ANNUAL 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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** English name is for identification only*

EXECUTIVE DIRECTORS

Mr. Wang Hengzhuang *(Chairman of the Board)*
Ms. He Lianfeng *(Chief Executive Officer)*
Mr. Hu Hua Jun

NON-EXECUTIVE DIRECTOR

Mr. Ma Jinsong *(Deputy Chairman of the Board)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Song Ke
Mr. Leng Peng
Mr. Zhu Weizhou

SUPERVISORS

Ms. Wang Ai Yu *(Chairman of Supervisory Committee)*
Mr. Chen Wei

INDEPENDENT SUPERVISORS

Mr. Pan Xing Biao

COMPANY SECRETARY

Ms. Chen Yen Yung – CPA *(Aust.)*, CPA

AUDIT COMMITTEE

Mr. Leng Peng *(Chairman of Audit Committee)*
Mr. Song Ke
Mr. Zhu Weizhou

REMUNERATION COMMITTEE

Mr. Song Ke *(Chairman of Remuneration Committee)*
Mr. Leng Peng
Mr. Zhu Weizhou
Mr. Wang Hengzhuang

NOMINATION COMMITTEE

Mr. Zhu Weizhou *(Chairman of Nomination Committee)*
Mr. Leng Peng
Mr. Song Ke
Ms. He Lianfeng

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Mr. Hu Hua Jun

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Ms. Chen Yen Yung
Mr. Hu Hua Jun

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STOCK CODE

8211

For the year ended 31 December 2019,

— revenue of the Group decreased from approximately RMB151.29 million in year 2018 to approximately RMB134.54 million in year 2019, representing a decrease of approximately 11.07% when compared to the year ended 31 December 2018;

— loss for the year was approximately RMB49.17 million; and

— the Directors do not recommend the payment of a final dividend for the year ended 31 December 2019.

On behalf of 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"), I am pleased to present to our shareholders the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019.

FINANCIAL PERFORMANCE

For the year ended 31 December 2019, the Group recorded a revenue of approximately RMB134.54 million, represents a decrease of approximately 11.07% when compared to the same period in 2018. It was mainly due to decrease of revenue from manufacturing and sales of woven fabrics and provision of subcontracting services and no revenue has been earned from investment advisory services and fund management services during the year ended 31 December 2019 as a result of the deterioration in macroeconomic environment and business uncertainty as caused by the trade dispute between the United States and China. Gross profit declined by approximately RMB7.12 million or 41.23% mainly due to (i) increase of cost of sales such as wages, depreciation, utility cost and spare parts etc., and (ii) allowance for slow moving inventories provided during the year ended 31 December 2019.

Other income and gains increased by approximately RMB2.85 million or 59.60% mainly due to refund of retirement scheme contributions paid in previous years, gain on disposal of plant and machinery, write-back of trade payables, increase of dividend from financial asset at FVTPL and compensation income received during year ended 31 December 2019 when compared to the same period in 2018.

The selling and distribution costs decreased by approximately RMB813,000 or 27.53% for the year ended 31 December 2019 when compared with the correspondence period in 2018 mainly due to decrease of sales commission which is in line with decrease of revenue.

Administrative expenses increased significantly by approximately RMB6.62 million or 40.98% during the year ended 31 December 2019 when compared to the same period in 2018. It was mainly due to (i) research and development expense increased as additional qualified staff were engaged under the research and development department for further enhancement of new product development and more research and development activities were underwent; (ii) impairment loss on accounts receivables incurred; (iii) professional fees paid for preparing the connected and major transactions, details of which were disclosed in the circular of the Company dated 24 April 2019 and the announcement dated 21 August 2019, and (iv) increase of salary and benefits.

Share of losses of associates of approximately RMB4.77 million represents share of losses from 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). Impairment loss of interests in associates of approximately RMB31.24 million for the year ended 31 December 2019 represents impairment of goodwill which arose from acquisition of the Target Company in August 2019. The acquisition of the 41.67% of interest in the Target Company was completed on 20 August 2019, details of which were disclosed in the respective circular dated 24 April 2019 and the announcement dated 21 August 2019. The Target Company incurred losses during the year ended 31 December 2019 mainly due to (i) the Target Company was undergoing strategic business shift to new water management related business which at the starting point required effort in promotion and research and development, as such promotion expenses and staff salaries for engagement in promotion and research and development increased significantly and revenue of traditional business decreased significantly; (ii) revenue decreased sharply also due to the fact that some of the relevant local government authorities either deferred or cancelled tendering of certain projects due to the poor local economic sentiment and financing difficulties encountered by local municipal governmental platforms.

Finance cost of approximately RMB5.93 million for the year ended 31 December 2019 represents imputed interest in interest-free loan due to immediate holding company.

The respective loss per share for the year ended 31 December 2019 and 2018 were approximately RMB4.62 cents and RMB0.34 cents respectively.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019.

OUR STRATEGIES GOING FORWARD

In 2019, in this extremely unusual and exceptional year, affected by the continued fierce of the Sino-US trade war, the devaluation of the Renminbi, and the keen competition in Southeast Asian markets, the prices of chemical fiber raw materials have been fluctuated. The Group integrated the current situation, planned carefully in advance, and worked step by step, maintaining a stable and sound operating situation. In addition, through timely adjustment of strategy, open source and throttling, the Group has not only withstood the rigorous test, but also has certain remarkable highlights.

The textile sector is the Group's main business. Under the harsh industrial and economic environment in 2019, the Group has carried out the following measures and actions:

(A) grasped the local government policy direction in real time, adjusted the product structure by enhancement of product research and development, and applied for government subsidies for enhancement of research and development;

(B) continued to innovate the management system, improve management efficiency, and implement job responsibilities;

(C) actively expanding and developing new products result in weaving products with higher technical content and stronger sense of science and technology; and achieving high quality and new products. The new texturing machine equipment fully installed and applied in production in the first quarter 2019 adds another closed loop to the Group's textile industry chain which meets the market demand for raw materials and adds pre-processes to the Group's textile industry to achieve the scale effect of the industry and achieve the marginal efficiency of resources optimise;

(D) remodeling and upgrading the finished product sample showroom, so that customers can understand the Group's basic situation and product information from various aspects. Strengthen research and innovation and build brand-name products.

In the water affairs sector, the Company's wholly owned subsidiary, 深圳永安慧聚水務科技有限公司 (Shenzhen Yongan Huiju Water Technology Co., Ltd.*) ("Shenzhen Yongan Huiju") had completed the acquisition of 41.67% of the issued share capital of Beijing Tepia Technology Co., Ltd. ("Tepia") on August 21, 2019. Tepia is principally engaged in providing information planning and design, software development, system integration and project-based systems operation and maintenance services for water management systems. The relevant systems and services are used in waterworks planning and management, water resources conservation and utilization, flood prevention and drought control, water environment management and aquatic ecological restoration. For the government clients in water conservancy and water affairs, Tepia providing solution design, equipment installation and debugging, software development, system integration, aerial 3D data and hydrology, water quality, hydrodynamic models and other products and services. In 2019, Tepia also focus on "small water conservancy projects" and make full use of existing customers and technology accumulation to provide government customers in the field of water conservancy and water affairs with solutions design, management system development, equipment installation and commissioning, and management of small water conservancy projects. Comprehensive solutions such as aerial 3D data, property management and maintenance. At this stage, the small and medium-sized reservoirs are used as the entry point and gradually expanded to other small water conservancy projects.

Under the macro trend of economic downturn in 2019, the new funds raised in the market of the PRC in 2019 decreased by 6.6% year-on-year. Institutions investors were generally cautious, hence the investment amount decreased by 29.3% year-on-year, and investment cases decreased by 17.8% year-on-year. The Group's asset management segment, 貴州安恒永晟投資管理有限公司 (Guizhou Anheng Yongsheng Investment Co., Ltd.*) ("Guizhou Anheng")'s team actively explored investment opportunities so as to reserve high-quality projects. With the improvement of the national economic policies, the operation of the Small and Medium sized Entities ("SMEs") have received more attention and improvement, and the market valuation has returned to a reasonable range. Guizhou Anheng will advance related work in due course.

PROSPECTS

In the new year, under the guidance of new thinking and new methods, the Group will deeply develop the main business, seize the advantages of new equipment, expand new markets, integrate new resources, develop new products, and improve market competitiveness. At the same time, Tepia has a broad business prospect and experience management team. The Board firmly believes that the acquisition of Tepia will enable the Group to seize the opportunities brought by the potential growth of the related businesses such as water resources management, planning and operation and maintenance. Guizhou Anheng will also serve as a platform for the Group to develop its asset management business and the Group will make full use of various new policies of relevant government departments to seize opportunities and actively promote the reserved projects.

In respect of the impact due to the COVID-19 epidemic ("Epidemic") as disclosed in the announcement of the Company dated 20 February 2020, the Group will use its best endeavor to take appropriate measures for mitigating such adverse impact. However, the measures can only be effective when the situation of the Epidemic is stabilised and under controlled as soon as possible. The Board will continue to assess the impact of the Epidemic on the operation and financial performance of the Group, while closely monitoring the development of the Epidemic and the risks and uncertainties faced by the Group as a result of the Epidemic.

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

APPRECIATION

On behalf of the Board, I wish to extend our appreciation to our customers, vendors, banks and shareholders for their enthusiasm and support, and to every employee for their hard work and dedication to the Group throughout the year.

Wang Hengzhuang
Chairman

Zhejiang, the PRC, 17 April 2019

BUSINESS AND OPERATION REVIEW

During the year ended 31 December 2019, the domestic sales dropped by approximately 10.55% while the export sales decreased by approximately 14.45% mainly due to decrease of export to South America. The average selling price is stable mainly due to potential customers willing to pay reasonable 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 fluctuation of price of raw material and rise of wages in the PRC. The fluctuation of oil price will also affect the cost of raw materials of the textile industry. In addition, although the trade tension between China and the U.S., seems calm down, the Directors expect the worldwide economies will continue to go down and even worse due to the impact of COVID-19 epidemic which seems to spread all round the world. 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 year ended 31 December 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 earn any revenue from provision of asset management services and investment advisory services.

During the year ended 31 December 2019, 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 identified and invested in a potential entity which is expected to bring remarkable return to its shareholders.

In order to diversify the business risk and enhance the return of capital investment of the shareholders of the Company, on 20 August 2019, the 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"), successfully acquired 41.67% of the Target Company. The Directors consider that the acquisition of the Target Company 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.

During the year ended 31 December 2019, the Target Company incurred significant losses mainly due to (i) the financing difficulties encountered by some of the local municipal governmental platforms which led to either deferred or cancelled projects and resulted in decrease of the revenue of the Target Company and (ii) the Target Company is exploring new business related to water management which is required to spend more effort on promotion and research and development, therefore the expenses for promotion and research and development increased significantly. However, the Directors still have confidence to the prospect of the new business of the Target Company and believe that performance will be improved in the near future.

Production Facilities

During the year ended 31 December 2019, the Group spent approximately RMB1,102,000 in additions of furniture, fixtures and equipment and approximately RMB31,955,000 in additions of plant and machinery.

Product research and development

During the year ended 31 December 2019, the Group continued to innovate and develop new products for meeting the customers' need and enhance sales orders from customers.

Sales and marketing

During the year ended 31 December 2019, the Group actively participated in various trade fairs held in PRC and overseas in order to gain exposure in the fabrics market and to popularise the Group's new products.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year ended 31 December 2019, the Group financed its operations mainly by internally generated cash and financial support from the immediate holding company, 貴州永安金融控股股份有限公司 (Guizhou Yongan Finance Holdings Company Ltd.*) ("Guizhou Yongan").

As at 31 December 2019, the Group's current assets and net current assets were approximately RMB118.17 million (31 December 2018: approximately RMB216.57 million) and approximately RMB83.55 million (31 December 2018: approximately RMB187.1 million) respectively. The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was approximately 3.41 (31 December 2018: approximately 7.35).

The current assets for the year ended 31 December 2019 decreased by approximately RMB98.41 million and the liquidity ratio decreased by 3.94 when compared to the same period in 2018 mainly due to cash of RMB90 million was paid for acquisition of 41.67% interest in Target Company during the year ended 31 December 2019.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group did not have capital commitments (2018: approximately RMB34,670,000 for acquisition of plant and equipment contracted for but not provided in the consolidated financial statements).

SIGNIFICANT INVESTMENTS

Reference is made to the announcements of the Company dated 9 November 2018, 14 March 2019, 19 March 2019, 21 August 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 as a 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, which is the legal and beneficial owner of the 41.67% issued share capital of the Target Company. The transaction of acquisition of the Target Company completed on 20 August 2019.

MATERIAL DISPOSALS

The Group did not have any material disposals during the years ended 31 December 2019 and 2018.

SEGMENT INFORMATION

Segment information of the Group is set out in note 9 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2019 and 2018, the Group did not have any material contingent liabilities.

CHARGES ON GROUP ASSETS

As at 31 December 2019 and 2018, the Group did not have any charges on the Group assets.

EMPLOYEE AND EMOLUMENT POLICIES

As at 31 December 2019, the Group had 391 employees (31 December 2018: 390), comprising 9 (31 December 2018: 7) in research and development, 8 (31 December 2018: 10) in sales and marketing, 317 (31 December 2018: 321) in production, 40 (31 December 2018: 36) in quality control, 5 (31 December 2018: 5) in management, and 12 (31 December 2018: 11) in finance and administration. Remuneration is determined by reference to the 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 Renminbi ("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 and other means to hedge its foreign currency exposure. The Group considers it has no material foreign exchange risk.

EXECUTIVE DIRECTORS

Mr. Wang Hengzhuang（王恒壯先生）(“**Mr. Wang**”), aged 43, is currently the Chairman and executive Director of the Company and is responsible for the strategic planning、corporate investment and overall management of the Company. From July 1999 to August 2000, Mr. Wang worked as an industry researcher in the Research Department of China Great Wall Trust Investment Co., Ltd.’s Shanghai Zhangyang Road Securities Business Office*（中國長城信託投資有限公司上海張楊路證券營業部）. From September 2000 to January 2003, he served as a general manager of Jiading Service Office*（嘉定服務部）of China Galaxy Securities Company Ltd.*（中國銀河證券有限責任公司）(currently known as China Galaxy Securities Co., Ltd.*（中國銀河證券股份有限公司）, whose shares are listed on the Stock Exchange (with stock code: 6881) and Shanghai Stock Exchange (with stock code: 601881) respectively) (“China Galaxy Securities”)’s Shanghai Zhangyang Road Business Office*（上海張楊路營業部）. From February 2003 to December 2006, he served as an integrated management and financial analysis specialist in the Finance Department of China Galaxy Securities’ Shanghai Headquarter Office*（中國銀河證券上海總部中心）and had engaged in various projects including but not limited to the implementation of the financial integration scheme of 24 regional Business Offices in Shanghai. From January 2007 to March 2008, he participated in the restructuring project of China Galaxy Securities. From August 2008 to November 2013, he worked in the Planning and Finance Department of China Galaxy Securities and was responsible for performing financial analysis and budget management and had subsequently become the responsible person for the Financial Management Department and a core member of the Planning and Finance Department from 2012 to May 2016. During such period, he was seconded to Guiyang City Jinyang Construction Investment (Group) Co., Ltd.*（貴陽市金陽建設投資(集團)有限公司）and positioned as the deputy general manager in charge of investment and financing from December 2013 to November 2014. Simultaneously, he serves as the executive director, the legal representative and the general manager of Guiyang City Guishan Funds Management Co., Ltd*（貴陽市貴山基金管理有限公司）, a company in which Guizhou Yongan is interested in 42% of its entire equity interests (“Guishan Fund”), since January 2015. From June 2016 to September 2018, he worked as the director of Investment of Guizhou Yongan, and has subsequently become the deputy general manager of Guizhou Yongan since October 2018. He has also served as the general manager and an executive director of Qinghai Haiqing New Energy Technology Co., Ltd.*（青海海清新能源科技有限公司）, a fellow subsidiary of the Company, since November 2016. Since 26 December 2017, Mr. Wang serves as the general manager, executive director and the legal representative of Jiuzhou Deye Fund Management (Beijing) Co., Ltd*（九州德業基金管理(北京)有限公司）, a subsidiary of Guishan Fund. Since 5 January 2018, Mr. Wang has served as the executive director of Tepia, which has been an associated company of the Company since 20 August 2019. Since July 2017, Mr. Wang has obtained a practising certificate issued by Asset Management Association of China*（中國證券投資基金業協會）for his fund practices in Guishan Fund. He graduated from Jiangxi University of Finance and Economics（江西財經大學）with a bachelor’s degree in Economic Information Management in June 1999. He also obtained a master degree in Business Administration from Nanchang University（南昌大學）in June 2008. Mr. Wang has been appointed as an executive Director of the Company at the extraordinary general meeting (“EGM”) held on 19 November 2019 and elected as a Chairman of the Board on the same day.

