

# INTERIM REPORT 2019



**YONGAN HOLDINGS**

浙江永安融通控股股份有限公司

ZHEJIANG YONGAN RONGTONG HOLDINGS CO., LTD.\*

*(a joint stock limited company incorporated in the People's Republic of China)*

Stock Code: 8211

*\*For identification purpose only*

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*This document, for which the directors of 浙江永安融通控股股份有限公司 (Zhejiang Yongan Rongtong Holdings Co., Ltd.\*) (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.*

## **HIGHLIGHTS**

*For the six months ended 30 June 2019,*

- Revenue of the Group decreased from approximately RMB69.34 million to approximately RMB68.13 million, representing a drop of approximately 1.74% when compared to the corresponding period in 2018;
- Net loss for the six months ended 30 June 2019 was approximately RMB6.12 million; and
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019.

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

For the six months ended 30 June 2019

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 2019 together with the comparative results for the corresponding period in 2018 as follows:

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	3	<b>33,902</b>	42,169	<b>68,129</b>	69,335
Cost of sales		<u>(30,175)</u>	<u>(35,954)</u>	<u>(62,083)</u>	<u>(60,442)</u>
Gross profit		<b>3,727</b>	6,215	<b>6,046</b>	8,893
Other income and gains	3	<b>1,419</b>	329	<b>1,555</b>	577
Selling and distribution costs		<b>(390)</b>	(1,244)	<b>(950)</b>	(1,648)
Administrative expenses		<b>(4,834)</b>	(3,505)	<b>(9,445)</b>	(6,250)
Finance costs	5	<u><b>(1,483)</b></u>	<u>(1,603)</u>	<u><b>(2,965)</b></u>	<u>(3,206)</u>
(Loss) profit before taxation		<b>(1,561)</b>	192	<b>(5,759)</b>	(1,634)
Income tax expenses	6	<u>—</u>	<u>(177)</u>	<u><b>(357)</b></u>	<u>(420)</u>
(Loss) profit for the period	7	<b>(1,561)</b>	15	<b>(6,116)</b>	(2,054)
Other comprehensive expenses for the period, net of tax <i>Items that will not be reclassified subsequently to profit or loss:</i> Adjustment on gain on revaluation of properties		<u>—</u>	<u>—</u>	<u>—</u>	<u>(800)</u>
Total comprehensive expenses for the period		<u><b>(1,561)</b></u>	<u>15</u>	<u><b>(6,116)</b></u>	<u>(2,854)</u>
		<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
(Loss) profit per share — basic and diluted	9	<u><b>(0.15) cents</b></u>	<u>0.001 cents</u>	<u><b>(0.58) cents</b></u>	<u>(0.19) cents</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2019

		As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	128,208	98,675
Prepaid lease payments		5,986	6,080
Goodwill		1,230	1,230
Financial asset at fair value through other comprehensive income		635	635
Financial asset at fair value through profit or loss		24,883	25,129
Deposits paid for acquisition of property, plant and equipment		—	19,370
Deposits paid for acquisition of an associate		27,000	—
		<u>187,942</u>	<u>151,119</u>
<b>CURRENT ASSETS</b>			
Inventories		38,378	29,246
Trade and other receivables	11	30,051	33,525
Prepaid lease payments		188	188
Amount due from ultimate holding company	12	707	—
Tax recoverable		10	187
Bank balances and cash		113,108	153,425
		<u>182,442</u>	<u>216,571</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	31,631	26,194
Contract liabilities		3,681	3,273
		<u>35,312</u>	<u>29,467</u>
<b>NET CURRENT ASSETS</b>		<u>147,130</u>	<u>187,104</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>335,072</u>	<u>338,223</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		11,451	11,451
Amount due to immediate holding company	14	35,508	32,543
		<u>46,959</u>	<u>43,994</u>
<b>NET ASSETS</b>		<u>288,113</u>	<u>294,229</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		106,350	106,350
Reserves		181,763	187,879
		<u>288,113</u>	<u>294,229</u>

