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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

* *For identification purpose only*

HIGHLIGHTS

For the year ended 31 December 2018,

- Revenue of the Group decreased slightly from approximately RMB159.44 million in year 2017 to approximately RMB151.29 million in year 2018, representing a decrease of approximately 5.11% when compared to the year ended 31 December 2017;
- Loss for the year was approximately RMB3.57 million; and
- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

The board (the "Board") of directors (the "Directors") of 浙江永安融通控股股份有限公司 (Zhejiang Yongan Rongtong Holdings Co., Ltd.*) (the "Company" together with its subsidiaries, the "Group"), is pleased to announce the audited results of the Group for the year ended 31 December 2018, together with the comparative results for the corresponding period in 2017 as follows:

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Revenue	3	**151,288**	159,442
Cost of sales		**(134,027)**	(144,019)
Gross profit		**17,261**	15,423
Other income and gains	3	**4,777**	2,363
Selling and distribution costs		**(2,953)**	(2,538)
Administrative expenses		**(16,148)**	(12,718)
Finance costs	5	**(6,006)**	(3,776)
Loss before taxation		**(3,069)**	(1,246)
Income tax expenses	6	**(502)**	(963)
Loss for the year	7	**(3,571)**	(2,209)
Other comprehensive income (expense) for the year			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of properties		**2,738**	4,259
Income tax relating to revaluation of properties		**(684)**	(1,065)
		2,054	3,194
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on financial assets at fair value through other comprehensive income		**457**	—
Fair value loss on available-for-sale investments		**—**	(1,171)
Income tax relating to items that may be reclassified subsequently		**(114)**	292
		343	(879)
Other comprehensive income for the year, net of tax		**2,397**	2,315
Total comprehensive (expenses) income for the year		**(1,174)**	106
		RMB	*RMB*
Loss per share			
Basic and diluted	8	**(0.34) cents**	(0.21) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**98,675**	102,940
Prepaid lease payments		**6,080**	6,268
Goodwill		**1,230**	1,230
Financial asset at fair value through other comprehensive income		**635**	—
Financial asset at fair value through profit or loss		**25,129**	—
Deposits paid for acquisition of property, plant and equipment		**19,370**	—
Available-for-sale investments		**—**	73,807
		151,119	184,245
Current assets			
Inventories		**29,246**	27,843
Trade and other receivables	10	**33,525**	37,713
Prepaid lease payments		**188**	188
Amount due from ultimate holding company	11	**—**	71
Tax recoverable		**187**	—
Bank balances and cash		**153,425**	136,451
		216,571	202,266
Current liabilities			
Trade and other payables	12	**26,194**	41,152
Contract liabilities		**3,273**	—
Tax payables		**—**	8
Amount due to a fellow subsidiary	13	**—**	4,432
Amount due to immediate holding company	14	**—**	6,426
		29,467	52,018
Net current assets		**187,104**	150,248
Total assets less current liabilities		**338,223**	334,493
Non-current liabilities			
Deferred tax liabilities		**11,451**	11,085
Amount due to immediate holding company	14	**32,543**	26,537
		43,994	37,622
Net assets		**294,229**	296,871
Capital and reserves			
Share capital		**106,350**	106,350
Share premium and reserves		**187,879**	190,521
		294,229	296,871

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 2017	106,350	69,637	343,903	34,550	12,496	(257,932)	309,004
Loss for the year	—	—	—	—	—	(2,209)	(2,209)
Fair value loss on available-for-sale investment, net of tax	—	—	—	(879)	—	—	(879)
Gain on revaluation of properties, net of tax	—	—	—	3,194	—	—	3,194
Other comprehensive income for the year	—	—	—	2,315	—	—	2,315
Total comprehensive income (expense) for the year	—	—	—	2,315	—	(2,209)	106
Adjustment of deemed capital contribution arising from changes in cash flow estimates on amount due to immediate holding company *(note 14)*	—	—	(12,239)	—	—	—	(12,239)
At 31 December 2017 (as originally stated)	106,350	69,637	331,664	36,865	12,496	(260,141)	296,871
Effect of changes in accounting policies *(note 2)*	—	—	—	566	—	(2,034)	(1,468)
At 1 January 2018 (as restated)	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	106,350	69,637	331,664	39,828	12,496	(265,746)	294,229

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 14) 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 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 2018 and 2017, no reserves were available for distribution as the Group incurred accumulated losses.

