



YONGAN HOLDINGS

INTERIM REPORT

2017



浙江永安融通控股股份有限公司

ZHEJIANG YONGAN RONGTONG HOLDINGS CO., LTD.*

(formerly known as 浙江永隆實業股份有限公司 Zhejiang Yonglong Enterprises 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 Zhejiang Yongan Rongtong Holdings Co., Ltd. (formerly known as 浙江永隆實業股份有限公司 Zhejiang Yonglong Enterprises 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.*

HIGHLIGHTS

For the six months ended 30 June 2017,

- Revenue of the Group increased from approximately RMB63 million to approximately RMB80.45 million, representing an increase of approximately 27.70% when compared to the corresponding period in 2016;
- Net profit for the six months ended 30 June 2017 was approximately RMB0.63 million; and
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017.

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

For the six months ended 30 June 2017

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.*) (formerly known as 浙江永隆實業股份有限公司 Zhejiang Yonglong Enterprises Co., Ltd.*) (the “Company” together with its subsidiary, the “Group”), is pleased to announce the unaudited consolidated results of the Group for the three months and six months ended 30 June 2017 as follows:

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	3	52,357	35,325	80,451	62,999
Cost of sales		(46,462)	(32,155)	(72,548)	(58,623)
Gross profit		5,895	3,170	7,903	4,376
Other income and gains	3	800	554	923	850
Selling and distribution costs		(1,530)	(596)	(1,933)	(1,348)
Administrative expenses		(2,675)	(2,993)	(4,121)	(4,068)
Finance costs	5	(1,572)	(4,660)	(1,888)	(9,319)
Profit (loss) before taxation		918	(4,525)	884	(9,509)
Income tax expenses	6	(258)	—	(258)	—
Profit (loss) and total comprehensive income (expenses) for the period	7	660	(4,525)	626	(9,509)
		RMB	RMB	RMB	RMB
Profit (loss) per share					
— basic and diluted	9	0.06 cents	(0.43) cents	0.06 cents	(0.89) cents

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

		As at 30 June 2017 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2016 <i>RMB'000</i> <i>(Audited)</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	100,938	104,387
Prepaid lease payments		6,362	6,456
Goodwill	11	1,230	—
Available-for-sale financial assets	12	594	—
		<u>109,124</u>	<u>110,843</u>
CURRENT ASSETS			
Inventories		39,178	38,826
Trade and other receivables	13	54,712	37,898
Prepaid lease payments		188	188
Amount due from a fellow subsidiary	14	21	—
Financial assets at fair value through profit or loss	15	2,500	—
Bank balances and cash		<u>190,263</u>	<u>203,551</u>
		<u>286,862</u>	<u>280,463</u>
CURRENT LIABILITIES			
Trade and other payables	16	48,281	44,535
Tax payables		277	1,747
Amounts due to fellow subsidiaries	17	4,517	4,627
Amount due to immediate holding company	18	5,664	3,776
		<u>58,739</u>	<u>54,685</u>
NET CURRENT ASSETS		<u>228,123</u>	<u>225,778</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		337,247	336,621
NON-CURRENT LIABILITIES			
Deferred tax liabilities		10,669	10,669
Amount due to immediate holding company	18	16,948	16,489
NET ASSETS		<u>309,630</u>	<u>309,004</u>
CAPITAL AND RESERVES			
Share capital		106,350	106,350
Reserves		<u>203,280</u>	<u>202,654</u>
		<u>309,630</u>	<u>309,004</u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash used in operating activities	(9,474)	(1,943)
Net cash used in investing activities	<u>(3,814)</u>	<u>(30)</u>
Net decrease in cash and cash equivalents	(13,288)	(1,973)
Cash and cash equivalents at beginning of the period	<u>203,551</u>	<u>195,260</u>
Cash and cash equivalents at end of the period, representing bank balances and cash	<u>190,263</u>	<u>193,287</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Paid-up capital	Share premium	Other reserve	Assets revaluation reserve	Statutory surplus reserve	Accumulated losses	Total
	<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>(Note a)</i>	<i>(Note b)</i>	<i>(Note c)</i>		
Balance at 1 January 2016	106,350	69,637	124,950	32,401	12,496	(250,719)	95,115
Total comprehensive expenses for the period	—	—	—	—	—	(9,509)	(9,509)
Balance at 30 June 2016	<u>106,350</u>	<u>69,637</u>	<u>124,950</u>	<u>32,401</u>	<u>12,496</u>	<u>(260,228)</u>	<u>85,606</u>
Balance at 1 January 2017	106,350	69,637	343,903	34,550	12,496	(257,932)	309,004
Total comprehensive income for the period	—	—	—	—	—	626	626
Balance at 30 June 2017	<u>106,350</u>	<u>69,637</u>	<u>343,903</u>	<u>34,550</u>	<u>12,496</u>	<u>(257,306)</u>	<u>309,630</u>