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2019</b>	2018
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b><u>1,025</u></b>	<b><u>(17,371)</u></b>
Purchase of property, plant and equipment	(23,715)	(65)
Proceed from disposal of plant and machinery	—	13
Deposits paid for acquisition of an associate	(27,000)	—
Refund of deposits paid for acquisition of property, plant and equipment	10,000	—
Investment income	5	5
Interest received	<u>69</u>	<u>90</u>
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b><u>(40,641)</u></b>	<b><u>43</u></b>
(Advance to)/repayment from ultimate holding company	(707)	65
Government subsidy received	<u>6</u>	<u>53</u>
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b><u>(701)</u></b>	<b><u>118</u></b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(40,317)</b>	<b>(17,210)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>153,425</u></b>	<b><u>136,451</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, representing bank balances and cash</b>	<b><u>(113,108)</u></b>	<b><u>119,241</u></b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Paid-up capital	Share premium	Other reserve	Assets revaluation reserve	Statutory surplus reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note a)		(Note b)	(Note c)	
Balance at 1 January 2018 (as restated)	106,350	69,637	331,664	37,431	12,496	(262,175)	295,403
Loss for the period	—	—	—	—	—	(2,054)	(2,054)
Adjustment for gain on revaluation of properties, net of tax	—	—	—	(800)	—	—	(800)
Other comprehensive expenses for the period	—	—	—	(800)	—	—	(800)
Total comprehensive expense for the period	—	—	—	(800)	—	(2,054)	(2,854)
Balance at 30 June 2018	<u>106,350</u>	<u>69,637</u>	<u>331,664</u>	<u>36,631</u>	<u>12,496</u>	<u>(264,229)</u>	<u>292,549</u>
Balance at 1 January 2019	106,350	69,637	331,664	39,828	12,496	(265,746)	294,229
Total comprehensive expense for the period	—	—	—	—	—	(6,116)	(6,116)
Balance at 30 June 2019	<u>106,350</u>	<u>69,637</u>	<u>331,664</u>	<u>39,828</u>	<u>12,496</u>	<u>(271,862)</u>	<u>288,113</u>

### Notes:

- 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.
- 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.
- 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 2019 and 2018, 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; (ii) the provision of subcontracting services; and (iii) assets management services and; (iv) investment advisory services.

In the opinion of the Directors, the immediate parent of the Company is 貴州永安金融控股股份有限公司 (Guizhou Yongan Finance Holdings Company Ltd.\*) (“Guizhou Yongan”), an enterprise established in the PRC, and the ultimate holding parent and ultimate controlling party of the Company is 浙江永利實業集團有限公司 (Zhejiang Yongli Industry Group Co., Ltd\*) (“Zhejiang Yongli”), which is established in the PRC.

The consolidated financial statements are presented 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 2018. 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 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.

Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKFRSs 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

1 Effective for annual periods beginning on or after 1 January 2020.

2 Effective for annual period beginning on or after 1 January 2022

3 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 materials impact on the results and the financial position of the Group.



### 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		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>				
Disaggregation of revenue by major products or services lines				
Sales of woven fabrics	<b>33,621</b>	39,317	<b>66,304</b>	64,725
Subcontracting fee income	<b>281</b>	2,705	<b>1,825</b>	4,448
Fund management services fee	<u>—</u>	<u>147</u>	<u>—</u>	<u>162</u>
	<b><u>33,902</u></b>	<u>42,169</u>	<b><u>68,129</u></b>	<u>69,335</u>
Disaggregation of revenue by timing of recognition				
Timing of revenue recognition At a point in time	<b>33,621</b>	39,317	<b>66,304</b>	64,725
Over time	<u>281</u>	<u>2,852</u>	<u>1,825</u>	<u>4,610</u>
Total revenue from contract with customers	<b><u>33,902</u></b>	<u>42,169</u>	<b><u>68,129</u></b>	<u>69,335</u>
<b>Other income and gains</b>				
Investment income	<b>369</b>	(25)	<b>369</b>	5
Bank interest income	<b>19</b>	41	<b>69</b>	95
Exchange difference	<b>46</b>	—	<b>46</b>	—
Government subsidy ( <i>note</i> )	<b>6</b>	20	<b>6</b>	53
Refund of retirement benefit scheme contributions	<b>890</b>	—	<b>890</b>	—
Gain on disposal of plant and machinery	<u>—</u>	<u>—</u>	<u>—</u>	<u>13</u>
Sundry income	<u>—</u>	<u>146</u>	<u>—</u>	<u>147</u>
Compensation income	<b>70</b>	—	<b>156</b>	—
Sales of scrap materials	<u>19</u>	<u>147</u>	<u>19</u>	<u>264</u>
	<b><u>1,419</u></b>	<u>329</u>	<b><u>1,555</u></b>	<u>577</u>

*Note:*

Government subsidies of RMB6,000 (2018: RMB53,000) was awarded to the Group during the period ended 30 June 2019 for encouraging the business development. There is no unfulfilled condition or contingencies relating to these subsidies.