Notes:

1. BASIS OF PREPARATION

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 the 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 the 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 subcontracting services; (iii) assets management services; and (iv) investment advisory services.

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 ("HKFRSs")

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 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* have been summarised below. The application of the 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 the consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of accumulated losses and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue*.

The change in revenue recognition does not have material impact on revenue recognised prior to 1 January 2018 and revenue recognised for the year ended 31 December 2018.

The amount of adjustment for each financial statement line item of the consolidated statement of financial position at 1 January 2018 affected by the application of HKFRS 15 is illustrated below. Line items that were not affected by the changes have not been included.

		Carrying amount previously reported at 31 December 2017	Impact on adoption of HKFRS 15- Reclassification	Carrying amount as restated at 1 January 2018
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables		41,152	(4,927)	36,225
Contract liabilities	(a)	—	4,927	4,927

Note

(a) Advances received from customers

As at 1 January 2018, the "receipt in advance" of approximately RMB4,927,000 previously included in trade and other payables was reclassified to contract liabilities.

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in accumulated losses and other component of equity as at 1 January 2018.

(i) *Classification and measurement of financial instruments*

The directors of the Company reviewed and assessed the Group's existing financial assets and liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of HKFRS 9 has had the following impact on the Group's financial assets and liabilities as regards their classification and measurement.

Unlisted equity investment previously classified as available-for-sale investments carried at fair value:

The Group had elected to present in other comprehensive income for the fair value changes in respect of the Group's unlisted equity instrument amounting to approximately RMB178,000 as they are held for medium or long-term strategic purpose, and reclassified them to financial assets at fair value through other comprehensive income ("FVTOCI"). On initial application of HKFRS 9, the fair value gains and losses of these equity investments continue to be recognised in the asset revaluation reserve but they will not be reclassified to profit or loss when they are derecognised.

Investments in fund (e.g. investments not meeting the definition of equity from the issuer's perspective under HKAS 32) previously classified as available-for-sale financial assets carried at fair value:

This investment amounting to RMB73,629,000 does not meet the criteria to be classified either as at FVTOCI or at amortised cost under HKFRS 9 and were reclassified to financial assets at fair value through profit or loss ("FVTPL") upon its initial application. The Group measures it at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised in profit or loss. As such, asset revaluation reserve relating to these financial assets amounting to RMB566,000 net of the related deferred tax impact of approximately RMB188,000, was transferred to accumulated losses at 1 January 2018.

(ii) *Loss allowance for expected credit losses ("ECL")*

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL model. As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement HKFRS 9.

As at 1 January 2018, an additional allowance on the Group's trade receivables of approximately RMB1,958,000 has been recognised, thereby increasing the opening accumulated losses of approximately RMB1,468,000, net of the related deferred tax impact of approximately RMB490,000.