Ms. He Lianfeng（何連鳳女士）, (“**Ms. He**”), aged 46, is currently an executive Director, Chief Executive Officer and a general manager of the Company. She is responsible for the sales and production of the Company. Before joining the Company, she acted as the workshop director of Zhejiang Yongli Warp Knitting Co. Ltd. from January 1990 to July 2007, the general manager assistant of Zhejiang Yongli Warp Knitting Co. Ltd. from August 2007 to February 2013. She is familiar with the trends of textile market in the PRC and has gained more than 30 years of valuable experience in production management in textile enterprises. In March 2013, she joined the Company as the deputy general manager and was appointed as executive Director and elected as deputy Chairman on 10 Mar 2014. She resigned as a deputy Chairman of the Board on 28 February 2017. Ms. He has been re-appointed as executive Director at the annual general meeting (“AGM”) held on 15 May 2019.

Mr. Hu Hua Jun（胡華軍先生）(“**Mr. Hu**”), aged 34, is currently an executive Director of the Company. He is responsible for all secretarial work of the Chairman and the routine management of administrative department. Prior to joining the Company, Mr. Hu worked in the finance department and the general manager's office of Zhejiang Yongli from July 2008 to May 2010 and from May 2010 to December 2010, respectively. He received a bachelor degree in Accounting at Economics and Management Faculty in 湖南南華大學 (University of South China, Hunan*). He joined the Company in December 2010 and was re-appointed as an executive Director on 14 May 2018.

NON-EXECUTIVE DIRECTOR

Mr. Ma Jinsong（馬勁松先生）(“**Mr. Ma**”), aged 52, is currently a deputy Chairman and a non-executive Director of the Company. From April 2005 to September 2009, he served as various positions in the Credit Card Center of China CITIC Bank Corporation Limited（中信銀行股份有限公司）(“China CITIC Bank”), whose shares are listed on the Stock Exchange (with stock code: 998), including the chief technology officer, the assistant to the president and the vice president. From October 2009 to April 2013, he acted as the general manager of the Private Banking Center of China CITIC Bank. From May 2013 to July 2015, he worked as the assistant branch manager of Shijiazhuang Branch Office of China CITIC Bank. Since February 2016, Mr. Ma has been the general manager of Shenzhen Hande Financial Technology Holdings Co., Ltd.*（深圳瀚德金融科技控股有限公司）, a company indirectly interested in 25% equity interests in Guizhou Yongan as at the date of this document. Since December 2016, he has been the chief executive officer of Rongshu Technology (Shenzhen) Company Ltd.*（融數科技(深圳)有限公司）. Since January 2019, he has been a director and the deputy general manager of Guizhou Yongan. He has been the general manager of Whole Easy Internet Technology Co., Ltd.*（眾應互聯科技股份有限公司）, whose shares are listed on the Shenzhen Stock Exchange (with stock code: 002464) from 21 May 2019 to 9 September 2019. Mr. Ma graduated from Beijing Institute of Technology（北京理工大學）with a bachelor's degree in management in July 1990. He also obtained a master degree in Monetary Banking from Renmin University of China（中國人民大學）in July 1996. Mr. Ma has been appointed as a non-executive Director of the Company at the EGM held on 19 November 2019 and elected as a deputy Chairman of the Board on 31 December 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Song Ke（宋科先生）（"**Mr. Song**"), aged 37, is currently an independent non-executive Director of the Company. He has served as a deputy secretary of the party committee of the School of Finance of Renmin University of China since April 2019, as an assistant to the dean of The School of Finance of Renmin University of China from January 2018 to December 2019, as an assistant professor in the Faculty of Currency Finance of The School of Finance of Renmin University of China*（中國人民大學財政金融學院貨幣金融系）since September 2015, and as the council director and deputy director of the International Monetary Institute of Renmin University of China*（中國人民大學國際貨幣研究所）since January 2014. Mr. Song served as league secretary general of The School of Finance of Renmin University of China*（中國人民大學財政金融學院）from July 2004 to September 2009 and post-doctorate of School of Statistics of Renmin University of China*（中國人民大學統計學院）from July 2012 to July 2015, and he was assigned as deputy commissioner of the Banking Commission of the Guizhou People's Government Finance Office*（貴州省政府金融辦銀行處）from November 2012 to December 2013. He graduated from The School of Finance of Renmin University of China (Beijing, China)* in July 2004, majoring in finance and obtained a bachelor's degree in economics. He continued his master and doctoral studies at The School of Finance of Renmin University of China (Beijing, China)* from September 2006 to July 2012, and obtained a doctoral degree in economics. Mr. Song has been appointed as the independent supervisor of Bank of Zhengzhou Co., Ltd.* (鄭州銀行股份有限公司), whose shares are listed on the Stock Exchange (with stock code: 6196) and Shenzhen Stock Exchange (with stock code: 002936) respectively, since 19 May 2017. He has been appointed as independent non-executive director of Bank of Guizhou Co., Ltd.* (貴州銀行股份有限公司) since August 2018 (stock code: 6199). He has been appointed as an independent non-executive Director of the Company at the EGM held on 12 December 2017.

Mr. Leng Peng（冷鵬先生）（"**Mr. Leng**"), aged 38, is currently an independent non-executive Director of the Company. From February 2009 to May 2011, he served as senior audit manager of Zhongxi CPA Firm*（中喜會計師事務所）. From June 2011 to April 2013, he acted as the director of business department of The Pacific Securities Co., Ltd.（太平洋證券股份有限公司）, a company listed on the Shanghai Stock Exchange (stock code: 601099). Since April 2013, he has been working as the general manager of the business department of investment banking division of the Shenzhen Office of Shouchuang Securities Co., Ltd.*（首創證券有限責任公司）("Shouchuang Securities") and also as the deputy general manager of the Shenzhen branch office of Shouchuang Securities. Mr. Leng was registered as a PRC Certified Public Accountant in December 2008 and has changed to a non-practising member of The Chinese Institute of Certified Public Accountant since February 2016. He has also registered as a Chinese Certified Tax Agent since 2011. He graduated from Shandong University（山東大學）with the Bachelor's degree in economics in June 2004. He has been appointed as an independent non-executive Director of the Company at the annual general meeting ("AGM") held on 15 May 2019.

Mr. Zhu Weizhou（朱偉洲先生）（"**Mr. Zhu**"), aged 54, is currently an independent non-executive Director of the Company. From August 2002 to December 2008, he worked as an assistant to the chairman of the board of directors of Guangsha Holdings Group Co., Ltd.* (formerly known as Guangsha Holdings Venture Capital Co., Ltd.*)（廣廈控股集團有限公司(前稱廣廈控股創業投資有限公司)). He served as a director of Gemdale Group Co., Ltd.（金地(集團)股份有限公司）, a company listed on the Shanghai Stock Exchange (stock code: 600383), from September 2006 to April 2008. From September 2010 to March 2015, he acted as an independent non-executive director of Fortunet e-Commerce Group Limited（鑫網易商集團有限公司）(formerly known as Changfeng Axle (China) Company Limited（暢豐車橋(中國)有限公司)), a company listed on the main board of the Stock Exchange (stock code: 1039). Since October 2007, he has been the chairman of the board of directors of Xifu Investment Co., Ltd.*（西富投資有限公司）. He graduated from East China University of Political Science and Law（華東政法大學）with the Bachelor's degree in law in July 1987. He also obtained a master degree from Cheung Kong Graduate School of Business（長江商學院）in October 2013. He has been appointed as an independent non-executive Director of the Company at the AGM held on 15 May 2019.

INDEPENDENT SUPERVISORS

Mr. Pan Xing Biao（潘興彪先生）, aged 54, is an independent Supervisor of the Company. He is a certified public accountant and certified tax accountant. Mr. Pan graduated in Financial Accounting major from 浙江台州供銷學校 (Zhejiang Taizhou Supply and Marketing School*) in July 1985. He worked as the chief accountant of 紹興縣畜產品有限公司 (Shaoxing Livestock Product Co., Ltd. *) from August 1985 to April 1990, 紹興縣土特產有限公司 (Shaoxing Native Products Co., Ltd.*) from May 1990 to September 1991, 紹興縣供銷貿易有限公司 (Shaoxing Supply and Marketing Trade Co., Ltd.*) from October 1991 to December 1994 and 紹興縣化纖供應有限公司 (Shaoxing Chemical Fiber Supply Co., Ltd.*) from January 1995 to June 1997. He worked as a department head at 紹興縣第一稅務師事務所 (Shaoxing First Tax Accountant Office*) from July 1997 to December 1999 and has been a director of 紹興益地稅務師事務所 (Shaoxing Yidi Tax Accountant Office*) since January 2000. He was re-appointed as an independent Supervisor of the Company at the AGM held on 15 May 2018.

SUPERVISORS

Ms. Wang Ai Yu（王愛玉女士） aged 56, is a Supervisor of the Company. She is currently an internal audit manager of the internal audit department of Zhejiang Yongli. Ms. Wang was a teacher of 楊汛橋中心小學 (Yangxunqiao Zhongxing Primary School*) in Shaoxing County from February 1979 to January 1980 and working in the accounting department of 紹興市蜜餞廠 (Shaoxing County Mijian Factory*) from February 1980 to February 1987. She has acted as an internal audit manager of Zhejiang Yongli since February 1987. Ms. Wang has an extensive experience in finance and is well versed of the national taxation law, the accounting rules and the relevant finance, taxation, audit rules and policies. She is good at analysis and has accumulated substantial experience in data analysis, capital operation from different finance projects. She has established a set of comprehensive rules and regulations for internal control for Zhejiang Yongli in order to reduce the investment risk of the enterprises. She also has standardised the audit method for the corporate finance of and enhanced the quality of financial information, thereby enhancing the supervision in finance and accounting. She graduated from Chong Qing University. She was re-appointed as a Supervisor of the Company by the AGM held on 15 May 2019 and a chairman of the Supervisory Committee.

Mr. Chen Wei（陳偉先生） aged 38, is a Supervisor of the Company. He is currently the manager of the production department of the Company since March 2015. He was a workshop supervisor in 浙江偉創紡織有限公司 (Zhejiang Wei Chuang Textiles Company Limited*) from 1998 to January 2006 and a production manager in 萬邦紡織有限公司 (Wan Bang Textiles Company Limited*) from 2006 to 2007. He was re-appointed as a Supervisor of the Company on 15 May 2018.

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The Group is principally engaged in (i) the manufacture and sale of woven fabrics; (ii) the provision of woven fabrics subcontracting services; (iii) assets management services and; (iv) investment advisory services.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 46 of this annual report.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2019.

PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2019, the Group spent approximately RMB1,102,000 in additions of furniture, fixtures and equipment and approximately RMB31,955,000 in additions of plant and machinery.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

BUSINESS REVIEW

Details of the financial performance and business review are discussed under Chairman's Statement on page 4 and Management Discussion and Analysis on pages 8 to 10 respectively.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 31 to the consolidated financial statements.

DIRECTORS AND SUPERVISORS OF THE COMPANY

The Directors and supervisors of the Company during the year ended 31 December 2019 and up to the date of this report were:

Executive Directors:

Mr. Wang Hengzhuang *(Chairman) (appointed on 19 November 2019)*
Ms. He Lianfeng *(Chief Executive Officer)*
Mr. Hu Hua Jun
Mr. Jiang Ning *(Chairman) (resigned on 19 November 2019)*
Mr. He Weifeng *(Deputy Chairman) (resigned on 19 November 2019)*

Non-Executive Director:

Mr. Ma Jinsong *(Deputy Chairman) (appointed on 19 November 2019)*

Independent Non-Executive Directors:

Mr. Song Ke
Mr. Leng Peng *(appointed on 15 May 2019)*
Mr. Zhu Weizhou *(appointed on 15 May 2019)*
Mr. Wang Hui *(resigned on 15 May 2019)*
Mr. Wang Zhong *(resigned on 15 May 2019)*

Supervisors:

Ms. Wang Ai Yu *(chairman of supervisory committee)*
Mr. Chen Wei

Independent Supervisor:

Mr. Pan Xing Biao

Each of the Directors and supervisors of the Company ("Supervisors") (including the independent non-executive Directors and independent Supervisor) has entered into a service agreement with the Company for three years from the date of appointment. Each of the directors and supervisors was appointed as a director and supervisor of the Company respectively subject to termination in certain circumstances as stipulated in the relevant services contracts.

In accordance with the provisions of the Company's articles of association, the Directors and Supervisors acting for the shareholders are elected at a shareholders' meeting of the Company for a term of three years, renewable upon re-election and re-appointment. None of the Directors who are proposed for re-election at the forthcoming annual general meeting to be held on 11 June 2020 has a service contract with the Company, which is not determinable by the Company within three years without payment of compensation (other than statutory compensation).

The notice period for termination of executive Directors and independent non-executive Directors' contracts by either party is not less than three months.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 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. Wang Hengzhuang serves as the executive director, the legal representative and the general manager of Guiyang City Guishan Funds Management Co., Ltd*（貴陽市貴山基金管理有限公司）, a company in which Guizhou Yongan, the immediate holding company of the Company is interested in 42% of its entire equity interests ("Guishan Fund"). Mr Wang also is the deputy general manager of Guizhou Yongan. He has also served as the general manager and an executive director of Qinghai Haiqing New Energy Technology Co., Ltd.*（青海海清新能源科技有限公司）, a fellow subsidiary of the Company. Mr. Wang serves as the general manager, executive director and the legal representative of Jiuzhou Deye Fund Management (Beijing) Co., Ltd*（九州德業基金管理(北京)有限公司）, a subsidiary of Guishan Fund. Mr. Wang also serves as the executive director of Tepia, 41.67% equity interests of which are indirectly held by the Company. Mr. Ma Jinsong is a director and the deputy general manager of Guizhou Yongan, the Company's immediate holding company. Ms. Wang Ai Yu, a Supervisor, is a manager of the internal audit 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 31 December 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.

ARRANGEMENTS TO PURCHASE H SHARES OR DEBENTURES

At no time during the year ended 31 December 2019 was the Company a party to any arrangements to enable the directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate and neither the Directors nor the Supervisors, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 32 to the consolidated financial statements, no other contracts of significance to which the Company was a party and in which a director or a supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2019.

CONNECTED TRANSACTIONS

Save as disclosed in note 32 to the consolidated financial statements, there were no other transactions which need to be disclosed as "Connected Transactions" or "Continuing Connected Transactions" under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholder's approval requirements under Chapter 20 of the GEM Listing Rules.

The independent non-executive Directors have reviewed the connected transactions set out in note 32 to the consolidated financial statements and in their opinion, these transactions entered into by the Group were:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or on terms no less favourable than terms available to/from independent third parties; and

(iii) carried out in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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 as at 31 December 2019	Approximate percentage of interests in total registered capital as at 31 December 2019
Guizhou Yongan	Beneficial owner *(Note)*	588,000,000	100.00%	55.29%
Zhejiang Yongli	Interest in controlled corporation *(Note)*	588,000,000	100.00%	55.29%
Mr. Zhou Yongli	Interest in controlled corporation *(Note)*	588,000,000	100.00%	55.29%
Ms. Xia Wanmei	Interest of spouse *(Note)*	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")

Name of shareholder	Capacity	Number of H Shares held	Approximate percentage of interests in H Shares as at 31 December 2019	Approximate percentage of interests in total registered capital as at 31 December 2019
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,530,000	43.85%	19.61%

Save as disclosed above, as at 31 December 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

During the year ended 31 December 2019, none of the Directors, Supervisors, the controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) had any interest in any business which competes or is likely to complete, directly or indirectly with the business of the Group or any other conflicts of interest with the Group.

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2019, the five largest suppliers and customers of the Group accounted for approximately 67.62% and 27.96% of the Group's purchases and revenue respectively. The largest supplier and customer accounted for approximately 28.58% and 8.99% of the purchases and revenue of the Group respectively.

