

TARGET

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ZHEJIANG YONGAN RONGTONG HOLDINGS COMPANY LTD: 'HARD TIMES, HARD TIMES COME AGAIN NO MORE !'

Mr Stephen Foster (1826-1864) lived for just 38 years, but in that short space of time, he composed more than 200 songs, many of which continue to linger in the hearts and minds of men and women of The United States of America.

'Hard times, hard times come again no more' was but one of his many famous lullabies that, to this day, are often crooned by popular singers, wanting to remind listeners, as well as recalling past difficult, economic times.

Mr Lou Li Jiang (婁利江), the Chairman of the Board of Directors of Zhejiang Yongan Rongtong Holdings Company Ltd (浙江永安融通控股股份有限公司) (Code: 8211, The Growth Enterprise Market – The GEM – The Stock Exchange of Hongkong Ltd) may never had heard the name of that American, 19th Century musical genius, but some of this Chinese gentleman's statements, found at Pages Four and Five of the 2022 Annual Report of Company, appear to have inadvertently mimicked, to some degree, of that which Stephen Foster witnessed as he composed that haunting melody: *'Hard times'*.

The following is but an inkling of the many difficulties that have befallen Zhejiang Yongan Rongtong Holdings Company Ltd, some of which have been illustrated, in words, on the pages of the 2022 Annual Report of the Company, penned by, or at the behest of, Mr Lou Li Jiang:

'FINANCIAL PERFORMANCE

'For the year ended 31 December 2022, the Group recorded a loss after tax of approximately RMB35.58 million (2021: Approximately RMB18.82 million), representing an increase of approximately RMB16.76 million or 89.03% when compared with the same period in 2021. The Group's basic and diluted loss per share for 2022 was approximately RMB3.35 cents (2021: approximately RMB1.77 cents).

'Revenue of the Group decreased by approximately RMB19.19 million or 19.54% to approximately RMB79.00 million mainly due to (a) decrease of domestic sales of woven fabrics and subcontracting fee income. The

*Group incurred significant gross loss of approximately RMB12.07 million during the year ended 31 December 2022 mainly due to the significant increase in the cost of raw materials, labour cost and dyeing cost, etc. In addition, the outbreak of the novel coronavirus (“**COVID-19**”) epidemic (the “**Epidemic**”) since 2020 caused the decline in demand of the product of the Group from both local and overseas customers...*

‘OUR STRATEGIES GOING FORWARD

*‘2022 is a particularly difficult year, under the strict COVID-19 epidemic prevention and control policies of the relevant PRC (the **People’s Republic of China**) government authorities, there has been a large-scale lockdown, which has brought great challenges to the development of the entire national economy, and also has a huge impact on mainland textile enterprises. The impact of the COVID-19 epidemic on the Group in 2022 was greater than that in previous years. In addition, the surge in energy prices and the huge fluctuations in commodity prices also have brought great uncertainty to the operation of enterprises in the PRC.*

‘In such an unfavorable external environment, there has been a shrinking of demand, and the fierce competition among peers has indeed affected the Group’s performance. However, with the change of the PRC government’s national Epidemic prevention policy at the end of 2022 and the global Epidemic trend has improved, although there is still the continued impact of the Russian-Ukrainian war, and the trade disputes between China and the United States, I believe that the textile industry can still have an opportunity to recover in 2023. The Group will also strive to seize this opportunity.

‘In the post-Epidemic era, use new ideas and new models to maximise the Group’s benefits. Here I would like to briefly describe the Group’s specific strategies in 2023:

- ‘1. Research fashion trends, increase investment in research and development, strive to develop more fabric products that are in line with the current popularity, achieve misplaced competition with competitors, and get rid of endless price competition.*
- ‘2. Improves production efficiency and stabilize product quality. In 2022, the Group made certain adjustments to the personnel structure, reducing redundancies, improving production efficiency and saving costs.*
- ‘3. Continues the development of domestic and export sales of woven fabrics of the Group to get rid of the risk of a single market. Strive for a rapid return to pre-pandemic levels in the context of China’s economic recovery. In the case of China’s reopening, we strive to continue to expand the scale of export sales and invite overseas customers to visit our Group for gaining potential customers’ confidence of our product; and the Group is also planning to actively*

participate in overseas offline exhibitions, making export sales a new growth point of the Group.

- ‘4. Optimize the structure of the supply chain and improve the operation of the supply chain.*

‘PROSPECTS

‘The impact of the COVID-19 pandemic will eventually pass, and the past three years have been the most difficult period for our Group. The Board of Directors believes that this was also the industry’s lowest point, and we are confident that there will be a favourable external environment in the post-pandemic era. The management of the Group will continue to uphold the principle of maximising shareholder interests, saving costs, increasing revenue, providing high-quality products, and earning greater profits. We strive to create greater value for shareholders in the new fiscal year, provide better products for people around the world, and continue to work hard for the sustainable development of our Group.’

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