(iii) *Summary of effects arising from initial application of HKFRS 9*

The table below summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets and financial liabilities and reconciles the carrying amounts of financial assets and financial liabilities under HKAS 39 to the carrying amounts under HKFRS 9, including the impact on deferred tax liabilities on 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amount at 31 December 2017 (HKAS 39)	**Adoption of HKFRS 9- Reclassification**	**Adoption of HKFRS 9- Remeasurement**	**Carrying amount as at 1 January 2018 (HKFRS 9)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loan and receivables				
— Trade and other receivables	36,730	(36,730)	—	—
— Bank balances and cash	136,451	(136,451)	—	—
— Amount due from ultimate holding company	71	(71)	—	—
At amortised cost				
— Trade and other receivables	—	36,730	(1,958)	35,772
— Bank balances and cash	—	136,451	—	136,451
— Amount due from ultimate holding company	—	71	—	71
Available-for-sale ("AFS") investments				
— Unlisted equity investment	178	(178)	—	—
— Fund investment	73,629	(73,629)	—	—
Financial asset at FVTPL				
— Fund investment	—	73,629	—	73,629
Financial asset at FVTOCI				
— Unlisted equity investment	—	178	—	178
Deferred tax liabilities	11,085	—	(490)	10,595

All the financial liabilities have not been impacted by the application of HKFRS 9 and continue to be classified and measured on the same basis (i.e. at amortised cost) as they were under HKAS 39.

The table below summarises the impact of transition to HKFRS 9 on accumulated loss and other components of equity at 1 January 2018.

	Asset revaluation reserve	**Accumulated losses**
	RMB'000	*RMB'000*
Balance at 31 December 2017 as originally stated	36,865	(260,141)
Transferred from asset revaluation reserve to accumulated losses as the financial assets now measured at FVTPL (note 2(i))	566	(566)
Recognition of additional expected credit losses, net of tax effect (note 2(ii))	—	(1,468)
Total change as a result of adoption of HKFRS 9 on 1 January 2018	566	(2,034)
Balance at 1 January 2018 as restated	37,431	(262,175)

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under HKAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of HKFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVTPL at the date of initial application of HKFRS 9.

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 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates or Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

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

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

3 Effective for annual periods beginning on or after 1 January 2021.

4 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of these new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the amounts received and receivable for goods sold and services rendered by the Group to external customers, net of discounts and sales related taxes. An analysis of the Group's revenue and other income and gains for the year are as follows:

	2018	2017*
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15 for the year ended 31 December 2018		
Disaggregrated by major products or services lines		
Manufacture and sale of woven fabrics	**142,937**	154,032
Subcontracting fee income	**7,320**	5,375
Investment advisory services	**974**	—
Fund management services fee	**57**	35
	151,288	159,442

* The amounts for the year ended 31 December 2017 were recognised under HKAS 18.

Disaggregation of revenue by timing of recognition

	2018
	RMB'000
Timing of revenue recognition	
At a point in time	**143,911**
Over time	**7,377**
Total revenue from contract with customers	**151,288**

	2018	2017
	RMB'000	*RMB'000*
Other income and gains		
Gain on disposal of property, plant and equipment	**307**	—
Government subsidies *(Note)*	**53**	838
Refund of land use tax	**628**	—
Reversal of impairment loss of trade receivables	**1,319**	—
Interest income	**723**	731
Gain on disposal of financial assets at fair value through profit or loss	**—**	466
Gain from changes in fair value of financial assets at FVTPL	**774**	—
Foreign exchange gains, net	**50**	126
Sales of scrap materials	**408**	—
Dividends from financial asset at FVTOCI	**87**	—
Compensation income	**280**	—
Others	**148**	202
	4,777	2,363

Note:

Government subsidies of RMB53,000 (2017: RMB838,000) was awarded to the Group during the year ended 31 December 2018 for encouraging enterprise development (2017: for encouraging the usage of the higher productivity machinery). There is no unfulfilled condition or contingencies relating to these subsidies.

4. SEGMENT INFORMATION

Information reported to the board of 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.

For the year ended 31 December 2017, the segment of asset management was a new business segment of the Group through acquisition of 100% of the registered capital of 貴州安恒永晟投資管理有限公司 Guizhou Anheng Yongcheng Investment Management Company, Ltd.* ("Guizhou Anheng"), a company incorporated in the PRC.