Notes:

- (a) 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.
- (b) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the Group 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.
- (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 2017 and 2016, 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. Its immediate holding company is 貴州永安金融控股股份有限公司 (Guizhou Yongan Finance Holdings Company Ltd*) (“Guizhou Yongan”), a company incorporated in the PRC. The ultimate holding company of the Company is 浙江永利實業集團有限公司 (Zhejiang Yongli Industry Group Co., Ltd*) (“Zhejiang Yongli”), a company incorporated in the PRC.

The Group is principally engaged in (i) the manufacture, and sale of woven fabrics, (ii) provision of subcontracting services and (iii) private equity assets management.

The Group’s books and records are maintained in Renminbi (“RMB”), which is the same as the functional currency of the Group.

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 2016. 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 the HKICPA and 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.

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

HKFRS 9 (2014)	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ¹

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

3 No mandatory effective date yet determined but available for adoption.

The directors of the Company anticipate that except as described in note 2 to the financial statement of the Group for the year ended 31 December 2016 in respect of application of HKFRS 9 (2014) Financial Instruments which will become effective for annual periods beginning on or after 1 January 2018 with early application permitted, application of the other new and revised HKFRSs will have no materials impact on the results and the financial position of the Group.

The directors of the Company anticipate that the application of HKFRS 9 (2014) Financial Instruments in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities in the Group's financial statements. However, it is not practicable to provide a reasonable estimate of that effect of HKFRS 9 (2014) until a detailed review has been completed.

3. REVENUE AND OTHER INCOME AND GAINS

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 and gains for the period are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Revenue				
Sales of woven fabrics	51,675	33,930	78,686	59,753
Subcontracting fee income	<u>682</u>	<u>1,395</u>	<u>1,765</u>	<u>3,246</u>
	<u>52,357</u>	<u>35,325</u>	<u>80,451</u>	<u>62,999</u>
Other income and gains				
Investment income	86	—	86	—
Bank interest income	431	19	492	51
Exchange difference	264	—	264	—
Sundry income	11	1	73	102
Sales of scrap materials	<u>8</u>	<u>534</u>	<u>8</u>	<u>697</u>
	<u>800</u>	<u>554</u>	<u>923</u>	<u>850</u>

4. SEGMENTAL INFORMATION

Information reported to the Board of the Group, 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

The Group has commenced the business of provision of assets management services to the private equities in June 2017. The services income for provision of assets management services is expected to be recorded in the third quarter of 2017.

(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	
	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	<u>78,686</u>	<u>59,753</u>	<u>1,765</u>	<u>3,246</u>	<u>80,451</u>	<u>62,999</u>
Segment profit	<u>2,291</u>	<u>158</u>	<u>118</u>	<u>255</u>	<u>2,409</u>	413
Unallocated corporate income					915	139
Unallocated corporate expenses					(552)	(742)
Finance costs					<u>(1,888)</u>	<u>(9,319)</u>
Profit (loss) before taxation					<u>884</u>	<u>(9,509)</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 2016. Segment profit represents the profit earned by each segment without allocation of investment income, bank interest income, exchange difference, sundry income, central administration costs 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	
	2017	2016
	RMB'000	RMB'000
PRC (country of domicile)	67,002	49,303
Europe	7,750	6,760
The Middle East	3	332
South America	5,128	2,129
Other overseas	568	4,475
	<u>80,451</u>	<u>62,999</u>

5. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Imputed interest on non-current interest-free loan due to ultimate holding company of the Group	—	4,660	—	9,319
Imputed interest on non-current interest-free loan due to immediate holding company of the Company	<u>1,572</u>	—	<u>1,888</u>	—
	<u>1,572</u>	<u>4,660</u>	<u>1,888</u>	<u>9,319</u>

6. INCOME TAX EXPENSES

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Current taxation				
— PRC Enterprise Income Tax	<u>258</u>	—	<u>258</u>	—

No provision for Hong Kong profits tax has been made as the Group's income neither arises in, nor is derived from Hong Kong.