#### 4. 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
Asset management	—	Assets management and investment advisory 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		Asset management		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	<u>66,304</u>	<u>64,725</u>	<u>1,825</u>	<u>4,448</u>	<u>—</u>	<u>162</u>	<u>68,129</u>	<u>69,335</u>
Segment profit (loss)	<u>808</u>	<u>1,695</u>	<u>262</u>	<u>732</u>	<u>(703)</u>	<u>(410)</u>	<u>367</u>	2,017
Unallocated corporate income							<u>490</u>	313
Unallocated corporate expenses							<u>(3,651)</u>	(758)
Finance costs							<u>(2,965)</u>	<u>(3,206)</u>
Loss before taxation							<u>(5,759)</u>	<u>(1,634)</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 2018. Segment profit represents the profit earned by each segment without allocation of investment income, bank interest income, exchange difference, government subsidy, gain on disposal of plant and machinery, 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:

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
The PRC (country of domicile)	<b>59,636</b>	60,839
Europe	<b>5,924</b>	5,797
South America	<b>1,506</b>	2,231
Other overseas	<b>1,063</b>	468
	<b><u>68,129</u></b>	<u>69,335</u>

**5. FINANCE COSTS**

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Imputed interest on interest-free loan due to immediate holding company	<b><u>1,483</u></b>	<u>1,603</u>	<b><u>2,965</u></b>	<u>3,206</u>

**6. INCOME TAX EXPENSES**

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
PRC Enterprise Income Tax				
— Current taxation	—	177	—	177
— Prior year under-provided	—	—	<b>357</b>	243
	<b><u>—</u></b>	<u>177</u>	<b><u>357</u></b>	<u>420</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.

**7. (LOSS) PROFIT FOR THE PERIOD**

	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Loss) profit 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	<b>6,700</b>	7,251	<b>12,974</b>	12,419
Retirement benefit scheme contributions	<b>223</b>	227	<b>457</b>	411
Total staff costs	<b>6,923</b>	7,478	<b>13,431</b>	12,830
Amortisation of prepaid lease payments	<b>47</b>	47	<b>94</b>	94
Cost of inventories recognized as an expenses	<b>30,131</b>	34,029	<b>60,653</b>	57,149
Depreciation of property, plant and equipment	<b>1,939</b>	1,658	<b>3,530</b>	3,322
Research and development costs recognized as an expenses (note)	<b>435</b>	237	<b>781</b>	319
Written-off of property, plant and equipment	<b>22</b>	—	<b>22</b>	—
Loss from change on fair value of financial asset at fair value through profit and loss	<b>246</b>	—	<b>246</b>	—
Impair loss on trade receivables	<b>710</b>	—	<b>710</b>	—

*Note:* Research and development costs includes staff costs of RMB780,520 (2018: RMB319,453) which have been included in the staff costs as disclosed above.

**8. DIVIDEND PAID**

The Directors do not recommend the payment of an interim dividend for the three and six months ended 30 June 2019 and 2018.

**9. (LOSS) PROFIT PER SHARE**

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

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Loss) profit for the purpose of calculating basic (loss) profit per share	<u>(1,561)</u>	<u>15</u>	<u>(6,116)</u>	<u>(2,054)</u>
Number of shares for the purpose of basic (loss) profit per share <i>(Note)</i>	<u><b>1,063,500,000</b></u>	<u>1,063,500,000</u>	<u><b>1,063,500,000</b></u>	<u>1,063,500,000</u>
Weighted average number shares for the purpose of calculating (loss) profit per share	<u><b>1,063,500,000</b></u>	<u>1,063,500,000</u>	<u><b>1,063,500,000</b></u>	<u>1,063,500,000</u>

*Note:*

No diluted (loss) profit per share have been presented for the three months and six months ended 30 June 2019 and 2018, 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 2019, the Group spent approximately RMB89,000 (31 December 2018: approximately RMB357,000) for additions of furniture, fixtures and equipment and approximately RMB32,120,000 for additions of plant and machinery (31 December 2018: approximately RMB54,000).

**11. TRADE AND OTHER RECEIVABLES**

The Company 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:

	<b>30 June 2019 RMB'000</b>	31 December 2018 RMB'000
0-60 days	22,297	30,125
61-90 days	305	218
91-120 days	1,367	573
121-365 days	845	205
Over 365 days	<u>58</u>	<u>109</u>
	<b>24,872</b>	31,230
Other receivables		
Prepayments to suppliers	871	704
Other prepayments	4,111	1,089
Other receivables	<u>197</u>	<u>502</u>
	<u>5,179</u>	<u>2,295</u>
Total trade and other receivables	<u><b>30,051</b></u>	<u>33,525</u>

**12. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY**

The amount is unsecured, interest-free and repayable on demand.