* *English name is for identification only.*

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

Woven fabric	-	Manufacture and sale of woven fabrics
Subcontracting services	-	Provision of subcontracting services
Asset management	-	Asset management and investment advisory services

(a) **Segment revenue 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 fabric		Subcontracting services		Asset management		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue	**142,937**	154,032	**7,320**	5,375	**1,031**	35	**151,288**	159,442
Segment result	**11,129**	11,568	**1,508**	648	**(65)**	(1,303)	**12,572**	10,913
Unallocated corporate income							**3,050**	2,363
Unallocated corporate expenses							**(12,685)**	(10,746)
Finance costs							**(6,006)**	(3,776)
Loss before taxation							**(3,069)**	(1,246)

Segment profit represents the profit earned by each segment without allocation of certain other income, directors' remuneration, central administration costs and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

(b) **Geographical information**

Information about the Group's revenue from external customers is presented based on the location of the operation.

	Revenue from external customers	
	2018	2017
	RMB'000	*RMB'000*
The PRC (country of domicile)	**131,039**	133,162
Europe	**10,732**	11,051
South America	**5,795**	10,031
Middle East	**49**	818
Other overseas	**3,673**	4,380
	151,288	159,442

(c) **Information about major customers**

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2018	2017
	RMB'000	*RMB'000*
Customer A (derived from sale of woven fabrics)	**N/A**[1]	18,586

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Imputed interest on interest-free loan due to immediate holding company *(note 14)*	**6,006**	3,776

6. INCOME TAX EXPENSES

	2018	2017
	RMB'000	*RMB'000*
Current taxation		
PRC Enterprise Income Tax	**444**	1,320
Deferred taxation	**58**	(357)
- Current year	**502**	963

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.

7. LOSS FOR THE YEAR

	2018	2017
	RMB'000	*RMB'000*
Loss for the year has been arrived at after charging (crediting):		
Staff cost (including supervisors', directors' and chief executive's emoluments):		
Salaries, wages and other benefits in kind	**30,400**	25,893
Retirement benefit scheme contributions	**865**	662
Total staff costs	**31,265**	26,555
Allowance for inventories (included in cost of inventories recognised as an expense)	**1,879**	1,534
Amortisation of prepaid lease payments	**188**	188
Auditor's remuneration	**683**	688
Cost of inventories recognised as an expense	**132,164**	142,587
Depreciation of property, plant and equipment	**6,614**	6,984
Research and development costs recognised as an expense (note)	**1,055**	192
Write-off of property, plant and equipment	**800**	—
Reversal of allowance for inventories (included in cost of inventories recognised as an expense)	**(16)**	(102)

Note: Research and development costs includes staff costs of RMB1,031,000 (2017: RMB140,000) which have been included in staff costs as disclosed above.

8. LOSS PER SHARE

Basic and diluted loss per share for the year is calculated on the loss for the year of approximately RMB3,571,000 (2017: RMB2,209,000) and the weighted average of 1,063,500,000 (2017: 1,063,500,000) ordinary shares in issue during the year ended 31 December 2018.

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 2018 and 2017.

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2018, nor has any dividend been proposed since the end of reporting period (2017: Nil).

10. TRADE AND OTHER RECEIVABLES

	31 December 2018	1 January 2018	31 December 2017
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	**31,869**	36,060	56,401
Less: Allowance for impairment of trade receivables	**(639)**	(1,958)	(20,341)
	31,230	34,102	36,060
Other receivables			
Prepayments to suppliers	**704**	227	227
Other prepayments	**1,089**	756	756
Other receivables	**502**	670	670
	2,295	1,653	1,653
Total trade and other receivables	**33,525**	35,755	37,713

The Group allows an average credit period of 60 days to 180 days (2017: 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 receivables, net of allowance for impairment of trade receivables and presented based on invoice dates which approximates the respective revenue recognition dates, at the end of the reporting period is as follows:

	2018	2017
	RMB'000	*RMB'000*
0-60 days	**30,125**	29,685
61-90 days	**218**	2,346
91-120 days	**573**	1,155
121-365 days	**205**	2,427
Over 365 days	**109**	447
	31,230	36,060

11. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

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

12. TRADE AND OTHER PAYABLES

	31 December 2018	1 January 2018	31 December 2017
	RMB'000	*RMB'000*	*RMB'000*
Trade payables *(notes i & ii)*	**13,295**	26,283	26,283
Receipt in advance	**—**	—	4,927
Other tax payables	**4,427**	1,581	1,581
Accrued expenses and other payable	**8,472**	8,361	8,361
	26,194	36,225	41,152

Notes:

(i) The Group normally receives credit periods from suppliers ranging from 30 days to 90 days (2017: 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:

	2018	2017
	RMB'000	*RMB'000*
0 - 60 days	**4,336**	15,401
61 - 90 days	**1,358**	2,759
91 - 365 days	**1,672**	2,586
Over 365 days	**5,929**	5,537
	13,295	26,283

13. AMOUNT DUE TO A FELLOW SUBSIDIARY

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

	2018	2017
	RMB'000	*RMB'000*
浙江永利熱電有限公司 (Zhejiang Yongli Thermal Electricity Company Limited*) ("Zhejing Yongli Thermal Electricity")	**—**	4,432

During the years ended 31 December 2018 and 2017, Zhejiang Yongli Thermal Electricity was a subsidiary of Zhejiang Yongli, the ultimate holding company of the Company.

* *English name is for identification only.*

14. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

	2018	2017
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Current liability	**—**	6,426
Non-current liability	**32,543**	26,537

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% (2017: 18.22%). The amount is unsecured, interest-free and repayable of an amount which on all annual basis 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, the Group partially repaid the principal of RMB6,426,000. The principal amount outstanding as at 31 December 2018 was RMB229,475,000 (2017: RMB235,901,000).

As at 31 December 2017, the directors of the Company expected to repay RMB6,426,000 (2018: nil) of the carrying amount of 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.

The movements during the current reporting period are set out as follows:

	RMB'000
At 1 January 2017	20,724
Adjustment of deemed capital contribution arising from changes in cash flow estimates on amount due to immediate holding company	12,239
Imputed interest charged during the year	3,776
Repayment during the year	(3,776)
At 31 December 2017	32,963
Imputed interest charged during the year	6,006
Repayment during the year	(6,426)
At 31 December 2018	32,543

15. RELATED PARTY TRANSACTIONS

Other than as desclosed elsewhere in this announcement, the Group had the following related party transactions during the years ended 31 December 2018 and 2017.

(a) During the year ended 31 December 2017, the Group had paid approximately RMB7,248,000 to Zhejiang Yongli Thermal Electricity, a fellow subsidiary of the Group, for electricity and steam provided to the Group for usage in the production.

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

(b) During the year ended 31 December 2018, the Group had paid approximately RMB18,274,000 (2017: nil) to Zhejiang Yongli for electricity charges paid by Zhejiang Yongli on behalf of the Group.

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

(c) During the year ended 31 December 2018, the Group had paid approximately RMB50,000 (2017: RMB36,000) to Zhejiang Shaoxing Yongli Printing & Dyeing, a fellow subsidiary of the Group, for providing dyeing services to the Group for the usage in production.

(d) Compensation of key management personnel

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

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 of item (c) to (d) were in the ordinary course of business of the Group.

16. EVENT AFTER THE REPORTING PERIOD

On 9 November 2018, a wholly-owned subsidiary of the Company (the "Purchaser"), has entered into the memorandums of understanding with 青海海清新能源科技有限公司 (Qinghai Haiqing New Energy Technology Co., Ltd.*) ("Qinghai Haiqing") and 貴陽永安互聯網金融投資服務有限公司 (Guiyang Yongan Internet Financial Investments Services Limited*) (the "Vendors"), who are connected persons of the Company, pursuant to which the Purchaser intended to purchase and the Vendors intended to sell in aggregate 50.0% of the entire issued share capital of 北京太比雅科技股份有限公司 (Beijing Tepia Technology Co., Ltd.*) (the "Target Company"). Subsequent to the end of the reporting period, the Purchaser intends to purchase 41.67% interest in the entire issued share capital of the Target Company from Qinghai Haiqing only. Details are set out in the announcements of the Company on 9 November 2018 and 14 March 2019.