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 periods.

No provision for PRC Enterprise Income Tax was made for the periods ended 30 June 2016.

7. PROFIT (LOSS) FOR THE PERIOD

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Profit (loss) for the period has been arrived at after charging:				
Depreciation and amortisation	<u>1,697</u>	<u>1,838</u>	<u>3,539</u>	<u>3,675</u>

8. DIVIDEND PAID

The Directors do not recommend the payment of an interim dividend for the three and six months ended 30 June 2017 and 2016.

9. PROFIT (LOSS) PER SHARE

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

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Profit (loss) for the purpose of calculating basic profit (loss) per share	<u>660</u>	<u>4,525</u>	<u>626</u>	<u>9,509</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>	<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>	<u>1,063,500,000</u>	<u>1,063,500,000</u>

Note:

No diluted profit (loss) per share have been presented for the three months and six months ended 30 June 2017 and 2016, as there was no diluting events existed during these periods.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period for the six months ended 30 June 2017, the Group spent approximately RMB50,000 (31 December 2016: approximately RMB1,156,000) for additions of plant and machinery and approximately RMB40,000 (31 December 2016: approximately RMB158,000) for additions of office and factory equipment.

11. BUSINESS COMBINATIONS

On 11 April 2017, the Group acquired 100% of the registered capital in 貴州安恒永晟投資管理有限公司 (“Guizhou Anheng Yongcheng Investment Management Co., Ltd.*”) (“Guizhou Anheng”) from Guihou Yongan, immediate holding of the Company for consideration of RMB10,000,000. Guizhou Anheng is principally engaged in private equity assets management. The acquisition is expected to (i) diversify the business risk of the Group, (ii) contribute revenue to the Group and the shareholders of the Group and (iii) bring good returns on capital investment for the Group. None of the goodwill recognized is expected to be deductible for income tax purposes.

The goodwill of approximately RMB1,230,000 arises from a number of factors including expected a new business to be bring in to the Group so as to diversify the business risk of the Group and contribute revenue to the Group, the shareholders of the Groups and bring good returns on capital investment for the Group.

The following table summarises the consideration paid for Guizhou Anheng and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

	11 April 2017
	<i>RMB'000</i>
Purchase consideration — cash paid	<u>10,000</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
	<i>RMB'000</i>
Provisional fair value	
Cash at banks	292
Financial assets at fair value through profit or loss	8,500
Wages payables	(16)
Other tax payables	(2)
Other payables	<u>(4)</u>
	8,770
Goodwill	<u>1,230</u>
	<u>10,000</u>
	<i>RMB'000</i>
Outflow of cash to acquire business, net of cash acquired	
— Cash consideration	10,000
— Cash and bank balances in subsidiary acquired	<u>(292)</u>
	<u>9,708</u>

GOODWILL

The goodwill of approximately RMB1,230,000 as at 30 June 2017 (31 December 2016: Nil) was recognised from the acquisition of 100% of equity interest in Guizhou Anheng has not yet been allocated to a cash-generating unit at the end of 30 June 2017 as the accounting for business combination is still provisional.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

深圳永晟實達投資發展有限公司 (Shenzhen Yongcheng Star Investment Development Ltd.*) (“Shenzhen Yongcheng”) is a private limited liability company incorporated on 17 February 2017 in the PRC with registered capital of RMB6,600,000. On 7 June 2017, the Group contributed RMB594,000 as 9% of the total registered capital of Shenzhen Yongcheng. Shenzhen Yongcheng is principally engaged in investment holding. As at 30 June 2017, Shenzhen Yongcheng has not commenced business, therefore the investment is accounted at cost.

13. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 to 180 days to its trade customers. The aged analysis of trade receivables, net of allowance for impairment of trade receivables and presented base on invoice date which approximates the respective recognition dates, at the end of the reporting period is as follows:

	30 June 2017	31 December 2016
	RMB'000	RMB'000
0-60 days	41,467	29,953
61-90 days	1,798	3,761
91-120 days	501	1,472
121-365 days	3,474	1,238
Over 365 days	1,023	106
	48,263	36,530
Other receivables		
Prepayments to suppliers	1,256	217
Other prepayments	—	573
Other receivables (<i>Note</i>)	5,193	578
	6,449	1,368
Total trade and other receivables	54,712	37,898

Note:

The other receivables included an amount of approximately RMB5,000,000 for a short term loan provided by the Group to an independent third party in June 2017 with interest bearing. As at the date of this document, the principle amount and the interest were fully received by the Group.

14. AMOUNT DUE FROM A FELLOW SUBSIDIARY

The amount due from a fellow subsidiary is unsecured, non-interest bearing and repayable on demand.

	30 June 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
浙江紹興永利印染有限公司 (Zhejiang Shaoxing Yongli Printing & Dyeing Co., Limited*) ("Zhejiang Yongli Printing & Dyeing")	<u>21</u>	<u>—</u>

During the period ended 30 June 2017 and the year ended 31 December 2016, Zhejiang Yongli Printing & Dyeing was a subsidiary of Zhejiang Yongli, the ultimate holding company of the Group.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

The FVTPL is a short-term bank wealth management products placed in a bank. It is an open-ended investment product without date of maturity. However, the Directors intends to make the investment less than one year. The investment products is a principal protected investment. The counterparty bank guarantees 100% of the invested capital and the returns of which are determined by reference to the performance of the investment products and the number of days that the investment has not been redeemed.

FVTPL at the end of the reporting period is as follows:

	30 June 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Principal amount	<u>2,500</u>	<u>—</u>

At the end of the reporting period, the FVTPL is stated at fair value. The fair value is determined by reference to 100% of invested capital guaranteed by the counterparty bank and the return received during the investment periods of the Group.

16. TRADE AND OTHER PAYABLES

	30 June 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	31,675	30,272
Receipt in advance	5,336	3,180
Other tax payables	3,846	3,257
Accrued expenses and other payables	7,424	7,826
	<u>48,281</u>	<u>44,535</u>

- (i) The Group normally receives credit periods from suppliers ranging from 30 days to 90 days.
- (ii) An aged analysis of the trade payables at the end of the reporting periods based on invoice date is as follows:

	30 June 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
0-60 days	19,201	18,956
61-90 days	2,408	2,838
91-365 days	5,097	3,759
Over 365 days	4,969	4,719
	<u>31,675</u>	<u>30,272</u>

17. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due to fellow subsidiaries are unsecured, non-interest bearing and repayable on demand.

	30 June 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
浙江永利熱電有限公司 (Zhejiang Yongli Thermal Electricity Company Limited*) ("Zhejiang Yongli Thermal Electricity")	4,517	4,573
浙江紹興永利印染有限公司 (Zhejiang Shaoxing Yongli Printing & Dyeing Co., Limited*) ("Zhejiang Yongli Printing & Dyeing")	—	54
	<u>4,517</u>	<u>4,627</u>

During the period ended 30 June 2017 and the year ended 31 December 2016, Zhejiang Yongli Thermal Electricity and Zhejiang Yongli Printing & Dyeing were subsidiaries of Zhejiang Yongli, the ultimate holding company of the Group.

18. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

Analysed for reporting purposes as:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Current liability	5,664	3,776
Non-current liability	<u>16,948</u>	<u>16,948</u>
Total	<u>22,612</u>	<u>20,724</u>

Referring to the principal advances of approximately RMB239,677,000 in relation to the assignment of debt agreement entered into on 23 December 2016 between Zhejiang Yongli and Guizhou Yongan (“assignment of debt agreement”), 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 effective interest rate adopted for measurement at fair value at initial recognition of the advances from immediate holding company for the year was determined with reference to the prevailing market rates of interest for similar instruments with similar credit ratings and with reference to the timing and repayment based on the cashflow in current year of the Company.

The carrying value of the amount due to immediate holding company as at 31 December 2016 was stated at discount present value with an imputed interest rate of 18.22% per annum.