**13. TRADE AND OTHER PAYABLES**

	<b>30 June 2019 RMB'000</b>	31 December 2018 RMB'000
Trade payables	22,783	13,295
Other tax payables	2,393	4,427
Accrued expenses and other payables	<u>6,455</u>	<u>8,472</u>
	<u><b>31,631</b></u>	<u>26,194</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:

	<b>30 June 2019 RMB'000</b>	31 December 2018 RMB'000
0-60 days	<b>12,478</b>	4,336
61-90 days	<b>1,042</b>	1,358
91-365 days	<b>3,310</b>	1,672
Over 365 days	<b>5,953</b>	5,929
	<b><u>22,783</u></b>	<u>13,295</u>

#### 14. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

Analysed for reporting purposes as:

	<b>30 June 2019 RMB'000</b>	31 December 2018 RMB'000
Non-current liability	<b><u>35,508</u></b>	<u>32,543</u>

On 23 December 2016, Zhejiang Yongli entered into an agreement of assignment of debt with Guizhou Yongan ("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 Yongan and Guizhou Yongan 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 between Zhejiang Yongli and Guizhou Yongan, 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 cash flow of the Company in the year ended 31 December 2016.

Imputed interest on these advances had been computed at an original effective interest rate of 18.22% (31 December 2018: 18.22%). The amount is unsecured, interest-free and repayable of an amount which does not exceed 50% of operating cash flow of the year on an annual basis until the full repayment of the debt.

During the year ended 31 December 2018, the Group partially repaid the principal of the interest-free loans of RMB6,426,000. The principal amount outstanding as at 31 December 2018 was RMB229,475,000.

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

	<b>30 June 2019 RMB'000</b>	31 December 2018 RMB'000
At the beginning of the period	<b>32,543</b>	32,963
Imputed interest charges during the period ( <i>note 5</i> )	<b>2,965</b>	6,006
Repayment during the period	<u>—</u>	<u>(6,426)</u>
At the end of the period	<u><b>35,508</b></u>	<u>32,543</u>

## 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) The balances with ultimate holding company and immediate holding company are set out in Notes 12 and 14 respectively.
- (b) During the period for the six months ended 30 June 2019, the Group had paid approximately RMB9,272,000 (2018: RMB7,764,000) to Zhejiang Yongli for electricity charges paid by Zhejiang Yongli on behalf of the Group.

The aforesaid payments were made on behalf of the Group based on the actual costs incurred and were in the ordinary course of business of the Group.

- (c) During the six months ended 30 June 2019, the Group had paid approximately RMB78,000 (2018: approximately RMB35,000) 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 2019, the Group recorded a revenue of approximately RMB68.13 million, represents a decrease of approximately 1.74% when compared with the same period in 2018. It was mainly due to decrease of revenue of subcontracting services. Gross profit dropped by approximately RMB2.85 million or 3.96% mainly due to increase of cost of sales such as raw material cost, wages etc., although there was slightly upward of average selling price during the six months ended 30 June 2019 when compared with the same period in 2018.

The selling and distribution costs decreased by approximately RMB698,000 or 42.35% for the six months ended 30 June 2019 when compared with the correspondence period in 2018 mainly due to decrease of sales commission.

Administrative expenses increased significantly by approximately RMB3.2 million or 51.12% during the six months ended 30 June 2019 when compared with the same period in 2018. It was mainly due to (i) research and development expense increased as additional qualify staff were engaged under the research and development department for further enhancement of new product development; (ii) impairment loss on accounts receivable; (iii) professional fees for preparing the connected and major transactions, details were disclosed in the circular of the Company dated 24 April 2019 and (iv) provision of property tax.

Other income increased by approximately RMB978,000 or 169.5% mainly due to refund of retirement scheme contributions paid in previous years, investment income and compensation income received during the six months ended 30 June 2019 when compared with the same period in 2018.

Finance cost of approximately RMB2.97 million for the six months ended 30 June 2019 represents imputed interest in interest-free loan due to immediate holding company.

The respective loss per share for the six months ended 30 June 2019 and 2018 were approximately RMB0.58 cents and RMB0.19 cents respectively.