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the year ended 31 December 2018, the Group recorded a revenue of approximately RMB151.29 million, represents a decline of approximately 5.11% when compared with the same period in 2017. It was mainly due to dropping of revenue from both domestic sales and export sales of woven fabrics. Gross profit increased by approximately RMB1.84 million mainly resulted from slight upward of average selling price of sales of woven fabrics and contribution from provision of investment advisory services fee during the year ended 31 December 2018 when compared with the same period in 2017.

The selling and distribution costs increased by approximately 16.35% for the year ended 31 December 2018 when compared with the correspondence period in 2017 mainly due to increase of exhibition expenses.

Administrative expenses increased significantly by approximately RMB3.43 million or approximately 26.97% during the year ended 31 December 2018. It was mainly due to research and development expense and staff retirement funds increased as additional qualify staff were engaged under the research and development department for further enhancing new product development. The consolidation of administrative expenses of a subsidiary acquired by the Company in April 2017 and a new subsidiary established in June 2018 also led to the increase of administrative expenses during the year ended 31 December 2018 when compared with that in 2017.

Other income raised by approximately RMB2.41 million or approximately 102.16% mainly due to reversal of impairment loss of trade receivables, refund of land use tax, gain from changes in fair value of financial assets designated in FVTPL and gain on disposal of property, plant and equipment during the year ended 31 December 2018.

Finance cost of approximately RMB6.01 million for the year ended 31 December 2018 represents imputed interest in interest-free loan due to immediate holding company.

The respective loss per share for the year ended 31 December 2018 and 2017 were approximately RMB0.34 cents and RMB0.21 cents respectively.

Business and operation review

In 2018, the fellow textile manufacturers were facing the pressures of rising of raw material prices and wages which also happened in the fashion and garment industries in the PRC. In additions, the volatility of RMB exchange rate was widen and the increasing trade tension between China and the U.S., led to more cautious to accept medium to long-term orders, as such the woven fabrics for export sales and domestic sales during the year ended 31 December 2018 were dropped by approximately 22.95% and approximately 7.2% respectively. In view of that, 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.

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 is principally engaged in private equity assets management. During the year ended 31 December 2018, approximately RMB57,000 of assets management fee income and approximately RMB974,000 of investment advisory services income were contributed by Guizhou Anheng. Guizhou Anheng was actively in exploring potential investment opportunities and finding potential projects for asset management so as to enhance the return of the shareholder of the Company and diversify the investment 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. After completion of the services contract on the first private equity fund management in June 2018 and the investment advisory services in November 2018, Guizhou Anheng did not enter into any new assets management services contract during the year ended 31 December 2018.

Up until now, 深圳南山金融科技雙創股權投資基金合夥企業（有限合夥）(Shenzhen Nanshan Fintech Entrepreneurship and Innovation Equity Investment Fund Partnership Enterprise (Limited Liability Partnership)*) ("Nanshan Fintech" or the "Fund") has yet to identify any suitable investment opportunities due to the current economy condition and securities market in the PRC. In order to enhance efficiency in the utilization of the capital, the partners of the Fund (the "**Partners**") agreed to adjust the payment method of the Capital Contribution and amend certain terms of the Limited Partnership Agreement. On 14 September 2018, the Second Supplemental Agreement were entered into between the Partners. Please refer to the announcement of the Company dated 14 September 2018 for the terms of the Second Supplemental Agreement. The Directors are of the view that the entering into of the Second Supplemental Agreement will not change the total capital commitment of each Partner in the Fund and the proportion of the capital contribution of each Partner. Given that by entering into of the Second Supplemental Agreement, the Company can re-liquidate its capital, thereby increasing its cash-flow which allows the Company to reallocate its resources for better investment, the Directors consider that the terms of the Second Supplemental Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