The movement during the current and prior reporting periods are set out as follows:

	30 June 2017 RMB'000	31 December 2016 RMB'000
At the beginning of the period	20,724	—
Assigned from ultimate holding company	—	239,677
Deemed contribution arising from the discounting of the non-current interest - free loan.	—	(218,953)
Imputed interest charges to profit or loss (<i>note 5</i>)	<u>1,888</u>	<u>—</u>
At the end of the period	<u>22,612</u>	<u>20,724</u>

19. 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) The balances with fellow subsidiaries and immediate holding company are set out in Notes 14, 17 and 18 respectively.
- (b) During the six months ended 30 June 2017, the Group had paid approximately RMB3,555,000 (2016: approximately RMB3,093,000) to Zhejiang Yongli Thermal Electricity for electricity and steam provided to the Group for the usage in the production.

The aforesaid transactions were conducted in accordance with the term of contract dated 11 May 2015 and were in the ordinary course of business of the Group.

- (c) During the six months ended 30 June 2017, the Group had paid approximately RMB8,000 (2016: approximately RMB11,000) to Zhejiang Yongli Printing & Dyeing 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

For the six months ended 30 June 2017, the Group recorded a revenue of approximately RMB80.45 million, represents a growth of approximately 27.70% when compared with the same period in 2016. It was mainly due to the increase of revenue from manufacture and sales of woven fabrics. The average percentage of gross profit margin increased by approximately 2.87% mainly contributed by the slight increase of average selling price and the successful of cost saving. The selling and distributed costs for the six months ended 30 June 2017 increased by approximately 43.4% when compared with the corresponding period in 2016 was in line with the increase of turnover on sales of woven fabrics. The administrative expenses and other income and gains during the six months ended 30 June 2017 did not have material changes. Finance cost of approximately RMB1.89 million for the six months ended 30 June 2017 represents imputed interest in non-current interest-free loan due to immediate holding company of the Company. The respective profit (loss) per share for the six months ended 30 June 2017 and 2016 were approximately RMB0.06 cents and RMB0.89 cents respectively.

Business and operation review

During the six months ended 30 June 2017, export sales to Europe increased by approximately RMB990,000, represents 14.64% mainly for export sales to Italy, Germany, and Turkey. In additions, export sales to South America during the six months ended 30 June 2017 also increased by approximately RMB3 million represents 140.86%. Export sale to the markets in Africa and the Middle East decreased sharply as the Company shifted the markets to Europe, Asia and South America.

In view of the uncertainty in the Global economy in 2017 and the economy in China which is entering into a new normal, the Group will continue the existing policies in developing the local and overseas market.

Product research and development

During the six months ended 30 June 2017, 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 2017, the Group actively participated in various trade fairs held in PRC and overseas so as to gain exposure in the fabrics market and to popularise the Group's new products.

OUTLOOK

In view of the uncertainty in the Global economy in 2017 and the economy in China which is entering into a new normal, the Directors expect that all kinds of uncertainty will bring a very serious challenge to various industries around the world in year 2017 especially the garment and textile industry.

China's private equity and venture capital markets are accelerating although there was a slowdown in economic growth. Fundraising and investment hit records levels in the world's second largest economy last year. The prospects of private equity/venture capital assets management in China is optimistic and will be benefits from the growth of institutional fund. Currently, the portion of institutional fund in China is low. Following the completeness of the retirement benefit fund, the expanding of scale of insurer assets and the rise of outsourcing of assets management from the bankers, there will have a growth in the portion of institutional fund in China. In additions, following the increase of household income, high net value customers are looking for the growth of wealth, thus increase purchase of varied financial products which in return provides further sources of customers for the business of assets management and then led to the expanding of the scale of the funds for management. Furthermore, in some old days when China was growing fast, it consumed a big amount of commodity and drove the commodity super cycle. Now the Chinese economy growth has slowed down. The Chinese economy is entering a "new normal" which is evidenced by the depreciation of Renminbi and the competition in all markets for fast-moving consumer goods, business services, information technology, science and research and social media etc ("New Economy" model). Overall, the service sector now accounts for more than half of the Chinese economy and is likely to continue growing at a rapid pace. Therefore, the enterprises are looking for new funds for steady growth of business or further development while on the other hand, the investors are looking for capture the capital growth of the potential in China. Furthermore, in 2016, the PRC Government underwent a structural reform in order to create a healthy social environment for a sustainable and efficient economic growth.