At no time during the year did a Director, a Supervisor, an associate or a shareholder of the Company, which to the knowledge of the Directors, own more than 5% of the Company's issued share capital, have any interest in the share capital of any of the five largest suppliers or customers of 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 year ended 31 December 2019.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Pursuant to Appendix 20 Environmental, Social and Governance Reporting Guide (the "ESG Guide") of the GEM Listing Rules, the Group is required to prepare an ESG Report, which explains the management approaches, strategies, policies, measures taken and results of its activities on environmental and social areas and aspects, and evaluate their impact on the sustainable development of the environment and society.

Since the Company has been established in 2002, it has been working towards developing itself as an international leader in woven fabrics design, manufacture and sale. The Group's objectives are to bring new technology and products to fashion industries, returns to its investors, shareholders and employees, and positive contributions to the environment and society. The Group has adopted and implemented the strategies, policies, rules and regulations in relation to the environmental and social areas and aspects of the ESG Guide with responsibility and a high Code of Standards, which can be summarised in the first ESG report dated and published on 28 June 2017. Another ESG report for further disclosure of Aspect A1 emissions matters as required under the ESG Guide was published on the Stock Exchange's website and the Company's website on 25 June 2018. A separate and updated ESG report for updating disclosure of Aspect A1 emission matters will be published on the Stock Exchange's website and the Company's website no later than three months after the publication of this annual report.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in May 2002 and 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. Song Ke, Mr. Leng Peng and Mr. Zhu Weizhou. Mr. Leng Peng and Mr. Zhu Weizhou were appointed as member of Audit Committee on 15 May 2019 for taking up the position of Mr. Wang Hui and Mr. Wang Zhong due to their resignation on 15 May 2019. Mr. Leng Peng is the chairman of the Audit Committee.

The first quarterly results for the three months ended 31 March 2019, the interim results for the six months ended 30 June 2019, the third quarterly results for the nine months ended 30 September 2019 and the annual results of the Company for the year ended 31 December 2019 have been reviewed by the Audit Committee.

EMOLUMENT POLICY

The Company has established a remuneration committee (the "Remuneration Committee") in January 2005 and the primary duties of the Remuneration Committee are to formulate and make recommendation to the Board on the Company's policy and structure for all the remuneration of the Directors and senior management and on the establishment of formal and transparent procedures for developing policy on such remuneration. During the year ended 31 December 2019, the Remuneration Committee comprises three independent non-executive Directors, Mr. Song Ke, Mr. Leng Peng and Mr. Zhu Weizhou and the executive Director, Mr. Wang Hengzhuang. Mr. Leng Peng and Mr. Zhu Weizhou were appointed as member of Remuneration Committee on 15 May 2019 for taking up the position of Mr. Wang Hui and Mr. Wang Zhong due to their resignation on 15 May 2019. Mr. Wang Hengzhuang was appointed as member of Remuneration Committee on 19 November 2019 for taking up the position of Mr. He Weifeng due to his resignation on 19 November 2019. Mr. Song Ke is the chairman of the Remuneration Committee.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") with written terms of reference based upon the guidelines recommended by the mandatory provisions set out in the Code on 31 March 2012. The primary duties of the Nomination Committee are to make recommendation to the Board on the appointment or re-appointment of Directors and succession planning for Directors. During the year ended 31 December 2019, the Nomination Committee comprised three independent non-executive Directors, Mr. Song Ke, Mr. Leng Peng and Mr. Zhu Weizhou and the executive Director, Ms. He Lianfeng. Mr. Leng Peng and Mr. Zhu Weizhou were appointed as member of Nomination Committee on 15 May 2019 for taking up the position of Mr. Wang Hui and Mr. Wang Zhong due to their resignation on 15 May 2019. Mr. Zhu Weizhou is the chairman of the Nomination Committee.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and with the knowledge of the Directors as at the date of this annual report, the Company has maintained a prescribed public float under the GEM Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 were audited by SHINEWING (HK) CPA Limited ("SHINEWING").

A resolution will be submitted to the forthcoming annual general meeting to be held on 11 June 2020 to re-appoint SHINEWING as international auditor and 浙江中興會計師事務所有限公司 (Zhejiang Zhongxing CPA Company Limited*) ("Zhejiang Zhongxing") as domestic auditor of the Group.

On behalf of the Board of
Zhejiang Yongan Rongtong Holdings Co., Ltd.*

Wang Hengzhuang
Chairman

Zhejiang, the PRC, 17 April 2020

To: All Shareholders

We are the supervisory committee ("Supervisory Committee") of Zhejiang Yongan Rongtong Holdings Co., Ltd.*, in accordance with the company Law of the PRC, requirements of the relevant laws and regulations of Hong Kong and the articles of association of the Company (the "Articles of Association") during the year ended 31 December 2019, exercised conscientiously its authority, safeguarded the interest of the shareholders and the Company, followed the principle of honesty and trustworthiness and worked cautiously and diligently.

The Supervisory Committee followed strictly the relevant regulations and carried out its duties honestly, including strengthening internal management and control of the Group, enforcing strict execution of various approval procedures, hiring professional consultation bodies, if necessary, standardising different aspect of management, conducting strict and effective monitoring of various significant decision making process and concrete decisions as to whether or not they comply with state laws and regulations and the Articles of Association, whether or not shareholder's interests are protected etc., preventing abuse of authority by our senior management.

After review, we consider that the consolidated financial statements of the Group for the year ended 31 December 2019, audited by the auditor, SHINEWING, truly and sufficiently reflects the operating results and asset positions of the Group. The Committee also reviewed the Report of the Board of Directors and the Corporate Governance Report and considers that the reports meet the requirements of the relevant regulations and Articles of Association.

We consider that the members of the Board, the general manager and other officers have strictly complied with the principle of honesty and trustworthiness, working diligently and acting sincerely in the best interest of the Group. None of the Directors, general manager and the officers have abused their powers, caused damage to the interests of the Group and infringed upon the interests of the Group and its staff, nor have they violated any laws, regulations or the Company's Articles of Association.

By order of the Supervisory Committee of
Zhejiang Yongan Rongtong Holdings Co., Ltd. *

Wang Ai Yu
Chairman of the Supervisory Committee

Zhejiang, the PRC, 17 April 2020

During the year ended 31 December 2019, the Company has complied with all the code provisions of the Code on Corporate Governance (the "CG Code") Practices (the “Code Provision”) as set out in the Appendix 15 of GEM Listing Rules.

DIRECTORS’ AND SUPERVISORS’ SECURITIES TRANSACTIONS

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

SENIOR MANAGEMENT’S AND STAFF’S SECURITIES TRANSACTIONS

Senior management and those staff who are more likely to be in possession of inside information in relation to the securities of Company have adopted the Dealing Rules. These senior management and staff have been individually notified and provided with a copy of the Dealing Rules.

BOARD OF DIRECTORS

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group affairs.

The Board currently comprises three executive Directors, namely Mr. Wang Hengzhuang (Chairman), Ms. He Lianfeng (Chief Executive Officer) and Mr. Hu Hua Jun; and a non-executive Director, Mr. Ma Jinsong (Deputy Chairman) and three independent non-executive Directors (representing a least one-third of the Board), namely Mr. Song Ke, Mr. Leng Peng and Mr. Zhu Weizhou. Their brief biographical details are set out in the “Directors and Senior Management” on pages 11 to 14 of the annual report. Moreover, one of the independent non-executive Director, Mr. Leng Peng has appropriate professional qualifications, accounting and related financial management expertise so that he has sufficient calibre and views to carry weight.

Saved as disclosed in this report, none of the Directors has any other financial, business, family or other material or relevant relationships among members of the Board. Please refer to the Directors’ Report on page 16 for the terms of appointment of each Director.

The board confines itself to making board policy decisions, such as the Group’s overall strategies and policies, annual budgets and business plans, while delegating responsibility for more detailed consideration to the various Board Committees and management. Management is responsible for overseeing the Group’s business operations, implementing the strategies laid down by the Board and making day-to-day operating decisions. The management must obtain prior approval from the Board before making decision or entering into any commitment on behalf of the Group.

CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rules 5.09 of the GEM Listing Rules. The Company considers all the independent non-executive Directors are independent.

BOARD MEETINGS

During the year ended 31 December 2019, regular meeting was held to approve the financial results for the year of 2019 and the annual results for the year ended 31 December 2018. The Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each Board meeting. Notice of at least 14 days is normally given to all Directors for the regular Board meetings to be held and for other Board meetings, reasonable notice is also given. The Directors can attend meetings in persons or through other means of electronic communication in accordance with Articles of Association. In addition, if a substantial shareholder or a Director has a conflict of interest in a matter should be considered by the Board which the Board has determined to be materials, the matter should be dealt with by the physical Board. Independent non-executive Directors who, and whose close associates, have no material interest in the transaction should be present at that meeting. The Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all Board meeting. She also keeps the minutes, which are opened for inspection at any reasonable notice by any Director.

There were fourteen (14) Board meetings held during the financial year ended 31 December 2019. Individual attendance of each Board member at these meetings is as follows:

Name of Directors	**Attendance/number of meetings**
Executive Directors	
Mr. Wang Hengzhuang *(appointed on 19 November 2019)*	N/A
Mr. Ma Jinsong *(appointed on 19 November 2019)*	N/A
Ms. He Lianfeng	14/14
Mr. Hu Hua Jun	14/14
Mr. Jiang Ning *(resigned on 19 November 2019)*	12/14
Mr. He Weifeng *(resigned on 19 November 2019)*	11/14
Independent Non-executive Directors	
Mr. Song Ke	14/14
Mr. Leng Peng *(appointed on 15 May 2019)*	8/14
Mr. Zhu Weizhou *(appointed on 15 May 2019)*	8/14
Mr. Wang Hui *(resigned on 15 May 2019)*	6/14
Mr. Wang Zhong *(resigned on 15 May 2019)*	6/14

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2019, all Directors have participated in continuous professional development by attending training course on the topics related to corporate governance and regulations.

The individual training record of each Director received for the year ended 31 December 2019 is summarised below:

Name of Directors	**Attended training course on topics related to corporate governance and regulations**
	Yes/No
Executive Directors	
Mr. Wang Hengzhuang *(appointed on 19 November 2019)*	Yes
Mr. Ma Jinsong *(appointed on 19 November 2019)*	Yes
Ms. He Lianfeng	Yes
Mr. Hu Hua Jun	Yes
Mr. Jiang Ning *(resigned on 19 November 2019)*	Yes
Mr. He Weifeng *(resigned on 19 November 2019)*	Yes
Independent Non-executive Directors	
Mr. Song Ke	Yes
Mr. Wang Hui *(resigned on 15 May 2019)*	Yes
Mr. Wang Zhong *(resigned on 15 May 2019)*	Yes
Mr. Leng Peng *(appointed on 15 May 2019)*	Yes
Mr. Zhu Weizhou *(appointed on 15 May 2019)*	Yes

All Directors also understand the importance of continuous professional development and are committed to participating any suitable training or reading relevant materials in order to develop and refresh their knowledge and skills.

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code A.2.1 of the CG Code provides, inter alia, that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executives should be clearly established and set out in writing.

Mr. Wang Hengzhuang is the Chairman, Mr. Ma Jinsong is the Deputy Chairman and Ms. He Liangfeng is the chief executive officer. Both Mr. Wang Hengzhuang and Mr. Ma Jinsong were appointed as Director of the Company on 19 November 2019 for taking up the positing of Mr. Jiang Ning and Mr. He Weifeng due to their resignation on 19 November 2019.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions set out in the CG Code.

The primary duties of the audit committee of the Company (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 currently has three members comprising the three independent non-executive Directors, Mr. Song Ke, Mr. Leng Peng and Mr. Zhu Weizhou. Mr. Leng Peng is the chairman of the Audit Committee. He is a PRC certified public accountant and prosses the qualification as required under rule 5.05(2) of the GEM Listing Rules. None of the members of the Audit Committee is a member of the former or existing auditors of the Group. The Audit Committee has adopted the principles set out in the CG Code.

The Audit Committee has reviewed the results for the three months ended 31 March 2019, six months ended 30 June 2019, and nine months ended 30 September 2019 of the Group. It also has reviewed the audited consolidated financial statements for the year ended 31 December 2019 with management and the Group's external auditors and recommended its adoption to the Board.

The Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all Audit Committee meetings. She also keeps the minutes, which are opened for inspection at any reasonable notice by any members of the Audit Committee. There were six meetings held by the Audit Committee during the year ended 31 December 2019 for reviewing the consolidated annual results of the Group for the year ended 31 December 2018, the three quarterly results in 2019, the proposed audit fee for the year ended 31 December 2018, and the major transaction for acquiring 41.67% of the issued share capital of Tepia. Individual attendance of each independent non-executive Director at these meetings is as follows:

Name of Directors	**Attendance/number of meetings**
Independent Non-executive Directors	
Mr. Song Ke	6/6
Mr. Leng Peng *(appointed on 15 May 2019)*	3/6
Mr. Zhu Weizhou *(appointed on 15 May 2019)*	3/6
Mr. Wang Hui *(resigned on 15 May 2019)*	3/6
Mr. Wang Zhong *(resigned on 15 May 2019)*	3/6

The authorities of the Audit Committee include (1) investigation of any activity within its terms of reference; (2) seeking any information from any employee of the Group when required; and (3) obtaining outside legal or other independent professional advice if it considers necessary.

The main duties of the Audit Committee are as follows:

(a) to consider appointment of the external auditors, the audit fee, and any question of resignation or dismissal;

(b) to discuss with the external auditors the nature and scope of the audit;

(c) to review and monitor the external auditors, independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(d) to develop and implement policy on the engagement of external auditors to supply non-audit services;

(e) to review the Company's quarterly, interim and annual consolidated financial statements before submission to the Board;

(f) to discuss problem and reservations arising from the final audits and any matters that the external auditors may wish to discuss;

(g) to review the Group's statement on risk management and internal control system and financial reporting system prior to endorsement by the Board;

(h) to consider the major findings of any internal investigation in relation to the risk management and internal control matters as delegated by the Board and the management's response;

(i) to consider other topics as defined by the Board; and

(j) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor its effectiveness.

Auditor's Remuneration

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect to the Group.

The remuneration in respect of services provided by the international auditor and domestic auditors for the years ended 31 December 2019 is analysed as follows:

	2019 RMB'000
Audit service	**866**
Performed agreed-upon procedures regarding information on preliminary annual result announcement of the Group	**18**
Professional services in connection with major acquisition transactions	**613**
	1,497

The audit services fee for the years ended 31 December 2019 was paid for services provided by SHINEWING and Zhejiang Zhongxing. The other services fee for the year ended 31 December 2019 was paid for services provided by SHINEWING.

REMUNERATION COMMITTEE

According to the CG Code, the Company has established a remuneration committee (the "Remuneration Committee") with written terms of reference based upon the guidelines recommended by the mandatory provisions set out in the Code in January 2005. The primary duties of the Remuneration Committee of the Company are to formulate and make recommendation to the Board on the Company's policy and structure for all the remuneration of the Directors and Senior Management and on the establishment of a formal and transparent procedures for developing policy on such remuneration. According to the written terms of reference of the Remuneration Committee, the duties of the Remuneration Committee shall be:

(a) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing such policy;

(b) to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration of non-executive directors. The Remuneration Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Company and desirability of performance-based remuneration;

(c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(d) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

(f) to ensure that no Director or any of his associates is involved in deciding his own remuneration; and

(g) to advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval under Rule 17.90 of the GEM Listing Rules.

The Remuneration Committee shall be appointed by the Board and shall consist of not less than three members and a majority of whom should be independent non-executive Directors. The Remuneration Committee currently comprises three independent non-executive Directors, Mr. Song Ke, Mr. Leng Peng and Mr. Zhu Weizhou and the executive Director, Mr. Wang Hengzhuang. Mr. Song Ke is the chairman of the Remuneration Committee.