In order to diversify the business risk and enhance the return of capital investment of the shareholders of the Company, on 9 November 2018, the wholly owned subsidiary of the Company, 深圳永安慧聚水務科技有限公司 (Shenzhen Yongan Huiju Water Technology Co., Ltd.*) ("Shenzhen Yongan Huiju"), entered into a non-legally binding memorandum of understanding (the "MOU") with each of the two connected parties ("Vendors") respectively, please refer to the announcement of the company dated 9 November 2018 for details. Although, Shenzhen Yongan Huiju intends to purchase and the Vendors intend to sell a total of 50% of the total issued share capital of 北京太比雅科技股份有限公司 (Beijing Taibiya Technology Co., Ltd.*) (the "Target Company"), the actual percentage of interest in the Target Company that the Group is to acquire from the Vendors is subject to the final decision of the board of Directors. With reference to the announcement of the Company dated 14 March 2019, while the negotiation is still on-going, the Group intends to purchase 41.67% interest in the entire issued share capital of the Target Company from one of the Vendor only. The Directors consider that the New Proposed Acquisition is in line with the Group's business diversification strategy and represents an attractive investment opportunity of the Group. The Target Group 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. The Target Company is listed on the NEEQ (Stock code: 838941) and is based in Beijing, the PRC. In light of the business prospects and the experienced management team of the Target Group, the Directors are confident that the Proposed Acquisition will allow the Group to capture the opportunities arising from the potential growth in water management, planning, operation and maintenance-related business. The MOU are not legally binding. If Shenzhen Yongan Huiju proceeds with the New Proposed Acquisition, it will enter into legally binding agreement with the Vendor in respect of the New Proposed Acquisition.

Production facilities

During the year ended 31 December 2018 under review, the Group spent approximately RMB357,000 in additions of furniture, fixtures and equipment and approximately RMB54,000 in plant and machinery.

Product research and development

During the year ended 31 December 2018, the Group continued to innovate and develop new product so as to meet the customers' need and enhance sales orders from customers.

Sales and marketing

During the year ended 31 December 2018, the Group actively participated in various trade fairs held in PRC and overseas so as to gain exposure in the fabrics market and to popularise the Group's new products.

Outlook

In order to enhance competitiveness and market share of the textile sector, the Group will continue to eliminate backward production capacity by introduction of advanced equipment; improve product quality and output by strengthen the research and development of Group and further develop the domestic market.

As discussed under the above section of business and operation review, and with reference to the announcement of the Company dated 14 March 2019, while the negotiation is still on-going, the Group intends to purchase 41.67% interest in the entire issued share capital of the Target Company from one of the Vendor only. The Directors consider that the New Proposed Acquisition is in line with the Group's business diversification strategy and represents an attractive investment opportunity of the Group. In view of the business prospects of the Target Group and the experienced management team, the Directors believe that the Proposed Acquisition will enable the Group to capture the opportunities arising from the potential growth of related businesses such as water management, planning and operation and maintenance.

Guizhou Anheng will continue to engage in the assets management and investment advisory services. At present, the Guizhou Anheng team is also actively exploring investment opportunities to enhance the Group's long-term growth. Guizhou Anheng will serve as a platform for the Group to develop its asset management business and the Group will make full use of the new policies of relevant government departments to seize opportunities and gradually expand the business of Guizhou Anheng, including equity funds, securities investment funds and industrial funds.

Under the leadership of the management team. The Board believes that the Group will be able to meet the upcoming challenges in 2019 and will therefore pay off for its shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year ended 31 December 2018, the Group financed its operations mainly by internally generated cash and financial support from the immediate holding company, Guizhou Yongan.