In order to (i) diversify the business risk of the Group, (ii) contribute revenue to the Group and the Shareholders, (iii) bring a good return on capital investment for the Group, and in view of the prospect of the business of Guizhou Anheng which is principally engaged in private equity assets management, on 11 April 2017, the Group acquired 100% equity interest in Guizhou Anheng. The Board including the independent non-executive Directors believes that it is for the benefit of the Group to enter into the equity transfer agreement.

The Board believe that the Group is able to tackle the problems ahead in 2017 and therefore bring the interests to the shareholders. In additions, the cash and bank balance of the Group as at 30 June 2017 was approximately RMB190.26 million and under the financial support from Guizhou Yongan, the Directors expect that the Group has sufficient cash resources to meet its present and future cash flow requirements and is able to face with the challenge in 2017 and the near future.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During six months ended 30 June 2017, the Group financed its operations mainly by internally generated cash and financial support from Guizhou Yongan, the immediate holding company of the Company.

As at 30 June 2017, the Group's current assets and net current assets were approximately RMB286.86 million (31 December 2016: approximately RMB280.46 million) and approximately RMB228.13 million (31 December 2016: approximately RMB225.78 million) respectively. The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was approximately 4.88 (31 December 2016: 5.13).

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

Saving for the disclosure as mentioned in noted 11 and 12, as at 30 June 2017, the Group had no commitments (31 December 2016: Nil) for capital expenditure and significant investments held (31 December 2016: Nil).

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any significant contingent liabilities (31 December 2016: Nil).

CHARGES ON GROUP ASSETS

As at 30 June 2017, the Group has no charges on Group assets (31 December 2016: Nil).

MATERIAL ACQUISITIONS/DISPOSALS

Saving for the disclosure as mentioned in noted 11 and 12, during the six months ended 30 June 2017, the Group did not have any material acquisitions/disposals.

SEGMENTAL INFORMATION

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

EMPLOYEE AND EMOLUMENT POLICIES

As at 30 June 2017, the Group had 428 employees (31 December 2016: 436), comprising 3 (31 December 2016:2) in research and development, 17 (31 December 2016: 16) in sales and marketing, 348 (31 December 2016: 364) in production, 41 (31 December 2016: 42) in quality control, 8 (31 December 2016: 6) in management, and 11 (31 December 2016: 6) 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. The Group has used 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

As at 30 June 2017, 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. Zhejiang Yongli is an associated corporation (within the meaning of Part XV of the SFO) by virtue of being a holding company of the Company.

Save as disclosed above, as at 30 June 2017, none of the Directors, chief executives or supervisors of the Group had interest or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are require (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 they are taken or deemed to have under 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 2017, so far as it is known to the Directors, chief executives and supervisors of the Company, the persons (not being a director, chief executive or supervisor of the Group) 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 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	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 Industry Group Co., Ltd., (“Zhejiang Yongli”) respectively. Zhejiang Yongli owns 65% in Guizhou Yongan Finance Holdings Company Ltd. (“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 percentage of interests in H Shares in issue at 30 June 2017	Approximate percentage of interests in total issued share capital 30 June 2017
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,540,000	43.86%	19.61%

Saved as disclosed above, at 30 June 2017, 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 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 date of this document.

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) in May 2002 with written terms of reference, which have been updated in accordance with the provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules. 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, Mr. Xu Wei Dong, Ms. Zhang Li and Mr. Wang Weisong. Mr. Xu Wei Dong is the chairman of the Audit Committee.

The Audit Committee has reviewed the consolidated interim results of the Group for the six months ended 30 June 2017.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2017, 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 Group 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 Group, all directors and supervisors of the Group 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

The Company did not purchase, sell or redeem any of the Company’s listed securities during the six months ended 30 June 2017.

By Order of the Board
Zhejiang Yongan Rongtong Holdings Co., Ltd.
Jiang Ning
Chairman

Zhejiang, the PRC, 14 August, 2017

As at the date of this document, the executive directors of the Company are Mr. Jiang Ning (Chairman), Mr. He Weifeng (Deputy Chairman), Ms. He Lianfeng (Chief Executive Officer), Mr. Hu Hua Jun; the non-executive directors of the Company is Mr. Chen Dong Chun and Mr. Tang Guo Ping; the independent non-executive directors of the Company are Mr. Xu Wei Dong, Ms. Zhang Li and Mr. Wang Weisong.

This document will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the Company’s website at <http://www.zj-yongan.com>.

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