During the year ended 31 December 2019, the Remuneration Committee held two meeting for reviewing the remuneration of the re-elected, re-designated Directors and Supervisors and relevant matters; the procedural rules of the Remuneration Committee and made recommendation to the board for the remuneration of the Directors appointed during the year ended 31 December 2019. Individual attendance of each member of Remuneration Committee at the meeting is as follows:

Name of Directors	**Attendance/number of meetings**
Executive Director	
Mr. Wang Hengzhuang *(appointed on 19 November 2019)*	N/A
Mr. He Weifeng *(resigned on 19 November 2019)*	1/2
Independent Non-executive Directors	
Mr. Song Ke	2/2
Mr. Leng Peng *(appointed on 15 May 2019)*	1/2
Mr. Zhu Weizhou *(appointed on 15 May 2019)*	1/2
Mr. Wang Hui *(resigned on 15 May 2019)*	1/2
Mr. Wang Zhong *(resigned on 15 May 2019)*	1/2

Based on the advice provided from Remuneration Committee, the emoluments of the Directors are recommended by the Board of Directors, having regard to their duties and responsibilities and approved by the shareholders of the Company.

NOMINATION COMMITTEE

According to the CG Code, the Company has established a nomination committee (the "Nomination Committee") with written terms of reference based upon the guidelines recommended by the mandatory provisions set out in the CG Code on 30 March 2012. The primary duties of the Nomination Committee are to make recommendation to the Board on the appointment or re-appointment of Directors and succession planning for Directors. According to the written terms of reference, the duties of the Nomination Committee shall be:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorship;

(c) to assess the independence of the independent non-executive directors of the Company; and

(d) to make recommendations to the Board on:

  (i) the role, responsibilities, capabilities, skills, knowledge and experience required from members of the Board;

  (ii) the policy on the terms of employment of non-executive Directors;

  (iii) the composition of the Audit Committee, Remuneration Committee and other board committees of the Company;

  (iv) proposed changes to the structure, size and composition of the Board;

  (v) candidates that are suitable and qualified to become members of the Board;

  (vi) the selection of individuals nominated for directorship;

  (vii) the re-election by shareholders of the Company of any Directors who are to retire by rotation having regard to their performance and ability to continue to contribute to the Board;

  (viii) the continuation (or not) in service of any independent non-executive Director serving more than nine years and to provide recommendation to the shareholders of the Company as to how to vote in the resolution approving the re-election of such independent non-executive Director;

  (ix) the appointment or re-appointment of Directors;

  (x) succession planning for Directors in particular the Chairman and the Chief Executive Officer; and

  (xi) the policy concerning diversity of Board members;

(e) to provide full consideration to the followings in discharging of its duties as mentioned above or elsewhere in the terms of reference:

  (i) the succession planning of Directors;

  (ii) the need of leadership of the Group with a view of maintaining or fostering the competitive edge of the Group over others;

  (iii) the changes in market environment and commercial needs of the market in which the Group operates;

  (iv) the skills and expertise required from members of the Board;

  (v) the Board's policy concerning diversity of Board members adopted from time to time; and

  (vi) the relevant requirements of the GEM Listing Rules with regard to the Directors;

(f) in respect of any proposed service contracts to be entered into by any members of the Group with its director or proposed director, which require the prior approval of the shareholders of the Company at general meeting, to review and provide recommendations to the shareholders of the Company (other than shareholders who are Directors with a material interest in the relevant service contracts and their respective associates) as to whether the terms of the service contracts are fair and reasonable and whether such service contracts are in the interests of the Company and the shareholders as a whole, and to advise shareholders on how to vote;

(g) to ensure that on appointment to the Board, non-executive Directors receive a formal letter of appointment setting out what is expected of them in terms of time commitment, committee service and involvement outside meetings of the Board;

(h) to conduct exit interviews with any Director upon their resignation in order to ascertain the reasons for his departure; and

(i) to consider other matters, as defined or assigned by the Board from time to time.

The Nomination Committee shall be appointed by the Board and shall consist of not less than three members and a majority of whom should be independent non-executive Directors. The Nomination Committee currently comprises three independent non-executive Directors, Mr. Song Ke, Mr. Leng Peng and Mr. Zhu Weizhou and the executive Director, Ms. He Lianfeng. Mr. Zhu Weizhou was elected as the chairman of the Nomination Committee.

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Group's own business model and specific needs from time to time.

During the year under review, the Nomination Committee held two meetings for discussion of the existing structure of the board of directors of the Company and the procedures of appointment of Directors and Supervisors; and assessment of appointment and re-appointment of Directors and Supervisors in order to make recommendation to the board of Directors. Individual attendance of each member of Nomination Committee at the meeting is as follows:

Name of Directors	**Attendance/number of meetings**
Executive Director	
Ms. He Lianfeng	2/2
Independent Non-executive Directors	
Mr. Song Ke	2/2
Mr. Wang Hui *(resigned on 15 May 2019)*	1/2
Mr. Wang Zhong *(resigned on 15 May 2019)*	1/2
Mr. Leng Peng *(appointed on 15 May 2019)*	1/2
Mr. Zhu Weizhou *(appointed on 15 May 2019)*	1/2

With the existing Board members coming from a variety of business and professional background, the Nomination Committee considers that the Board possess a balance of skills, experience and diversity appropriate to the requirement of the Company's business.

DIRECTOR NOMINATION POLICY

The purpose of the Director nomination policy of the Company is to:

(i) set out the criteria and process in the nomination and appointment of Director;

(ii) ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company; and

(iii) ensure continuity of the Board and appropriate leadership at Board level.

Criteria for nomination and appointment of Directors

The criteria for selecting any candidate for directorship are set out as follows:

(i) bringing an independent judgment and make constructive recommendation on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

(ii) taking the lead where potential conflicts of interests arise;

(iii) serving on the Audit Committee, and the Remuneration Committee and the Nomination Committee (in the case of candidate for non-executive Director) and other relevant Board Committees, if invited;

(iv) devoting sufficient time to the Board and/or any Committee(s) on which he or she serves so as to allow them to benefit from his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board;

(v) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;

(vi) ensuring the Nomination Committees on which he or she serves to perform their powers and functions conferred on them by the Board; and

(vii) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the GEM Listing Rules, where appropriate.

If a candidate is proposed to be appointed as an independent non-executive Director ("INED"), his or her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 5.09 under the GEM Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an INED with such qualifications or expertise as required under Rule 5.02(2) under the GEM Listing Rules.

Nomination process

(a) Appointment of New Directors

(i) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of a new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(ii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iii) The Nomination Committee should then recommend the Board to appoint the appropriate candidate for directorship, as applicable.

(iv) For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of Director at the general meeting.

(b) Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as a Director at the general meeting, an announcement will be published and a circular in respect of the relevant information of the candidate will be disclosed to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the GEM Listing Rules and/or applicable laws and regulations.

(c) Re-election of INED at General Meeting

Where the Board proposes a resolution to elect an individual as an INED at the general meeting, an announcement will be published and a circular in respect of the relevant information of the candidate will be disclosed to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the GEM Listing Rules and/or applicable laws and regulations:

(i) the process used for identifying the individual and why the Board believes the individual should be elected and the reasons why it considers the individual to be independent;

(ii) if the proposed INED will be holding his/her seventh (or more) listed company directorship, reasons should be given by the Board that the individual would still be able to devote sufficient time to the Board;

(iii) the perspectives, skills and experience that the individual can bring to the Board; and

(iv) how the individual contributes to diversity (including gender diversity) of the Board.

The Nomination Committee will conduct regular review on the structure, size and composition of the Board and the current nomination policy and where, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs, to comply with all applicable laws and regulations from time to time and maintain good corporate governance practice.

A board diversity policy has been adopted by the Board in order to set out the approaches for achieving diversity on the Board. All Board appointments will be based on merit while taking into account diversity including gender diversity. The Nomination Committee will regularly review the measurable objectives to ensure its effectiveness to achieve diversity on the Board. The following measurable objectives have been set for implementing the board diversity policy:

- ensuring that there is no limitation on gender on selection of Directors;
- inclusion of candidates for Board members with working experience in other industries; and
- inclusion of candidates for Board members with knowledge and skills in different aspects.

The Nomination Committee has adopted a written nomination procedure (the "Nomination Procedure") specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Nomination Committee shall, based on those criteria as set out in the Nomination Procedure (such as appropriate experience, personal skills and time commitment etc.), identify and recommend the proposed candidate to the Board for approval of an appointment.

New Directors, on appointment, will be given an induction package containing all key legal and the GEM Listing Rules' requirements as well as guidelines on the responsibilities and obligations to be observed by a Director. The package will also include the latest published financial reports of the Company and the documentation for the corporate governance practices adopted by the Board. The senior management will subsequently conduct such briefing as is necessary to give the new Directors more detailed information on the Group's businesses and activities.

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and its subsidiaries and in presenting the quarterly and annual consolidated financial statements, and announcements to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. In preparing the financial statements for the year ended 31 December 2019, the Directors have adopted suitable accounting policies which are pertinent to the Group's operation and relevant to the financial statements, have made judgments and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis.

The Directors' responsibilities in preparing financial statements and the auditor's responsibilities for the audit of the financial statements are set out in the Independent Auditor's Report on page 43 of this annual report.

INSIDE INFORMATION, RISK MANAGEMENT AND INTERNAL CONTROL

The Group has established policy and procedure for handling and dissemination of insider information. The policy requires sensitive information (if any) to be protected with high level of care and the persons receiving potential sensitive information are required to comply with the applicable laws, regulations and rules in respect of insider information. The Group follows the requirements of the GEM Listing Rules and the Securities and Futures Ordinance when disclosing information to public. Inside information (if any) will be disseminated timely in a way which aims at preventing any person be placed in a privileged dealing position, letting the market be appropriately informed for the latest information, and allowing investors to have reasonable time to respond to such information.

The Board recognises its responsibility to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Group's objectives, and ensure the Group establishes and maintains a sound and effective risk management and internal control system. The Board acknowledged that an effective risk management and internal control systems are systems that are designed to manage rather than eliminate the risk of failure to achieve business objective and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the Board on the effectiveness of these systems.

The Group's risk management system is established under a structured framework with clearly defined objective. A top-down approach and methodology is adopted to identify risk, assess and prioritize risk, develop risk response, monitor risk and report risk. The Group has set up appropriate governance body to enforce the risk management system. Risks are identified through periodic assessment performed by different departments of the Group following the pre-set program. Identified risks are then summarised, prioritised according to the risk assessment criteria as set out in the Group's risk policy documented in report, and communicated within the Group to ensure that risk owners and action plans are properly assigned to the identified risks.

The Group's internal control system is designed to safeguard assets against misappropriation and unauthorised disposition and to manage operational risks. The Group share the internal audit function with its ultimate holding company, Zhejiang Yongli. Hence, the risk management and internal control system is evaluated independently by the Internal Audit Department of Zhejiang Yongli ("Internal Audit Department") on an on-going basis. At the year end, the Company normally will appoint an independent professional party to carry out annual review of risk management and internal control systems covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic basis based on the risk assessments of the operations and controls if the Board consider that it is necessary. During the year ended 31 December 2019, the Board has conducted annual review to assess the effectiveness of the Group's risk management and internal control system through the following:

(i) reviewing the policy of the Group's risk management system;

(ii) reviewing the risk reports prepared by the Group and evaluating the risk inventory list and the related action plan assigned for the identified risks;

(iii) assessing the program and findings of the team and governance body who are in charge of risk management system and internal audit function;

(iv) conducting regular management meetings to discuss and handle the identified risks and internal control issues;

(v) reviewing the findings made by the auditor in respect of issues encountered during the process of annual audit and interim review; and

(vi) engaging an independent professional party to assess the internal controls in respect of certain key business operations of the Group.

Based on the results of the assessment, no major issue has been identified that indicates significant inadequacy and ineffectiveness of the Group's risk management and internal control system. Appropriate actions are being taken to address the areas for improvement identified. The Board and the Audit Committee considered that the key areas of the Group's risk management and internal control systems are reasonably implemented.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Details of the remuneration of the Directors and senior management are contained in note 14 to the consolidated financial statements.

COMPANY SECRETARY

Ms. Chen Yen Yung ("Ms. Chen") was appointed as the company secretary of the Company in June 2002. She is responsible to the Board for ensuring the board procedures are followed and that the Board is briefed on legislative, regulatory and corporate governance developments.

During the year ended 31 December 2019, Ms. Chen has undertaken not less than 15 hours of relevant professional training.

SHAREHOLDER'S RIGHTS

Shareholder's rights are set out in a number of sources, such as the Articles of Association, and the GEM Listing Rules. With reference to the above sources, the Company sets out below details of shareholder's rights in the following aspects:

1. **The way in which shareholders of the Company ("Shareholders") can convene an extraordinary general meeting or class meeting**

   Pursuant to Article 79 of the Articles of Association, Shareholders who request the convening of an extraordinary general meeting or a class meeting shall do so in accordance with the following procedures:

   (a) two (2) or more shareholders with combined title to more than 10% (including 10%) of shares with voting rights at the meeting to be convened may sign one or several written requests in the same format and with the same contents to the board of directors to convene an extraordinary general meeting or class meeting of shareholders and which shall also specify the meeting's agenda. After receiving the aforesaid written request, the board of directors shall promptly convene an extraordinary general meeting or class meeting of shareholders. The aforesaid number of shares held by shareholders shall be calculated as at the date of the written request;

   (b) if the Board fails to issue notification convening a meeting within thirty (30) days after receiving the aforesaid written request, the Shareholders who raised the request may convene the meeting within four (4) months after the Board has received that request. The procedures for convening such a meeting shall be, as much as possible, the same as the procedures for convening a general meeting by the Board.

   The written request must be signed by the Shareholders and sent to the Head office and principal place of business in Hong Kong of the Company as disclosed in the "Corporate Information" section to the annual report (the "Hong Kong Office"), for the attention of the Company Secretary of the Company. The request will then be verified with the Company's H Share share registrar and transfer office in Hong Kong and upon its confirmation that the request is proper and in order, the Company Secretary will forward the request to the Board.

2. The procedures for sending enquiries to the Board

Shareholders and other stakeholders may send their enquiries and concerns in writing to the Board by addressing them to the Company Secretary at the Hong Kong Office and the Company Secretary shall then forward the same to the appropriate executives of the Company or members in the Board for further handling.

3. The procedures for making proposals at shareholder's meetings

To put forward proposals at an annual general meeting or an extraordinary general meeting, the shareholders shall submit a written notice of those proposals with the detailed contact information to the Company Secretary at the Hong Kong Office. The request will be verified with the H Share share registrar and transfer office and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting. Moreover, the notice period concerning the notice to be given to all the shareholders for consideration of the proposals submitted by the shareholders concerned varies as follows pursuant to the Article 58 of the Articles of Association of the Company:

"When convening a general meeting of shareholders, written notification shall be made to the Shareholders registered in the Shareholders Register forty-five (45) days (including the date of meeting but excluding the date of notice issuance) before the convening of the meeting of those matters to be discussed at the meeting and the date and location of the meeting. Shareholders intend to attend the general meeting shall send their written acknowledge to the Company twenty (20) days before the convening of the meeting."

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

The Company has disclosed all necessary information to the Shareholders and investors in compliance with the GEM Listing Rules and used a number of formal communications channels to account to Shareholders and investors for the Company. These include (i) the Company replying to the enquiries from Shareholders timely; (ii) updated and key information of the Company available on website of the Company; (iii) the Company's website offering communication channel between the Company and its Shareholders and investors; and (iv) the Company's H Share share registrar in Hong Kong serves the shareholders regarding all H Shares share registration matters.

CONSTITUTIONAL DOCUMENTS

There has been no significant change in the Articles of Association of the Company during the year ended 31 December 2019.

DIVIDEND POLICY

The holders of the H Shares will share proportionately, on a per Share basis, all dividends and other distributions declared by the Board of Directors. For holders of the H Shares, cash dividend payments, if any, shall be declared by the Board in Renminibi ("RMB") and paid in HK dollars ("HK$").

The declaration of dividends is subject to the discretion of the Board. The actual amount of dividends declared and paid to holders of H shares will depend upon the following factors:

— general business conditions of the Group;
— financial results of the Group;
— capital requirements of the Group;
— interests of the Company's shareholders; and
— any other factors which the Board may deem relevant.

The Company may only distribute dividends after it has made allowances for:

— recovery of losses, if any;
— allocations to the statutory surplus reserve fund;
— allocations to the statutory welfare fund; and
— allocations to a discretionary surplus reserve fund if approved by its shareholders.

