as set out in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

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

Neither the Company nor its subsidiaries purchase, sell or redeem any of the Company’s listed securities during the six months ended 30 June 2024.

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

Zhejiang, the PRC, 19 August 2024

As at the date of this announcement, the executive directors of the Company are Mr. Lou Lijiang (Chairman), Mr. Zhan Fahui (Chief Executive Officer) and Ms. Zhou Youqin; the non-executive director of the Company is Mr. Xia Zhenbo (Deputy Chairman); the independent non-executive directors of the Company are Mr. Yu Weidong, Mr. Yuan Lingfeng and Mr. Zhang Jianyong.

This announcement will remain on the “Latest Listed Company Information” page of website of the Stock Exchange at <http://www.hkexnews.com> for at least 7 days from the date of its publication and on the Company’s website at <http://www.zj-yongan.com>.

* *For identification purpose only*