## Business and operation review

During the six months ended 30 June 2019, there was slight growth of domestic sales by approximately 2.82% and stable export sales. The average selling price increased slightly by approximately 3.33% mainly due to potential customers willing to pay better price for higher quality of woven fabrics from the Group. In 2019, the Group expect that the fellow textile manufacturers have to continue to face the pressures of rising of raw material prices and wages in the PRC. The fluctuation of oil price will also affect the cost of raw materials of the textile industry. In additions, the Directors expect that the increasing trade tension between China and the U.S., may cause impact to the worldwide economies. The Group has to balance the existing policies in developing both domestic and overseas market so as to minimise the market risk of the Group.

In view of the current changes in the economy and the securities market in the PRC, private equity funds in the PRC tend to be more cautious and exercise higher level of diligence in identifying investment projects. During the six months ended 30 June 2019, 貴州安恒永晟投資管理有限公司(Guizhou Anheng Yongcheng Investment Management Co., Ltd.\*) (“Guizhou Anheng”), a wholly owned subsidiary of the Company that is principally engaged in assets management in the PRC did not enter into any new asset management services and investment advisory services contracts.

Up until now, 深圳南山金融科技雙創股權投資基金合夥企業(有限合夥) (Shenzhen Nanshan Fintech Entrepreneurship and Innovation Equity Investment Fund Partnership Enterprise (Limited Liability Partnership)\*) (“Nanshan Fintech” or the “Fund”) has yet to identify any suitable investment opportunities due to the current economy condition and securities market in the PRC.

In order to diversify the business risk and enhance the return of capital investment of the shareholders of the Company, on 18 March 2019, the wholly owned subsidiary of the Company, 深圳永安慧聚水務科技有限公司(Shenzhen Yongan Huiju Water Technology Co., Ltd.\*) (“Shenzhen Yongan Huiju”), entered into the sales and purchase agreement with a connected party (“Vendor”) for purchasing of 41.67% of total issued share capital of 北京太比雅科技股份有限公司 (Beijing Taibiya Technology Co., Ltd.\*) (the “Target Company”) (the “Acquisition”), details of which were disclosed in the announcement dated 18 March 2019 and circular date 24 April 2019 of the Company. The Directors consider that the Acquisition is in line with the Group’s business diversification strategy and represents an attractive investment opportunity of the Group to tap into the water management-related business in the PRC with growth potential and to generate diversified income and additional cash

flow through the Acquisition. The Directors believe that the growth of water management, planning, operation and maintenance-related business is promising. As such, the Company is exploring business opportunities in development of technology applications around water management, planning, operation and maintenance-related business, including by way of acquisitions. In light of the business prospects and the experienced management team of the Target Group, the Company is confident that the Acquisition will allow the Group to capture the opportunities arising from the potential growth in water management, planning, operation and maintenance-related business. As at the date of this document, the Group has not completed the whole process of acquisition of the Target Company.

### **Product research and development**

During the six months ended 30 June 2019, 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 2019, 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 order to enhance competitiveness and market share of the textile sector, the Group (i) has installed some new and advanced production machines since April 2019 so as to eliminate backward production capacity; (ii) has employed some qualify staff in order to strengthen the research and development of Group for improving the product quality and output; and (iii) will further develop the domestic and overseas market.

As discussed under the section of business and operation review above, as at the date of this document, the Group has not completed the whole process of acquisition of the Target Company. The Directors expect to complete the Acquisition before the third quarter of 2019. In view of the business prospects of the Target Group and the experienced management team, the Directors believe that the Acquisition will enable the Group to capture the opportunities arising from the potential growth of related businesses such as water management, planning and operation and maintenance.

Guizhou Anheng will continue to engage in the assets management and investment advisory services. At present, the Guizhou Anheng team is also actively exploring investment opportunities to enhance the Group's long-term growth. Guizhou Anheng will serve as a platform for the Group to develop its asset management business and the Group will make full use of the new policies of relevant government departments to seize opportunities and gradually expand the business of Guizhou Anheng, including equity funds, securities investment funds and industrial funds. Under the leadership of the management team. The Board believes that the Group will be able to meet the upcoming challenges in 2019 and will therefore pay off for its shareholders.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During six months ended 30 June 2019, 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 2019, the Group's current assets and net current assets were approximately RMB182.44 million (31 December 2018: approximately RMB216.57 million) and approximately RMB147.13 million (31 December 2018: approximately RMB187.10 million) respectively. The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was approximately 5.17 (31 December 2018: 7.35).