Dividends payable in respect of H Shares shall be calculated and declared in RMB and paid in HK$. Conversion of RMB into HK$ will be subject to the relevant PRC foreign exchange regulations and will be calculated at an exchange rate which will be the average of the PBOC Exchange Rate one (1) calendar week preceding the date of declaration of dividends. If the Company does not have sufficient foreign exchange reserves to pay its HK$ dividends, it intends to exchange the required HK$ from authorised banks in the PRC or through other means.

LOOKING FORWARD

The Board believes that good corporate governance can safeguard the effective allocation of resources and safeguard shareholder's interest. The Company will keep on reviewing its corporate governance standards on a timely basis and the Board endeavours to take the necessary actions to ensure compliance with the required practices and standards including the Code Provisions.

信永中和
ShineWing

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TO THE SHAREHOLDERS OF ZHEJIANG YONGAN RONGTONG HOLDINGS CO., LTD.
(Established as a joint stock limited company in the People's Republic of China)

OPINION

We have audited the consolidated financial statements of Zhejiang Yongan Rongtong Holdings Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 46 to 115, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit is related to (i) valuation and impairment assessment of inventories; (ii) recoverability and impairment assessment of trade receivables; (iii) interests in associates; and (iv) impairment assessment of interests in associates.

VALUATION AND IMPAIRMENT ASSESSMENT OF INVENTORIES

Refer to note 23 to the consolidated financial statements and the accounting policies on page 59.

The key audit matter	How the matter was addressed in our audit
At 31 December 2019, the Group maintained inventories of approximately RMB43,273,000, net of accumulated allowance for inventories of approximately RMB6,549,000. We have identified the valuation of inventories as a key audit matter due to the use of significant degree of judgments and estimates in identifying obsolete and slow moving inventories and in determining the net realisable value ("NRV") which are based on conditions and the marketability of the inventories. NRV represents the estimated selling price for inventories less all estimated costs necessary to make the sale. The Group carried out the inventory review at the end of the reporting period and made the necessary allowance so as to write off or write down inventories to their NRVs.	Our audit procedures were designed to evaluate the management's assessment of the conditions and the marketability of the obsolete and slow moving inventories and identify any valuation risk of inventories. We have assessed the reasonableness of the basis of determining the NRV and evaluate the condition and marketability of the inventories assessed by the management, we have checked the sales order supporting the existing inventories, tested the subsequent sales to source documents on a sampling basis. We have also assessed the sufficiency of allowance on inventories made by management where the estimated NRV is lower than the cost with reference to the latest selling price, on a sampling basis.

RECOVERABILITY AND IMPAIRMENT ASSESSMENT OF TRADE RECEIVABLES

Refer to note 24 to the consolidated financial statements and the accounting policies on pages 62 to 64.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2019, trade receivables of the Group amounted to approximately RMB22,164,000, net of loss allowance for expected credit loss ("ECL") of approximately RMB2,351,000. We have identified the impairment assessment of the trade receivables as a key audit matter in view of the significance of the carrying amount of trade receivables and the ECL estimation performed by the management involved significant judgements and estimates, including use of significant unobservable inputs in the valuation performed by the management at the end of the reporting period.	Our audit procedures were designed to review the management estimation on ECL of trade receivables and challenge the reasonableness of the significant judgements and estimates, including use of significant unobservable inputs in the ECL estimation by the management. We have also assessed the appropriateness of the ECL provisioning methodology and reviewed the inputs data used in assessment of ECL with reference to the latest available general economic data, market research, and the cash collection performance against the Group's historical trends and credit loss experience.

INTERESTS IN ASSOCIATES

Refer to note 21 to the consolidated financial statements and the accounting policies on pages 56 to 57.

The key audit matter	How the matter was addressed in our audit
We identified interests in associates as a key audit matter due to the significance of the investment to the Group's consolidated financial statements as a whole and the involvement of judgements in the recognition of system integration and software development service revenue which could affect the carrying amount of interests in associates as at 31 December 2019 and share of result of the associates for the year then ended. The Group's interests in associates were engaged in the business of system integration and software development. As disclosed in note 21 to the consolidated financial statements, the carrying amount of interests in associates as at 31 December 2019 and the share of losses of the associates for the year ended 31 December 2019 was approximately RMB53,996,000 and RMB4,765,000 respectively.	We performed the following procedures, among others, evaluations of the significant estimates made by the management, whereby we examined project documentation and discussed the status of projects under construction with the management, finance, and technical staff of the associates. We tested the operating effectiveness of controls designed and implemented by the associates over its process to record contract costs and contract revenue and the progress towards complete satisfaction of performance obligations. We also performed tests of details on costs incurred, including checking invoices, reviewing the estimated contract costs to assess the status of the project. In addition, we performed confirmation procedures for the invoiced contract amount and the total contract amount on a sampling basis.

IMPAIRMENT ASSESSMENT OF INTERESTS IN ASSOCIATES

Refer to note 21 to the consolidated financial statements and the accounting policies on pages 56 to 57.

The key audit matter	How the matter was addressed in our audit
We identified the impairment of interests in associates as a key audit matter due to the significance of the investment to the Group's consolidated financial statements as a whole, combined with the significant judgements involved in management's impairment assessment of the interests in associates. As disclosed in note 21 to the consolidated financial statements, the carrying amount of interests in associates was approximately RMB53,996,000 as at 31 December 2019 and the accumulated impairment loss was approximately RMB31,239,000. The value-in-use calculation requires the Group to estimate the future cash flows expected to be generated from the associates with assumptions of suitable growth rate and discount rate in order to calculate the present value.	Our audit procedures were designed to obtain management's assessment prepared by their valuation specialist and evaluate the management's estimation of the future cash flows expected to be generated from the associates, obtaining the present value of the estimated future cash flows for value in use calculation. We have also evaluated the reasonableness of the growth rate used in the cash flow projections and discount rate adopted in the value-in-use calculation.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company’s directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Chan Ka Wai.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Ka Wai
Practising Certificate Number: P07328

Hong Kong
17 April 2020

	Notes	2019 RMB'000	2018 RMB'000
Revenue	8	**134,537**	151,288
Cost of sales		**(124,392)**	(134,027)
Gross profit		**10,145**	17,261
Other income and gains	8	**7,624**	4,777
Selling and distribution costs		**(2,140)**	(2,953)
Administrative expenses		**(22,766)**	(16,148)
Share of losses of associates	21	**(4,765)**	—
Impairment loss of interests in associates	21	**(31,239)**	—
Finance costs	10	**(5,929)**	(6,006)
Loss before taxation		**(49,070)**	(3,069)
Income tax expense	11	**(96)**	(502)
Loss for the year	12	**(49,166)**	(3,571)
Other comprehensive income (expense) for the year			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of properties		**2,554**	2,738
Fair value gain on equity investments designated at fair value through other comprehensive income		**430**	457
Income tax relating to items that will not be reclassified subsequently		**(745)**	(798)
Other comprehensive income for the year, net of tax		**2,239**	2,397
Total comprehensive expense for the year		**(46,927)**	(1,174)
		RMB	RMB
Loss per share			
Basic and diluted	13	**(4.62) cents**	(0.34) cents

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	17	**125,925**	98,675
Right-of-use assets	18	**6,080**	—
Prepaid lease payments	19	**—**	6,080
Goodwill	20	**1,230**	1,230
Interests in associates	21	**53,996**	—
Financial assets at fair value through other comprehensive income	22	**1,065**	635
Financial asset at fair value through profit or loss	22	**25,489**	25,129
Deposits paid for acquisition of property, plant and equipment		**—**	19,370
		213,785	151,119
Current assets			
Inventories	23	**43,273**	29,246
Trade and other receivables	24	**27,997**	33,525
Prepaid lease payments	19	**—**	188
Tax recoverable		**—**	187
Bank balances and cash	25	**46,896**	153,425
		118,166	216,571
Current liabilities			
Trade and other payables	26	**32,215**	26,194
Contract liabilities	27	**2,065**	3,273
Tax payable		**332**	—
		34,612	29,467
Net current assets		**83,554**	187,104
Total assets less current liabilities		**297,339**	338,223

	Notes	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Deferred tax liabilities	29	**11,565**	11,451
Amount due to immediate holding company	30	**38,472**	32,543
		50,037	43,994
		247,302	294,229
Capital and reserves			
Share capital	31	**106,350**	106,350
Share premium and reserves		**140,952**	187,879
		247,302	294,229

The consolidated financial statements on pages 46 to 115 were approved and authorised for issue by the board of directors on 17 April 2020 and are signed on its behalf by:

Wang Hengzhuang,
Director

Hu Hua Jun,
Director

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (note (a))	Asset revaluation reserve RMB'000	Statutory surplus reserve RMB'000 (note (b))	Accumulated losses RMB'000 (note (c))	Total RMB'000
At 1 January 2018	106,350	69,637	331,664	37,431	12,496	(262,175)	295,403
Loss for the year	—	—	—	—	—	(3,571)	(3,571)
Gain on revaluation of properties, net of tax	—	—	—	2,054	—	—	2,054
Fair value gain on financial assets, net of tax	—	—	—	343	—	—	343
Other comprehensive income for the year	—	—	—	2,397	—	—	2,397
Total comprehensive income (expense) for the year	—	—	—	2,397	—	(3,571)	(1,174)
At 31 December 2018 and 1 January 2019	**106,350**	**69,637**	**331,664**	**39,828**	**12,496**	**(265,746)**	**294,229**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(49,166)**	**(49,166)**
Gain on revaluation of properties, net of tax	**—**	**—**	**—**	**1,916**	**—**	**—**	**1,916**
Fair value gain on financial assets, net of tax	**—**	**—**	**—**	**323**	**—**	**—**	**323**
Other comprehensive income for the year	**—**	**—**	**—**	**2,239**	**—**	**—**	**2,239**
Total comprehensive income (expense) for the year	**—**	**—**	**—**	**2,239**	**—**	**(49,166)**	**(46,927)**
At 31 December 2019	**106,350**	**69,637**	**331,664**	**42,067**	**12,496**	**(314,912)**	**247,302**

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 (note 30) of the Company.

(b) As stipulated by 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 year losses) to a 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 31 December 2019, no reserves were available for distribution as the Group incurred accumulated losses.

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Loss before taxation	**(49,070)**	(3,069)
Adjustments for:		
Interest income	**(300)**	(723)
Government subsidies	**(6)**	(53)
Fair value gain on financial asset at fair value through profit or loss	**(360)**	(774)
Finance costs	**5,929**	6,006
Amortisation of prepaid lease payments	**—**	188
Depreciation of right-of-use assets	**188**	—
Depreciation of property, plant and equipment	**8,326**	6,614
Dividend from financial asset at FVTPL	**(369)**	(87)
Reversal of impairment loss of trade receivables	**—**	(1,319)
Impairment loss of trade receivables	**1,712**	—
Impairment loss of interests in associates	**31,239**	—
Allowance for inventories	**1,176**	1,879
Write-off of property, plant and equipment	**21**	800
Share of losses of associates	**4,765**	—
Write-back of trade payables	**(2,894)**	—
Gain on disposal of property, plant and equipment	**(1,346)**	(307)
Operating cash flows before movements in working capital	**(989)**	9,155
Increase in inventories	**(15,203)**	(3,282)
Decrease in trade and other receivables	**3,816**	3,549
Increase (decrease) in trade and other payables	**8,915**	(10,031)
Decrease in contract liabilities	**(1,208)**	(1,654)
Decrease in amounts due to fellow subsidiaries	**—**	(4,432)
Cash used in operating activities	**(4,669)**	(6,695)
Income taxes paid	**(208)**	(639)
NET CASH USED IN OPERATING ACTIVITIES	**(4,877)**	(7,334)
INVESTING ACTIVITIES		
Interest received	**300**	723
Repayment from ultimate holding company	**—**	71
Refund of investment cost in financial asset at fair value through profit or loss	**—**	49,274
Deposit paid for acquisition of property, plant and equipment	**—**	(19,370)
Dividend received from financial asset at FVTPL	**369**	87
Refund of deposit paid for acquisition of property, plant and equipment	**10,000**	—
Acquisition of interests in associates	**(90,000)**	—
Purchase of property, plant and equipment	**(23,687)**	(411)
Proceeds from disposal of property, plant and equipment	**1,360**	307
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(101,658)**	30,681

	2019 RMB'000	2018 RMB'000
FINANCING ACTIVITIES		
Repayment to immediate holding company	—	(6,426)
Government subsidy received	6	53
NET CASH FROM (USED IN) FINANCING ACTIVITIES	6	(6,373)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(106,529)	16,974
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	153,425	136,451
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	46,896	153,425

1. GENERAL

Zhejiang Yongan Rongtong Holdings Co., Ltd. (the "Company") is a joint stock limited company established in the PRC and the H shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate parent 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 its ultimate 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 principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are (i) the manufacture and sale of woven fabrics; (ii) the provision of woven fabrics subcontracting services; (iii) assets management services and; (iv) investment advisory services. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

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

* *English name is for identification only.*

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments

The adoption of HKFRS 16 resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarises below.

The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current year and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

2.1 Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3. Comparative information has not been restated and continues to be reported under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The Group as lessee

On adoption of HKFRS 16, the Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. There is no impact on the opening balance of equity.

The following table summarises the impact of transition to HKFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Note	**Carrying amount previously reported at 31 December 2018**	**Impact on adoption of HKFRS 16**	**Carrying amount as restated at 1 January 2019**
		RMB'000	RMB'000	RMB'000
Right-of-use assets	(a)	—	6,268	6,268
Prepaid lease payments	(a)	6,268	(6,268)	—

Note:

(a) Prepaid lease payments of approximately RMB6,268,000 which represent the upfront payments for leasehold lands in the PRC as at 31 December 2018 were reclassified to right-of-use assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

New and revised HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and asset acquisition for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020

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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, that are measured at revalued amounts or fair values, at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved when the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For the goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata on the basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill relating to an associate that included in the carrying amount of the investment is set out in "investment in an associate" below.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investment in an associate are accounted for in the consolidated financial statements using the equity method. Under the equity method, investment in an associate is initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associate are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds interest in the associate which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in an associate (Continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether there is an objective evidence that the net investment in the associate is impaired. Goodwill that forms part of the carrying amount of the net investment in an associate is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the net investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the net investment subsequently increases.

The associate of the Group recognised revenue from the following major sources:

- system integration
- information planning and design
- software development

System integration service

The associate delivers multiple units of highly complex and specialised devices and is responsible for overall management of the contract, which required the performance and integration of activities including procurement of materials, assembly and testing the specialised devices. The sales of specialised devices and services provided are not distinct and separately identifiable and therefore regard as a single performance obligation. Revenue from these contracts is recognised over time as the associate's performance creates and enhances an asset that the customer controls as the asset is created or enhanced. The recognition is based on input method as detailed below.

Information planning and design service

Taking into account the contract terms and the associate's business practice, revenue from information planning and design service contracts is recognised at a point in time. Under the transfer-of-control approach in HKFRS 15, revenue from information planning and design service is generally recognised when the service is rendered to the customer.

Software development service

The associate designs and develops system according to customers' specification, and is responsible for installation, testing of the system as well as training to personnel. Taking into account the contract terms and the associate's business practice, revenue from software development service contracts is recognised over time as the associate's performance creates and enhances an asset that the customer controls as the asset is created or enhanced. The recognition is based on input method as detailed below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Input method)

Revenue from system integration and software development contracts are recognised over time.

The progress towards complete satisfaction of a performance obligation is measured based on input method. Input methods recognise revenue on the basis of the associate's efforts or inputs to the satisfaction of a performance obligation (i.e. contract costs incurred) relative to the total expected inputs to the satisfaction of that performance obligation.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

After application of the equity method, including recognising the associate's losses (if any), the Group determines there is an objective evidence that the net investment in the associate is impaired. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the net investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Property, plant and equipment

Property, plant and equipment excluding buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses.

Revaluations are made annually at each end of reporting period. Any increase in carrying amount of an asset as a result of a revaluation is recognised in other comprehensive income and accumulated in equity under the heading of asset revaluation reserve while any decrease resulted is recognised in profit or loss. However, an increase is recognised in profit or loss when that it reverses a revaluation decrease of the same asset previously recognised in profit or loss while a decrease is recognised in other comprehensive income when it reduces the related amount accumulated in asset revaluation reserve.