As at 31 December 2018, the Group's current assets and net current assets were approximately RMB216.57 million (31 December 2017: approximately RMB202.27 million) and approximately RMB187.10 million (31 December 2017: approximately RMB150.25 million) respectively. The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was approximately 7.35 (31 December 2017: approximately 3.89).

CAPITAL COMMITMENTS

As at 31 December 2018, the Group has capital commitments of approximately RMB34,670,000 (2017: Nil) for acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements.

SIGNIFICANT INVESTMENTS

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 has 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.

Reference is made to the announcement of the Company dated 9 November 2018, Shenzhen Yongan Huijie entered into the MOU with each of the Vendors, pursuant to which the Group intended to purchase and the Vendors intended to sell in aggregate 50.0% of the entire issued share capital of the Target Company. However, the actual percentage of interest in the Target Company that the Group is to acquire from the Vendors is subject to the final decision of the board of Directors. With reference to the announcement of the Company dated 14 March 2019, while the negotiation is still on-going, the Group intends to purchase 41.67% interest in the entire issued share capital of the Target Company from one of the Vendor only. The Directors consider that the New Proposed Acquisition is in line with the Group's business diversification strategy and represents an attractive investment opportunity of the Group.

The MOU are not legally binding. If the Group proceeds with the New Proposed acquisition, it will enter into legally binding agreement(s) with the Vendors in respect of the New Proposed Acquisition. Please refer to the above section of business and operation review under Management Discussion and Analysis for further discussion in respect of the Target Company.

MATERIAL DISPOSALS

The Group did not have any material disposals during the years ended 31 December 2018 and 2017.

SEGMENT INFORMATION

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

CONTINGENT LIABILITIES

As at 31 December 2018 and 2017, the Group did not have any material contingent liabilities.

CHARGES ON COMPANY ASSETS

As at 31 December 2018 and 2017, the Group did not have any charges on company assets.

EMPLOYEE AND EMOLUMENT POLICIES

As at 31 December 2018, the Group had 390 employees (31 December 2017: 374), comprising 7 (31 December 2017: 2) in research and development, 10 (31 December 2017: 9) in sales and marketing, 321 (31 December 2017: 310) in production, 36 (31 December 2017: 37) in quality control, 5 (31 December 2017: 5) in management, and 11 (31 December 2017: 11) in finance and administration. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Discretionary bonuses on individual performance will be paid to employees as recognition of and reward for their contribution. Other benefits include contributions to retirement scheme and medical scheme.

FOREIGN EXCHANGE EXPOSURE

The Group operates in the PRC with most of the transactions denominated and settled in 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, the Group has used forward contracts, foreign currency borrowings and other means to hedge its foreign currency exposure. The Group considers it has no material foreign exchange risk.

COMPETING INTERESTS

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

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in May 2002 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. Wang Hui and Mr. Wang Zhong. Mr. Wang Hui is the chairman of the Audit Committee.

The annual results of the Group for the year ended 31 December 2018 have been reviewed by the Audit Committee.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the Preliminary Announcement have been agreed by the Group's auditors, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2018, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "Code Provision") as set out in the Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this document, the Company has maintained the prescribed public float under the GEM Listing Rules.

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

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the year ended 31 December 2018.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company for the year 2018 will be held on 15 May 2019. A notice convening the annual general meeting will be published in due course.

CLOSURE OF H SHARE REGISTER

The H Share register of shareholders of the Company will be closed from 15 April 2019 to 15 May 2019 (both days inclusive), during which period no transfer of H Shares will be affected. The shareholders of H Shares whose names appeared on the register of shareholders of the Company at 4:00 p.m. on Friday, 12 April 2019 will be entitled to attend and vote at the AGM.

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

Zhejiang, the PRC, 15 March 2019

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

This announcement will appear on the GEM website at http://www.hkgem.com on the "Latest Company Announcement" page for at least 7 days from the day of its posting thereon and the Company website at http://www.zj-yongan.com.

* *English name is for identification only.*