### COMMITMENTS

	<b>30 June 2018</b>	<b>31 December 2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure in respect of the:		
a) acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	—	34,670
b) acquisition of an associate	<u>63,000</u>	<u>—</u>
	<u>63,000</u>	<u>34,670</u>

## **SIGNIFICANT INVESTMENTS**

Reference is made to the announcements of the Company dated 9 November 2018, 14 March 2019, 19 March 2019; circular dated 23 April 2019 and poll result announcement of the extraordinary general meeting of the Company held on 20 June 2019, Shenzhen Yongan Huiju Water Technology Co., Ltd.\* (深圳永安慧聚水務科技有限公司), a wholly owned subsidiary of the Company as a purchaser (“Purchaser”) entered into the share transfer agreement with Qinghai Haiqing New Energy Technology Co., Ltd.\* (青海海清新能源科技有限公司), as a vendor (“Vendor”), which is the legal and beneficial owner of the 41.67% issued share capital of a target company, Beijing Tepia Technology Co., Ltd.\* (北京太比雅科技股份有限公司) (“Target Company”), a company incorporated in the PRC and is listed on the NEEQ (Stock Code: 838941) on 18 March 2019 to acquire the 41.67% of interest in the Target Company. As at the date of this documents, the transaction of acquisition of the Target Company has not completed.

## **CONTINGENT LIABILITIES**

As at 30 June 2019, the Group did not have any significant contingent liabilities (31 December 2018: Nil).

## **CHARGES ON GROUP ASSETS**

As at 30 June 2019, the Group has no charges on Group assets (31 December 2018: Nil).

## **MATERIAL DISPOSALS**

The Group did not have any material disposals during the six months ended 30 June 2019 and 2018.

## **SEGMENTAL INFORMATION**

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

## **EMPLOYEE AND EMOLUMENT POLICIES**

As at 30 June 2019, the Company had 404 employees (31 December 2018: 390), comprising 7 (31 December 2018: 7) in research and development, 10 (31 December 2018: 10) in sales and marketing, 332 (31 December 2018: 321) in production, 40 (31 December 2018: 36) in quality control, 5 (31 December 2018: 5) in management, and 10 (31 December 2018: 11) 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 2019, 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. Mr. He Weifeng is also the deputy chairman of Zhejiang Yongli. Ms. Wang Ai Yu, a supervisor of the Company ("Supervisor"), is a manager of the finance department of Zhejiang Yongli. Zhejiang Yongli and Guizhou Yongan are associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong ("SFO")) by virtue of being a holding company of the Company.

Save as disclosed above, as at 30 June 2019, 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 2019, 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	Approximate percentage of interests in total registered capital
Guizhou Yongan	Beneficial owner	588,000,000	100.00%	55.29%
Zhejiang Yongli	Interest in controlled corporation ( <i>Note</i> )	588,000,000	100.00%	55.29%
Mr. Zhou Yongli	Interest in controlled corporation ( <i>Note</i> )	588,000,000	100.00%	55.29%
Ms. Xia Wanmei	Interest of spouse ( <i>Note</i> )	588,000,000	100.00%	55.29%

#### *Notes:*

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

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

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of H Shares held</b>	<b>Approximate percentage of interests in H Shares in issue at 30 June 2018</b>	<b>Approximate percentage of interests in total issued share capital 30 June 2018</b>
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,540,000	43.86%	19.61%

Saved as disclosed above, at 30 June 2019, 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 date of this document.

**AUDIT COMMITTEE**

The Company has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with Rule 5.28 and 5.29 of the GEM Listing Rules and code provision C3.3 of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board. At the date of this document, the Audit Committee has three members comprising the three Independent Non-Executive Directors, Mr. Song Ke, Mr. Zhu Weizhou and Mr. Leng Peng. Mr. Leng Peng is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited first quarterly results and interim results of the Group for the three months ended 31 March 2019 and the six months ended 30 June 2019 respectively and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure had been made.



## **CORPORATE GOVERNANCE PRACTICES**

During the six months ended 30 June 2019, 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 2019.

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

Zhejiang, the PRC, 14 August, 2019

*As at the date of this announcement, the executive directors of the Company are Mr. Jiang Ning (Chairman), Mr. He Weifeng (Deputy Chairman), Ms. He Lianfeng (Chief Executive Officer) and Mr. Hu Hua Jun; the independent non-executive directors of the Company are Mr. Song Ke, Mr. Zhu Weizhou and Mr. Leng Peng.*

*This announcement 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 publication and on the Company’s website at <http://www.zj-yongan.com>.*

\* For identification purpose only