The asset revaluation reserve in respect of an item of property, plant and equipment stated at revalued amount is transferred directly to accumulated losses when it is realised on retirement or disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Depreciation is recognised so as to allocate the cost or fair values of items of property, plant and equipment less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (“FVTOCI”), and fair value through profit or loss (“FVTPL”).

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in “other income and gains” (note 8).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the assets revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to accumulated losses.

Dividends from investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in 'other income and gains' in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in 'other income and gains'. Fair value is determined in the manner described in note 7.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from financial analysts as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 24 months past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is district or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognised revenue from the following major sources:

- sales of woven fabric goods
- provision of woven fabrics subcontracting services
- assets management services
- investment advisory services

Sales of goods

Revenue from sale of woven fabric is recognised at the point when the control of the goods is transferred to the customers (generally on delivery of the goods).

Woven fabrics subcontracting services

Revenue from woven fabrics subcontracting services is recognised over time. Under these arrangements, the Group processes the consignment contracts from customers in accordance with the customer's specification. Under the contract the Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced.

Assets management services

Revenue from fund management services is recognised over time. The Group manages a portfolio of investments on behalf of the customers. Revenue from these contracts is therefore recognised over time during the investment period, based on output method.

Investment advisory services

Revenue from investment advisory services is recognised at the point when the investment appraisal report is delivered. Under these arrangements, the Group provides investment consulting services for clients who do not have industry knowledge in equity investment market and the Group does not have the right to be paid for work done to date if the customers cancel the contract before the order is fully completed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Output method)

Revenue from woven fabrics subcontracting services and assets management services are recognised over time.

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as expenses when employees have rendered services entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Leasing

Accounting policy applicable on or after 1 January 2019

Definition of a lease

Under HKFR 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

For contracts entered into on or after the date of initial application, the Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position. The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its property, plant and equipment. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Accounting policy applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Prepaid lease payment

Prepaid lease payment that is accounted for as an operating lease is presented in the consolidated statement of financial position and is amortised over the lease term of the land use right on a straight-line basis.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Investment in subsidiaries

Investment in subsidiaries is stated on the statement of financial position of the Company at cost less accumulated impairment loss.

Fair value measurement

When measuring fair value, except for the net realisable value of inventories and value in use of certain properties, plant and equipment for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying the accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Judgments in determining the timing of satisfaction of performance obligations

The recognition of each of the Group's revenue stream requires judgment by the directors of the Company in determining the timing of satisfaction of performance obligations.

In making their judgment, the directors of the Company considered the detailed criteria for recognition of revenue set out in HKFRS 15 and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the details terms of transaction as stipulated in the contracts entered into with its customers.

For the Group's woven fabrics subcontracting services, the directors of the Company has assessed that the Group's performance creates and enhances an asset that the customer controls as the Group performs. Therefore, the directors of the Company have satisfied that the performance obligation is satisfied over time and recognised the revenue over the service period.

Legal title of buildings

Despite the Group had paid the full purchase consideration for the buildings as detailed in note 17, formal titles of certain of the Group's rights to the use of the buildings were not obtained from the relevant government authorities. Based on the legal advice from the Group's lawyer, the directors of the Company determine to recognise these buildings on the ground that they expect no major difficulties in obtaining the legal titles in the future and the Group is in substance controlling these buildings. In the opinion of the directors of the Company, the absence of formal legal title to these buildings does not impair the value of the relevant assets of the Group.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revaluation, depreciation and useful lives of property, plant and equipment

The Group depreciates its property, plant and equipment on a straight-line basis over their estimated useful lives as set out in note 17, commencing from the date the items of property, plant and equipment are available for use. The estimated useful lives and the dates the items of property, plant and equipment are available for use reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the property, plant and equipment. The Group assesses the residual value and useful lives of the property, plant and equipment on a regular basis and if the expectation differs from the original estimate, such difference will impact the depreciation charge in the year in which such estimate has been changed.

As described in note 17, buildings in the PRC were revalued as at 31 December 2019 and 2018 based on replacement cost method respectively determined by independent professional valuer respectively. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation for replacement cost method for buildings in the PRC, the independent professional valuer considers information from the aggregate amount of the new replacement cost of the buildings and deductions may be made to allow for the age, condition, economic or functional obsolescence and environmental factor existing at the end of the reporting period. As at 31 December 2019, the carrying amounts of buildings in the PRC are approximately RMB93,112,000 (2018: RMB96,235,000).

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2019, the carrying amount of goodwill is RMB1,230,000 (2018: RMB1,230,000), no impairment losses were recognised as at 31 December 2019 and 2018. Details of the assumption used are disclosed in note 20.

Impairment loss recognised in respect of trade receivables

The impairment provisions for trade receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and is adjusted to reflect current and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge or reversal to the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2019, impairment loss of trade receivables is approximately RMB2,351,000 (2018: RMB639,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less any cost to complete and to sell the goods. The cost of inventories is written down to the net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The amount written off to the consolidated statement of profit or loss and other comprehensive income is the difference between the carrying value and net realisable value of inventories. In determining whether the cost of inventories can be recovered, significant judgment is required. In making this judgment, the Group evaluates, amongst other factors, the duration and extent and the means by which the amount will be recovered. These estimates are based on the current market condition and past experience in sales of similar products. It could change significantly as a result of changes in customer preferences and competitor actions in response to changes in market condition. At 31 December 2019, the carrying amount of inventories is approximately RMB43,273,000 (2018: RMB29,246,000) (net of accumulated allowance for inventories of approximately RMB6,549,000 (2018: RMB5,373,000)).

Carrying amount of amount due to immediate holding company

As at 31 December 2019, the carrying amount of the interest-free amount due to immediate holding company was approximately RMB38,472,000 (2018: RMB32,543,000). According to the assignment of debt agreement signed between Zhejiang Yongli and Guizhou Yongan mentioned in note 30, the amount is unsecured and repayable of an amount which does not exceed 50% of the operating cash flow of the year on an annual basis until the full repayment of the debt.

The carrying amount of the amount due to immediate holding company may be adjusted to reflect the revised estimated cash flows and reviews its estimates of the timing and repayment to the immediate holding company based on current year cash flow, and consequently affect deemed capital contribution at initial recognition and the amount of imputed interest to be recognised in profit or loss, if any, over the expected life of the amounts due to immediate holding company.

Interests in associates/share of results of associates

The recognition of each of the associates' revenue stream requires judgment by the directors of the associates in determining the timing of satisfaction of performance obligations.

In making their judgment, the directors of the associates considered the detailed criteria for recognition of revenue set out in HKFRS 15 and in particular, whether the associates have satisfied all the performance obligations over time or at a point in time with reference to the details terms of transaction as stipulated in the contracts entered into with its customers.

For the associates' business, the directors of the associates have assessed that for the revenue from system integration and software development contracts. The associates' performance creates and enhances an asset that the customer controls as the associates perform. Therefore, the directors of the associates have satisfied that the performance obligation is satisfied over time and recognised the revenue over the service period.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Interests in associates/share of results of associates (Continued)

For the associates' system integration and software development contracts, revenue is recognised over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the associates' efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each project in the contract. The associates calculated the cost allocation based on type of projects. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted contract costs by comparing the budgeted amounts to the actual costs incurred. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the contracts as the contracts progress, the actual outcome of the contracts in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue, cost and profit recognised.

Impairment assessment of interest in an associate

At the end of each reporting period, the Group assesses whether there is an objective evidence that the interest in an associate may be impaired. As at 31 December 2019, the management and the independent professional valuer have assessed the recoverable amount of the Group's interest in the associate based on its value-in-use calculation which involves the judgement of the management and the independent professional valuer. As at 31 December 2019, the carrying amount of interest in an associate is approximately RMB53,996,000 (2018: nil), impairment loss is approximately RMB31,239,000 (2018: nil).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes amount due to immediate holding company as disclosed in note 30, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 **RMB'000**	2018 RMB'000
Financial assets		
Financial assets at amortised cost (including bank balances and cash)	**69,588**	185,157
Financial assets at FVTOCI		
— Equity instruments designated at FVTOCI	**1,065**	635
Financial asset at FVTPL		
— Financial asset mandatorily measured at FVTPL	**25,489**	25,129
Financial liabilities		
Financial liabilities at amortised cost	**67,855**	54,310

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial asset at FVTPL, financial assets at FVTOCI, trade and other receivables, bank balances and cash, trade and other payables and amount due to immediate holding company. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

Currency risk

The Group has no monetary liabilities denominated in foreign currency. The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	2019 **RMB'000**	2018 RMB'000
Trade receivables denominated in United States dollars ("US$")	**2,649**	3,273
Bank balance denominated in US$	**2,318**	1,138
	4,967	4,411

The Group currently does not have a foreign currency hedging policy. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to the currency of United States.

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in RMB against US$. 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rates.

A positive number below indicates a decrease in post-tax loss where RMB weakens 5% (2018: 5%) against US$. For a 5% (2018: 5%) strengthening of RMB against US$, there would be an equal and opposite impact on the loss, and the balances below would be negative.

	2019 **RMB'000**	2018 RMB'000
Decrease in post-tax loss	**186**	166

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its variable-rate short-term deposits. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on the short-term deposits are short-term in nature and the amounts due to immediate holding company are interest-free, the exposure of fair value interest rate risk is minimal and no sensitivity analysis to interest rate risk is presented.

Credit risk

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of our Group mainly arises from cash and cash equivalents and trade and other receivables. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances and/or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-trade related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit ratings agencies.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Included in the Group's trade receivables balance as at 31 December 2019, approximately RMB6,707,000 (2018: RMB5,705,000) and RMB8,644,000 (2018: RMB9,589,000), representing 30% (2018: 18%) and 39% (2018: 31%) of the total trade receivables, is due from the Group's largest customer and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC (2018: PRC), which accounted for 84% (2018: 89%) of the total trade receivables as at 31 December 2019.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Internal credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group's exposure to credit risk

In order to minimise credit risk, the management develops and maintains the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's exposure to credit risk (Continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL — not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL — credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades are disclosed in note 24.

The carrying amount of the Group's financial assets at FVTPL as disclosed in note 22 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of loans from the immediate holding company.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	At 31 December 2019				
	On demand or within 1 year RMB'000	1-5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities					
Trade and other payables	29,383	—	—	29,383	29,383
Amount due to immediate holding company	—	33,489	195,986	229,475	38,472
	29,383	33,489	195,986	258,858	67,855

	At 31 December 2018				
	On demand or within 1 year RMB'000	1-5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities					
Trade and other payables	21,767	—	—	21,767	21,767
Amount due to immediate holding company	—	25,117	204,358	229,475	32,543
	21,767	25,117	204,358	251,242	54,310

7. FAIR VALUE

The carrying amounts of financial instruments that are measured at fair value at the end of the reporting period for recurring measurement, based on the degree to which the fair value is observable in accordance to the Group's accounting policy are as follows:

	2019 Level 2 RMB'000	2018 Level 2 RMB'000
Financial asset at FVTPL	**25,489**	25,129
Financial asset at FVTOCI	**1,065**	635

There were no transfers between levels of fair value hierarchy in the current and prior years. The valuation technique and input used in the fair value measurement are set out below:

Financial Instrument	**Fair value hierarchy**	**Fair value as at 31/12/2019**	**Fair value as at 31/12/2018**	**Valuation technique and key input**
Fund investment	Level 2	RMB25,489,000	RMB25,129,000	By reference to the fair value of the underlying assets held by the investment through the ownership.
Unlisted equity investment	Level 2	RMB1,065,000	RMB635,000	By reference to the fair value of the underlying assets held by the investment through the ownership.

The directors of the Company consider that the carrying amounts of the current financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values due to their short-term maturities.

The directors of the Company consider that the carrying amount of amount due to immediate holding company was approximate to its fair values as the discounting effect was taken into consideration.

8. REVENUE AND OTHER INCOME AND GAINS

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 and gains for the year are as follows:

	2019 **RMB'000**	2018 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services lines		
Manufacture and sale of woven fabrics	**130,315**	142,937
Subcontracting fee income	**4,222**	7,320
Investment advisory services	**—**	974
Fund management services	**—**	57
	134,537	151,288

Disaggregation of revenue from contracts with customers by timing of recognition

	2019 **RMB'000**	2018 RMB'000
Timing of revenue recognition		
At a point in time	**130,315**	143,911
Over time	**4,222**	7,377
Total revenue from contract with customers	**134,537**	151,288

Transaction price allocated to the remaining performance obligations

The subcontracting and fund management service contracts are with an original expected duration of one year or less or contracts for which revenue is recognised at the amount to which that Group has the right to invoice for the services performed. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period.

8. REVENUE AND OTHER INCOME AND GAINS (Continued)

	2019 RMB'000	2018 RMB'000
Other income and gains:		
Gain on disposal of property, plant and equipment	**1,346**	307
Government subsidies *(note)*	**6**	53
Refund of retirement benefit scheme contributions	**890**	—
Refund of land use tax	**439**	628
Reversal of impairment loss of trade receivables	**—**	1,319
Interest income	**300**	723
Gain from change in fair value of financial asset at FVTPL	**360**	774
Foreign exchange gains, net	**69**	50
Sales of scrap materials	**260**	408
Dividend from financial asset at FVTPL	**369**	87
Compensation income	**382**	280
Write-back of trade payables	**2,894**	—
Others	**309**	148
	7,624	4,777

Note: Government subsidies of RMB6,000 (2018: RMB53,000) was awarded to the Group during the year ended 31 December 2019 for encouraging enterprise development. There is no unfulfilled condition or contingencies relating to these subsidies.

9. SEGMENT INFORMATION

Information reported to the executive directors 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 and operating segments are as follows:

Woven fabrics	—	Manufacture and sale of woven fabrics
Subcontracting services	—	Provision of woven fabrics subcontracting services
Asset management	—	Asset 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 year ended 31 December							
	Woven fabrics		Subcontracting services		Asset management		Total	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Segment revenue	**130,315**	142,937	**4,222**	7,320	**—**	1,031	**134,537**	151,288
Segment result	**5,571**	11,129	**139**	1,508	**360**	(65)	**6,070**	12,572
Unallocated corporate income							**4,110**	3,050
Unallocated corporate expenses							**(17,317)**	(12,685)
Share of losses of associates							**(4,765)**	—
Impairment loss of interests in associates							**(31,239)**	—
Finance costs							**(5,929)**	(6,006)
Loss before taxation							**(49,070)**	(3,069)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of certain other income, directors' remuneration, central administration costs, share of losses of associates, impairment loss of interests in associates 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.

9. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

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

	At 31 December							
	Woven fabrics		Subcontracting services		Asset management		Total	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Segment assets	**196,406**	178,918	**6,341**	7,664	**27,784**	26,994	**230,531**	213,576
Unallocated corporate assets								
— Interests in associates							**53,996**	—
— Other receivables							**528**	502
— Tax recoverable							**—**	187
— Bank balances and cash							**46,896**	153,425
Total assets							**331,951**	367,690
Segment liabilities	**(22,201)**	(19,809)	**(2,784)**	(1,014)	**—**	(172)	**(24,985)**	(20,995)
Unallocated corporate liabilities								
— Other payables							**(9,295)**	(8,472)
— Tax payable							**(332)**	—
— Deferred tax liabilities							**(11,565)**	(11,451)
— Amount due to immediate holding company							**(38,472)**	(32,543)
Total liabilities							**(84,649)**	(73,461)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates, other receivables, tax recoverable and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to operating segments other than other payables, tax payable, deferred tax liabilities and amount due to immediate holding company. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

9. SEGMENT INFORMATION (Continued)

(c) Other segment information

Amounts included in the measure of segment (loss) profit or segment assets:

	For the year ended 31 December									
	Woven fabrics		Subcontracting services		Asset management		Unallocated		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
— Addition to non-current assets *(note)*	**22,333**	18,818	**724**	963	**—**	—	**90,000**	—	**113,057**	19,781
— Amortisation of prepaid lease payments	**—**	179	**—**	9	**—**	—	**—**	—	**—**	188
— Depreciation of property, plant and equipment	**8,065**	6,292	**261**	322	**—**	—	**—**	—	**8,326**	6,614
— Depreciation of right-of-use assets	**182**	—	**6**	—	**—**	—	**—**	—	**188**	—
— Fair value gain on financial asset at FVTPL	**—**	—	**—**	—	**(360)**	(774)	**—**	—	**(360)**	(774)
— Allowance for inventories	**1,870**	1,879	**—**	—	**—**	—	**—**	—	**1,870**	1,879
— Impairment loss recognised in respect of trade receivables	**1,658**	—	**54**	—	**—**	—	**—**	—	**1,712**	—
— Reversal of allowance for inventories	**—**	(16)	**—**	—	**—**	—	**—**	—	**—**	(16)
— Reversal of impairment loss of trade receivables	**—**	(1,255)	**—**	(64)	**—**	—	**—**	—	**—**	(1,319)
— Write-back of trade payables	**(2,894)**	—	**—**	—	**—**	—	**—**	—	**(2,894)**	—
— Write-off of property, plant and equipment	**20**	761	**1**	39	**—**	—	**—**	—	**21**	800

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment (loss) profit or segment assets:

— Income tax expense	**250**	422	**3**	22	**—**	—	**(157)**	58	**96**	502

Note: Non-current assets excluded financial instruments.

9. SEGMENT INFORMATION (Continued)

(d) Geographical information

Information about the Group's revenue from external customers is presented based on the location of the operation. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from contracts with customers		Non-current assets*	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (country of domicile)	**117,213**	131,039	**187,231**	125,355
Europe	**12,190**	10,732	**—**	—
South America	**3,195**	5,795	**—**	—
Other overseas	**1,939**	3,722	**—**	—
	134,537	151,288	**187,231**	125,355

* Non-current assets excluded financial instruments.

(e) Information about major customers

During the years ended 31 December 2019 and 2018, none of the Group's individual customer contributed more than 10% to the total revenue of the Group.

10. FINANCE COSTS

	2019	2018
	RMB'000	RMB'000
Imputed interest on interest-free loan due to immediate holding company *(note 30)*	**5,929**	6,006

11. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Current taxation		
— PRC Enterprise Income Tax	**727**	444
Deferred taxation *(note 29)*		
— Current year	**(631)**	58
	96	502

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 years.

The income tax expense for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 RMB'000	2018 RMB'000
Loss before taxation	**(49,070)**	(3,069)
Tax at the domestic rate at 25% (2018: 25%)	**(12,267)**	(767)
Tax effect of share of losses of associates	**1,191**	—
Tax effect of non-taxable income	**(912)**	(92)
Tax effect of non-deductible expenses	**9,556**	1,361
Tax effect of tax losses not recognised	**2,528**	—
Income tax expense	**96**	502

Details of the deferred taxation are set out in note 29.

12. LOSS FOR THE YEAR

	2019 RMB'000	2018 RMB'000
Loss for the year has been arrived at after charging (crediting):		
Staff cost (including supervisors', directors' and chief executive's emoluments):		
Salaries and wages	**27,901**	30,400
Retirement benefit scheme contributions	**902**	865
Total staff costs	**28,803**	31,265
Allowance for inventories (included in cost of inventories recognised as an expense)	**1,176**	1,879
Amortisation of prepaid lease payments	**—**	188
Auditor's remuneration		
— Audit service	**806**	663
— Non-audit service	**631**	283
Cost of inventories recognised as an expense	**123,216**	132,164
Depreciation of property, plant and equipment	**8,326**	6,614
Depreciation of right-of-use assets	**188**	—
Impairment loss (reversal of impairment loss) of trade receivables	**1,712**	(1,319)
Research and development costs recognised as an expense *(note)*	**3,215**	1,055
Write-off of property, plant and equipment	**21**	800
Reversal of allowance for inventories (included in cost of inventories recognised as an expense)	**—**	(16)

Note: Research and development costs includes staff costs of RMB1,729,000 (2018: RMB1,031,000) which have been included in the staff costs as disclosed above.

13. LOSS PER SHARE

Basic and diluted loss per share for the year is calculated on the loss for the year of approximately RMB49,166,000 (2018: RMB3,571,000 and the weighted average of 1,063,500,000 (2018: 1,063,500,000) ordinary shares in issue during the year ended 31 December 2019.

There is no difference between basic and diluted loss per share as there were no potentially dilutive shares outstanding during the year ended 31 December 2019 and 2018.

14. SUPERVISORS', DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the three (2018: three) supervisors, eleven (2018: seven) directors and chief executive for the year ended 31 December 2019 were as follows:

For the year ended 31 December 2019

	Directors'/ Supervisors' fee RMB'000	Salaries and allowances RMB'000	Discretionary bonus RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive directors:					
Mr. Wang Hengzhuang *(note (a))*	68	—	—	—	68
Mr. Jiang Ning *(note (b))*	—	—	—	—	—
Ms. He Lianfeng	72	109	350	10	541
Mr. Hu Hua Jun *(note (e))*	—	—	—	—	—
Mr. He Weifeng *(note (b))*	132	—	—	—	132
Non-executive director					
Mr. Ma Jinsong *(note (a))*	44	—	—	—	44
Independent non-executive directors					
Mr. Song Ke	100	—	—	—	100
Mr. Leng Peng *(note (c))*	63	—	—	—	63
Mr. Zhu Weizhou *(note (c))*	63	—	—	—	63
Mr. Wang Zhong *(note (d))*	37	—	—	—	37
Mr. Wang Hui *(note (d))*	37	—	—	—	37
Supervisors					
Ms. Wang Ai Yu *(note (e))*	—	—	—	—	—
Mr. Chen Wei	36	60	160	6	262
Mr. Pan Xing Biao	12	—	—	—	12
	664	169	510	16	1,359

14. SUPERVISORS', DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 31 December 2018

	Directors'/ Supervisors' fee RMB'000	Salaries and allowances RMB'000	Discretionary bonus RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive directors:					
Mr. Jiang Ning	600	—	—	—	600
Ms. He Lianfeng	72	140	428	10	650
Mr. Hu Hua Jun	60	76	—	5	141
Mr. He Weifeng	400	—	—	—	400
Independent non-executive directors					
Mr. Song Ke	100	—	—	—	100
Mr. Wang Zhong	100	—	—	—	100
Mr. Wang Hui	100	—	—	—	100
Supervisors					
Ms. Wang Ai Yu *(note (e))*	—	—	—	—	—
Mr. Chen Wei	—	74	220	5	299
Mr. Pan Xing Biao	12	—	—	—	12
	1,444	290	648	20	2,402

Notes:

(a) Mr. Wang Hengzhuang and Mr. Ma Jinsong were appointed as executive director and non-executive director respectively on 19 November 2019.

(b) Mr. Jiang Ning and Mr. He Weifeng resigned as executive director on 19 November 2019.

(c) Mr. Leng Peng and Mr. Zhu Weizhou were appointed as independent non-executive directors on 15 May 2019.

(d) Mr. Wang Zhong and Mr. Wang Hui resigned as independent non-executive directors on 15 May 2019.

(e) The annual fee of (i) Ms. Wang Ai Yu for the years ended 31 December 2019 and 2018 and (ii) Mr. Hu Hua Jun for the year ended 31 December 2019 was paid by Zhejiang Yongli according to the terms of services contracts. No allocation of the remuneration between Zhejiang Yongli and the Group have been made during the years presented.

14. SUPERVISORS', DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Ms. He Lianfeng is also the chief executive of the Company and her emoluments disclosed above include those for services rendered by her as the chief executive.

The discretionary bonus is determined by the remuneration committee having regard to the individual's performance and the Group's performance and profitability and the prevailing market conditions.

Mr. Jiang Ning agreed to waive his emoluments for the year ended 31 December 2019. No other supervisors, directors and chief executive waived or agreed to waive any emoluments for the years ended 31 December 2019 and 2018.

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiaries undertaking		Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of affairs of the Company or its subsidiaries undertaking		Total	
2019	2018	**2019**	2018	**2019**	2018
RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
616	1,432	**469**	659	**1,085**	2,091

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2018: four) of them were directors or supervisor of the Company whose emoluments are included in note 14 above. The emoluments of the remaining one (2018: one) individual for the year ended 31 December 2019 are as follows:

	2019	2018
	RMB'000	RMB'000
Salaries, allowances and other benefits in kind	**144**	162
Retirement benefits schemes contributions	**—**	21
	144	183

15. EMPLOYEES' EMOLUMENTS (Continued)

Their emoluments were within the following bands:

	No. of individuals	
	2019	2018
Nil to HK$1,000,000 (equivalent to nil to RMB896,000) (2018: equivalent to nil to RMB843,000)	**1**	1

No emoluments were paid or payable by the Group to the five highest paid individuals and directors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2019 and 2018.

16. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings at revalued amounts	Motor vehicles	Plant and machinery	Furniture, fixtures and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST/VALUATION					
At 1 January 2018	99,321	335	153,133	3,093	255,882
Additions	—	—	54	357	411
Disposal	—	—	(17,815)	—	(17,815)
Write-off	—	—	—	(1,127)	(1,127)
Adjustment on revaluation, net	(3,086)	—	—	—	(3,086)
At 31 December 2018 and 1 January 2019	96,235	335	135,372	2,323	234,265
Additions	—	—	31,955	1,102	33,057
Disposal	—	—	(15,974)	—	(15,974)
Write-off	—	—	(141)	—	(141)
Adjustment on revaluation, net	(3,123)	—	—	—	(3,123)
At 31 December 2019	93,112	335	151,212	3,425	248,084
ACCUMULATED DEPRECIATION					
At 1 January 2018	—	280	150,770	1,892	152,942
Provided for the year	5,824	55	616	119	6,614
Eliminated on disposals	—	—	(17,815)	—	(17,815)
Eliminated on write-off	—	—	—	(327)	(327)
Eliminated on revaluation	(5,824)	—	—	—	(5,824)
At 31 December 2018 and 1 January 2019	—	335	133,571	1,684	135,590
Provided for the year	5,677	—	2,492	157	8,326
Eliminated on disposals	—	—	(15,960)	—	(15,960)
Eliminated on write-off	—	—	(120)	—	(120)
Eliminated on revaluation	(5,677)	—	—	—	(5,677)
At 31 December 2019	—	335	119,983	1,841	122,159
CARRYING VALUES					
At 31 December 2019	93,112	—	31,229	1,584	125,925
At 31 December 2018	96,235	—	1,801	639	98,675

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives less their residual values as follows:

Buildings	Over the shorter of the term of the lease or 20 years
Motor vehicles	5 years
Plant and machinery	10 years
Furniture, fixtures and equipment	5 years

Owned buildings of the Group are revalued on 31 December 2019 and 2018 by Avista Valuation Advisory Limited ("Avista"), an independent qualified professional valuer not connected with the Group. Avista has appropriate qualifications and has recent experiences in the valuation of similar properties in the relevant locations. The valuations have been arrived at using replacement cost approach.

The buildings are held in the PRC under medium-term lease.

If the owned buildings had not been revalued, they would have been included in the financial statements at historical cost less accumulated depreciation of approximately RMB41,351,000 (2018: RMB44,851,000).

Fair value measurement of the Group's owned buildings

The fair value of the owned buildings was determined using the replacement cost approach. Fair value which determined by using replacement cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. There has been no change to the valuation technique for both years.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's buildings and information about the fair value hierarchy as at 31 December 2019 and 2018 are as follows:

Property, plant and Equipment	Fair value	Fair value Hierarchy	Valuation technique	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Buildings in the PRC	RMB93,112,000 (2018: RMB96,235,000)	Level 3	Replacement cost	Rate of obsolescence to adjust the replacement cost, which ranged from 17% to 94% (2018: 5% to 82%) based on the utilisation, specialty in nature and age of the buildings	The higher the rate of obsolescence, the lower the fair value

There were no transfers into or out of Level 3 during the year.

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The reconciliation of Level 3 fair value measurements of leasehold buildings on recurring basis is as follow:

	2019 **RMB'000**	2018 RMB'000
At 1 January	**96,235**	99,321
Increase in fair value recognised in other comprehensive income	**2,554**	2,738
Depreciation expense	**(5,677)**	(5,824)
At 31 December	**93,112**	96,235

During the year ended 31 December 2019, the increase in fair value recognised in other comprehensive income of approximately RMB2,554,000 (2018: RMB2,738,000) is included in asset revaluation reserve and is attributable to the change in unrealised gains or losses relating to buildings measured at fair value held at the end of the reporting period.

As at 31 December 2019, the Group has not obtained the building ownership certificate for buildings with carrying values of approximately RMB16,890,000 (2018: RMB17,532,000) from the relevant PRC government authorities. Based on the legal advice from the Group's lawyer, the absence of formal title to these properties does not impair their values of the Group as the Group has paid the full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

18. LEASES

(i) Right-of-use assets

	2019	
	31 December	**1 January**
	RMB'000	**RMB'000**
Land	**6,080**	6,268

Right-of-use assets of represents land use rights located in the PRC.

(ii) Amount recognised in profit or loss

	Year ended 31 December 2019
	RMB'000
Depreciation of right-of-use assets	**188**

19. PREPAID LEASE PAYMENTS

	2018
	RMB'000
Analysed for reporting purposes as:	
Non-current assets	6,080
Current assets	188
	6,268

Upon adoption of HKFRS 16 on 1 January 2019, the carrying amount of prepaid lease payments of approximately RMB6,268,000 was reclassified to right-of-use assets.

20. GOODWILL

	RMB'000
COST AND CARRYING AMOUNT	
At 1 January 2018, 31 December 2018 and 2019	1,230

Impairment testing on goodwill with indefinite useful lives

For the purposes of impairment testing, the carrying amount of the goodwill in its entirety has been allocated to a cash generating unit, represented by a subsidiary, Guizhou Anheng, which is engaged in asset management business.

During the year ended 31 December 2019, the management of the Group determined that there is no impairment of its cash-generating unit containing goodwill.

The Group conducted an impairment review on the goodwill attributable to Guizhou Anheng at the end of the reporting period by reference to the estimated cash flow projection, which is determined based on a value-in-use calculation. The key assumptions include the discount rate and growth rates. The Group estimates discount rates using weighted average cost of capital that reflect current market assessments of the time value of money and the risk specific to the management of asset management investments. A range of annual growth rate of 3% (2018: 3%) per annum and terminal growth rate of 3% (2018: 3%) per annum have been applied. The pre-tax rate used to discount the forecast cash flows was 26.6% (2018: 29.3%).

Management believed that any reasonably possible change in any of these assumptions would not cause the goodwill to exceed its recoverable amount.

21. INTERESTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Cost of investment in an associate	**90,000**	—
Share of post-acquisition losses and other comprehensive expense	**(4,765)**	—
	85,235	—
Accumulated impairment loss	**(31,239)**	—
	53,996	—

On 22 August 2019, the Group acquired 41.67% equity interest of北京太比雅科技股份有限公司 (Beijing Tepia Technology Co., Ltd.*) ("Beijing Tepia") (representing 60,000,000 shares of Beijing Tepia), a company incorporated in the PRC with it shares trading on the National Equities Exchange and Quotations ("NEEQ"), for consideration of RMB90,000,000. The amount of goodwill arising as a result of the acquisition was approximately RMB38,661,000 and the acquisition was completed on 22 August 2019. The quoted price of Beijing Tepia as in NEEQ at 31 December 2019 is RMB2.1 per share.

21. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2019, the Group had interest in the following material associate:

Name of entity	Form of legal entity	Country of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interests held by the Group		Proportion of voting power held		Principal activity
					2019	2018	2019	2018	
Beijing Tepia and its subsidiaries	Limited liability company	PRC	PRC	Ordinary	41.67%	—	41.67%	—	Provide information planning and design, software development, system integration and project-based systems operation and maintenance services for water management systems

The above table lists the associate of the Group which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

At 31 December, 2019, the recoverable amount of the associates is approximately RMB53,996,000 has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a 8-year period, and discount rate of 17%. The associate's cash flows beyond the 8-year period are extrapolated using a steady 3% growth rate. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows / outflows which include budgeted revenue and cost, such estimation is based on the associates' past performance and management's expectations for the market development. During the year ended 31 December 2019, an impairment loss of approximately RMB31,239,000 is recognised.

The summarised financial information in respect of the associate that is material to the Group and is accounted for using equity method is set out below:

Beijing Tepia

	2019 RMB'000
Current assets	**110,342**
Non-current assets	**21,806**
Current liabilities	**18,136**
Non-current liabilities	**2,244**

	From 22 August 2019 to 31 December 2019
Revenue	**12,661**
Loss for the period	**11,435**
Total comprehensive expense for the period	**11,435**

21. INTERESTS IN ASSOCIATES (Continued)

The reconciliation of the summarised financial information presented above to the carrying amount of the interests in the associates is set out below:

	2019 **RMB'000**
Net assets of the associate	**111,768**
Proportion of the Group's ownership in Beijing Tepia	**41.67%**
Goodwill	**7,422**
Carrying amount of the Group's interest in Beijing Tepia	**53,996**

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 **RMB'000**	2018 RMB'000
Financial assets at FVTOCI comprise:		
Unlisted equity investment in the PRC *(note a)*	**1,065**	635
Financial asset at FVTPL comprise:		
Unlisted fund investment in the PRC *(note b)*	**25,489**	25,129

The fair value of these investments is disclosed in note 7.

Notes:

(a) Unlisted equity investment represented the Group's investment in a company established in the PRC which engaged in investment holding.

(b) During the year ended 31 December 2017, the Group injected RMB74,500,000 in an unlisted fund in the PRC (the "Fund") by way of a subscription for a limited partnership. During the year ended 31 December 2018, paid-up capital of the Fund of RMB49,274,000 had been returned to the Group in order to enhance efficiency in the utilisation of the capital. Details of which were set out in the Company's announcement dated 14 September 2018.

23. INVENTORIES

	2019	2018
	RMB'000	RMB'000
Raw materials	**2,150**	1,959
Work in progress	**11,554**	15,295
Finished goods	**29,569**	11,992
	43,273	29,246

During the year ended 31 December 2019, provision for slow-moving inventories of approximately RMB1,176,000 (2018: RMB1,879,000) has been recognised and included in the cost of sales. During the year ended 31 December 2018, allowance for slow-moving inventories of RMB16,000 (2019: nil) provided in prior years was reversed since the relevant inventories were sold in the ordinary course of business.

24. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	RMB'000
Trade receivables	**24,515**	31,869
Less: Allowance for impairment of trade receivables	**(2,351)**	(639)
	22,164	31,230
Other receivables		
Prepayments to suppliers	**1,652**	704
Other prepayments	**—**	1,089
Other tax recoverable	**3,653**	—
Other receivables	**528**	502
	5,833	2,295
Total trade and other receivables	**27,997**	33,525

As at 31 December 2019, the gross amount of trade receivable arising from contract with customers amounted to approximately RMB24,515,000 (2018: RMB31,869,000).

24. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows an average credit period of 60 days to 180 days (2018: 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.

An aged analysis of trade receivable, net of allowance for impairment of trade receivables and presented based on the revenue recognition dates, at the end of the reporting period is as follows:

	2019 **RMB'000**	2018 RMB'000
0–60 days	**21,644**	30,125
61–90 days	**220**	218
91–120 days	**35**	573
121–365 days	**96**	205
Over 365 days	**169**	109
	22,164	31,230

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtors and an analysis of the debtors' current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the group's different customer bases.

The Group recognised lifetime ECL for trade receivables based on the ageing of customers collectively that are not individually significant as follows:

	Weighted average expected loss rate %	**Gross carrying amount** RMB'000	**Loss allowance** RMB'000
As at 31 December 2019			
Current (not past due)	**2.5**	**22,200**	**556**
Less than 60 days past due	**20.13**	**276**	**56**
61-90 days past due	**85.29**	**233**	**198**
91-365 days past due	**85.29**	**654**	**558**
Over 365 days past due	**85.29**	**1,152**	**983**
		24,515	**2,351**

24. TRADE AND OTHER RECEIVABLES (Continued)

	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
As at 31 December 2018			
Current (not past due)	1.1	31,261	344
Less than 60 days past due	20.50	161	33
61-90 days past due	58.54	82	48
91-365 days past due	58.82	102	60
Over 365 days past due	58.56	263	154
		31,869	639

The movements in allowance for impairment of trade receivables are as follows:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**639**	22,299
Impairment loss recognised on trade receivables	**1,712**	—
Amounts written off as uncollectible	**—**	(20,341)
Reversal of impairment loss	**—**	(1,319)
At the end of the year	**2,351**	639

The increase in past due balances and the weighted average expected loss rate resulted in increase in loss allowance of approximately RMB1,712,000.

Included in the trade receivables are the following amounts denominated in a currency other than the functional currency of the group entity:

	2019 RMB'000	2018 RMB'000
US$	**2,649**	3,273

Included in other receivables as at 31 December 2019, balance of approximately RMB324,000 (2018: nil) is amount due from a fellow subsidiary in relation to certain property, plant and equipment renting to the fellow subsidiary. The balance is unsecured, interest-free and repayable upon invoice issued.

25. BANK BALANCES AND CASH

For the years ended 31 December 2019 and 2018, bank balances represented short-term deposits with a maturity of three months or less. The interest rate ranged from 0.3% to 1.35% per annum (2018: 0.3% to 1.3% per annum).

Included in the bank balances and cash are the following amounts denominated in currencies other than the functional currency of the respective group entity:

	2019 **RMB'000**	2018 RMB'000
US$	**2,318**	1,138

26. TRADE AND OTHER PAYABLES

	2019 **RMB'000**	2018 RMB'000
Trade payables *(notes i & ii)*	**20,088**	13,295
Other taxes payable	**2,832**	4,427
Accrued expenses and other payables	**9,295**	8,472
	32,215	26,194

Notes:

(i) The Group normally receives credit periods from suppliers ranging from 30 days to 90 days (2018: 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 period based on invoice dates is as follows:

	2019 **RMB'000**	2018 RMB'000
0–60 days	**10,789**	4,336
61–90 days	**3,390**	1,358
91–365 days	**1,715**	1,672
Over 365 days	**4,194**	5,929
	20,088	13,295

Included in other payables as at 31 December 2019, balance of approximately RMB131,000 (2018: nil) is amount due to ultimate holding company in relation to electricity provided by immediate holding company. The balance is unsecured, interest-free and repayable upon invoice issued.

27. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Sales of woven fabrics	2,065	2,982
Subcontracting service contracts	—	291
	2,065	3,273

Contract liabilities include advances received to sales of woven fabrics and render subcontracting services.

The Group receives range from 10% to 20% of the contract values as deposits from customers when they sign the contracts for sales of woven fabrics and render subcontracting services.

The significant change in contract liabilities in 2019 was mainly due to the drop in revenue from new customers during the year.

Revenue recognised during the year ended 31 December 2019 that was included in the contract liabilities as the beginning of the year is approximately RMB3,273,000 (2018: RMB4,927,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

28. RETIREMENT BENEFITS PLANS

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-managed retirement benefit schemes for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement benefit scheme is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement benefit scheme, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. During the year ended 31 December 2019, the total amount contributed by the Group to this scheme and charged to the consolidated statement of profit or loss and other comprehensive income was approximately RMB902,000 (2018: RMB865,000).

29. DEFERRED TAX LIABILITIES

Major deferred tax (liabilities) assets recognised and movement therein during the current and prior reporting periods are set out as follows:

	Revaluation of properties	Impairment loss recognised in respect of trade receivables	Allowance of inventories	Fair value change of financial assets at FVTOCI	Fair value change of financial assets at FVTPL	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	(16,922)	5,577	458	104	188	(10,595)
Charged to profit or loss	—	(330)	466	—	(194)	(58)
Charged to other comprehensive income	(684)	—	—	(114)	—	(798)
At 31 December 2018 and 1 January 2019	(17,606)	5,247	924	(10)	(6)	(11,451)
Charged to profit or loss	—	428	294	—	(91)	631
Charged to other comprehensive income	(638)	—	—	(107)	—	(745)
At 31 December 2019	(18,244)	5,675	1,218	(117)	(97)	(11,565)

At the end of the reporting period, the Group has unused tax losses of approximately RMB10,111,000 (2018: nil) available for offset against future profits. No deferred tax asset has been recognised (2018: nil) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB10,111,000 (2018: nil) that will expire in 2024.

30. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

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, it had been initially reduced to its present value of approximately RMB20,724,000 based on the management's estimates of future cash payments with a corresponding adjustment of approximately RMB218,953,000, which was deemed 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% (2018: 18.22%). 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 year ended 31 December 2018, the Group partially repaid the principal of RMB6,426,000 (2019: nil). The principal amount outstanding as at 31 December 2019 was RMB229,475,000 (2018: RMB229,475,000).

As at 31 December 2019 and 2018, the directors of the Company do not expect to repay the amount due to immediate holding company in the next twelve months based on the cash flow forecasts and the estimation on operating cash flows.

31. SHARE CAPITAL

Details of the share capital of the Company of RMB0.10 each are as follows:

	Number of shares '000	RMB'000
Domestic shares at 1 January 2018, 31 December 2018 and 31 December 2019	588,000	58,800
H shares at 1 January 2018, 31 December 2018 and 31 December 2019	475,500	47,550
Total share capital of RMB0.10 each at 1 January 2018, 31 December 2018 and 31 December 2019	1,063,500	106,350

The domestic shares and H shares carry the same rights to dividends, receive notice of attender vote at any general meeting of the Company or to participate in any distribution on winding up.

32. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the consolidated financial statements, the Group entered into transactions with related parties as follows:

Related party	Relationship	Nature of transaction	Note	2019 RMB'000	2018 RMB'000
Zhejiang Yongli	Ultimate holding company	Electricity charge	(i), (ii)	**16,938**	18,274
浙江紹興永利印染有限公司 (Zhejiang Shaoxing Yongli Dyeing Co., Ltd.*)	Fellow subsidiary	Dyeing service	(i), (iii)	**443**	50
紹興虹利化纖有限公司 (Shaoxing Hongli Fiber Co., Ltd.*)	Fellow subsidiary	Rental income	(i)	**309**	—

Notes:

(i) These transactions were carried out at the terms determined and agreed by the Group and relevant parties.

(ii) The electricity charges were made on behalf of the Group based on the actual cost incurred.

(iii) The dyeing services was provided to the Group for the usage in the production.

(b) Compensation of key management personnel

The directors of the Company and the supervisors and chief executive of the Company are regarded as key management of the Group. Compensation paid or payable to them is disclosed in note 14.

The remuneration of directors and members of key management are determined by the remuneration committee having regard to the performance of individuals and market trends.

The aforesaid transactions were in the ordinary course of business of the Group.

* *English name is for identification only*

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Amount due to immediate holding company RMB'000
At 1 January 2018	32,963
Financing cash flows	(6,426)
Non-cash change	
— Finance cost incurred	6,006
At 31 December 2018 and 1 January 2019	32,543
Non-cash change	
— Finance cost incurred	5,929
At 31 December 2019	38,472

34. COMMITMENTS

	2019 RMB'000	2018 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	—	34,670

35. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment		**96,055**	98,675
Right-of-use assets		**6,080**	—
Prepaid lease payments		**—**	6,080
Investments in subsidiaries	(a)	**35,104**	9,108
Financial assets at FVTPL		**25,489**	25,129
Deposit for acquisition of property, plant and equipment		**—**	19,370
		162,728	158,362
Current assets			
Inventories		**40,818**	29,246
Trade and other receivables		**24,206**	33,523
Prepaid lease payments		**—**	188
Amounts due from subsidiaries	(b)	**58,370**	—
Tax recoverable		**—**	187
Bank balances and cash		**39,735**	144,600
		163,129	207,744
Current liabilities			
Trade and other payables		**28,811**	25,912
Contract liabilities		**1,966**	3,273
Tax payable		**332**	—
		31,109	29,185
Net current assets		**132,020**	178,559
Total assets less current liabilities		**294,748**	336,921
Non-current liabilities			
Deferred tax liabilities		**11,448**	11,441
Amount due to immediate holding company		**38,472**	32,543
		49,920	43,984
Net assets		**244,828**	292,937
Capital and reserves			
Share capital	31	**106,350**	106,350
Share premium and reserves	(c)	**138,478**	186,587
		244,828	292,937

35. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Continued)

Notes:

(a) Particulars of all subsidiaries of the Company

Name of subsidiary	Place of incorporation	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company Directly 2019	Directly 2018	Indirectly 2019	Indirectly 2018	Principal activities
Guizhou Anheng**	PRC	RMB10,000,000	**100%**	100%	**—**	—	Asset management and consulting services
深圳永安慧聚水務科技有限公司** (Shenzhen Yongan Huiju Water Technology Co., Ltd.*)	PRC	RMB43,000,000 (2018: RMB1,000,000)	**100%**	100%	**—**	—	Research and Development of water resources & related equipments
浙江永譽紡織有限責任公司^ (Zhejiang Yongyu Textile Co., Ltd.*)	PRC	RMB20,000,000 (2018: nil)	**100%**	100%	**—**	—	Manufacturing and sales of woven fabrics
深圳安恒永晟投資合夥企業(有限合夥)# (Shenzhen Anheng Yongcheng Investment Partnership (Limited Partnership)*) *(note (i))*	PRC	RMB100,000	**—**	—	**90%**	90%	Not commence business yet
深圳安永礪劍影視投資合夥企業(有限合夥)# (Shenzhen Eryong Shuijian Film and Television Investment Partnership (Limited Partnership) *(note (i))*	PRC	RMB100,000	**—**	—	**90%**	90%	Not commence business yet
YongAn HuaiRen Business Consulting Co., Limited* *(note (ii))*	Hong Kong	HK$23,400,000	**—**	—	**100%**	—	Not commence business yet

** These subsidiaries were registered in the PRC with limited liability.
^ The subsidiary was registered as wholly-owned foreign enterprise under the PRC law.
# These subsidiaries were registered in the PRC as limited partnership.

35. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

None of the subsidiaries have non-controlling interests that are material to the Group.

None of the subsidiaries had issued any debt securities at the end of the years.

Notes:

(i) These subsidiaries were deregistered during the year ended 31 December 2019.

(ii) The subsidiary is incorporated during the year ended 31 December 2019.

* *English name is for identification only*

(b) The balances are unsecured, interest-free and repayable on demand. The Company measures the loss allowance equal to 12-month ECL.

(c) The movement of share premium and reserves is shown as follows:

	Share Premium RMB'000	Other reserve RMB'000	Asset revaluation reserve RMB'000	Statutory surplus Reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	69,637	331,664	37,744	12,496	(261,784)	189,757
Loss for the year	—	—	—	—	(5,224)	(5,224)
Gain on revaluation of properties, net of tax	—	—	2,054	—	—	2,054
Other comprehensive income for the year	—	—	2,054	—	—	2,054
Total comprehensive income (expense) for the year	—	—	2,054	—	(5,224)	(3,170)
At 31 December 2018 and 1 January 2019	69,637	331,664	39,798	12,496	(267.008)	186,587
Loss for the year	—	—	—	—	(50,025)	(50,025)
Gain on revaluation of properties, net of tax	—	—	1,916	—	—	1,916
Other comprehensive income for the year	—	—	1,916	—	—	1,916
Total comprehensive income (expense) for the year	—	—	1,916	—	(50,025)	(48,109)
At 31 December 2019	69,637	331,664	41,714	12,496	(317,033)	138,478

36. EVENT AFTER THE REPORTING PERIOD

Following the outbreak of the Novel Coronavirus ("COVID-19") disease in the PRC in early 2020, a series of precautionary and control measures have been implemented in the PRC, including extension of the Chinese New Year holiday, postponement on work resumption after Chinese New Year holiday in some regions, certain level of restriction and controls over the travelling of people and traffic arrangement.

The directors of the Company are monitoring the situation and continue to assess and react actively to the impact of COVID-19 outbreak on the Group's operations, financial position and financial performance accordingly.

RESULTS

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**134,537**	151,288	159,442	165,785	191,968
LOSS BEFORE TAXATION	**(49,070)**	(3,069)	(1,246)	(5,491)	(11,900)
TAXATION	**(96)**	(502)	(963)	(1,722)	(5,279)
LOSS FOR THE YEAR	**(49,166)**	(3,571)	(2,209)	(7,213)	(17,179)

ASSETS AND LIABILITIES

	At 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**331,951**	367,690	386,511	391,306	383,621
TOTAL LIABILITIES	**(84,649)**	(73,461)	(89,640)	(82,302)	(288,506)
SHAREHOLDERS' EQUITY	**247,302**	294,229	296,871	309,004	95,115

Note: The summary of the results and the assets and liabilities of the Group for the years ended 31 December 2015, 2016, 2017, 2018 and 2019 are extracted from the audited consolidated financial statements.