



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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2020**

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

HIGHLIGHTS

For the three months ended 31 March 2020,

- revenue of the Group decreased from approximately RMB34.23 million to approximately RMB12.2 million, representing a decrease of approximately 64.35% when compared to the corresponding period in 2019;
- net loss was approximately RMB4.64 million; and
- the Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2020.

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

For the three months ended 31 March 2020

The board of directors (the “Board” or the “Directors”) of 浙江永安融通控股股份有限公司 (Zhejiang Yongan Rongtong Holdings Co., Ltd.*) (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2020 together with the comparative results for the corresponding period in 2019 as follows:

		Three months ended	
		31 March	
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
Revenue	3	12,202	34,227
Cost of sales		<u>(11,463)</u>	<u>(31,908)</u>
Gross profit		739	2,319
Other income and gains	3	1,827	136
Selling and distribution costs		(305)	(560)
Administration expenses		(2,770)	(4,364)
Share of loss of associates		(2,348)	—
Financial costs	4	<u>(1,752)</u>	<u>(1,482)</u>
Loss before taxation		(4,609)	(3,951)
Income tax expenses	5	<u>(30)</u>	<u>(357)</u>
Loss and total comprehensive expenses for the period	6	<u>(4,639)</u>	<u>(4,308)</u>
		RMB	RMB
Loss per share — basic and diluted	8	<u>(0.44) cents</u>	<u>(0.41) cents</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Paid-up capital	Share premium	Other reserve	Assets revaluation reserve	Statutory surplus reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Note(a))</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Note (b))</i>	<i>RMB'000</i> <i>(Note (c))</i>	<i>RMB'000</i>
At 1 January 2019	106,350	69,637	331,664	39,828	12,496	(265,746)	294,229
Loss for the period	—	—	—	—	—	(4,308)	(4,308)
Total comprehensive expenses for the period	—	—	—	—	—	(4,308)	(4,308)
Balance at 31 March 2019	<u>106,350</u>	<u>69,637</u>	<u>331,664</u>	<u>39,828</u>	<u>12,496</u>	<u>(270,054)</u>	<u>289,921</u>
At 1 January 2020	106,350	69,637	331,664	42,067	12,496	(314,912)	247,302
Loss and total comprehensive expenses for the period	—	—	—	—	—	(4,639)	(4,639)
Balance at 31 March 2020	<u>106,350</u>	<u>69,637</u>	<u>331,664</u>	<u>42,067</u>	<u>12,496</u>	<u>(319,551)</u>	<u>242,663</u>

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 of the Company.
- (b) As stipulated by the regulations in the People's Republic of China (the "PRC"), the Company is required to appropriate 10% of its after-tax profit (after offsetting prior years losses) to general reserve fund until the balance of the fund reaches 50% of its registered capital and thereafter any further appropriation is optional. The general reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the general reserve fund shall be maintained at a minimum of 25% of the registered capital after such utilisation.
- (c) Profit appropriation is subject to the approval of the board of directors. In accordance with the Articles of Association of the Company, the reserve available for distribution is the lower of the amount determined under the generally accepted accounting principles in the PRC and the amount determined under Hong Kong Financial Reporting Standards. At 31 March 2020 and 2019, no reserves were available for distribution due to accumulated losses being noted.

Notes:

1. BASIS OF PREPARATION

The Company is a joint stock limited company established in the PRC and the H Shares of the Company are listed on the GEM of the Stock Exchange. Its immediate 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 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 consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Group.

The principal accounting policies used in the preparation of the unaudited consolidated results are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2019. The unaudited consolidated results of the Group are prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the GEM Listing Rules.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

The financial statements have been prepared in accordance with new and amendments to HKFRSs and interpretation that have been issued by the HKICPA.

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 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

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

² 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 period are as follows:

	Three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or services lines		
Manufacture and sales of woven fabrics	11,785	32,683
Subcontracting fee income	120	1,544
Financial consulting services	297	—
	<u>12,202</u>	<u>34,227</u>
	Three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
Disaggregation of revenue by timing of recognition		
Timing of revenue recognition		
At a point in time	11,785	32,683
Over time	417	1,544
Total revenue from contract with customers	<u>12,202</u>	<u>34,227</u>
	Three months ended 31 March	
	2020	2019
	RMB'000	RMB'000
Other income and gains		
Interest income	5	50
Sundry income	1	86
Government subsidies (<i>note</i>)	1,706	—
Sales of scrap materials	14	—
Rental income	66	—
Foreign exchange gain	35	—
	<u>1,827</u>	<u>136</u>

Note: Government subsidies of approximately RMB1,706,000 (2019: Nil) was awarded to the Group during the period ended 31 March 2020 for encouraging the usage of the higher productivity machinery and the participation in exhibitions. There is no unfulfilled condition or contingencies relating to these subsidies.

4. FINANCE COSTS

	Three months ended 31 March	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Imputed interest on interest-free loan due to immediate holding company	<u>1,752</u>	<u>1,482</u>

5. INCOME TAX EXPENSES

	Three months ended 31 March	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Prior year under-provided - PRC Enterprise Income Tax	<u>30</u>	<u>357</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Company is 25% for both periods.

No provision for PRC Enterprise Income Tax was made for both periods ended 31 March 2020 and 2019.

6. LOSS FOR THE PERIOD

	Three months ended 31 March	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	1,579	1,544
Depreciation of right-of-use assets	<u>47</u>	<u>47</u>

7. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2020.

8. LOSS PER SHARE

Basic and diluted loss per share for the three months ended 31 March 2020 is calculated on the loss for the period of approximately RMB4.64 million (2019: loss of approximately RMB4,308,000) and the weighted average of 1,063,500,000 (2019: 1,063,500,000) ordinary shares in issue during the period ended 31 March 2020.

There is no difference between basic and diluted loss per share as there were no potentially dilutive shares outstanding during the three months ended 31 March 2020 and 2019.

9. RELATED PARTY TRANSACTIONS

During the period for the three months ended 31 March 2020, the Group has the following related party transactions and continuing connected party transactions.

- (a) During the period for the three months ended 31 March 2020, the Group had paid approximately RMB2,264,000 (2019: RMB3,209,000) to Zhejiang Yongli for electricity charges paid by Zhejiang Yongli on behalf of the Group.

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

- (b) During the period for the three months ended 31 March 2020, the Group had paid approximately RMB20,000 (2019: Nil) to 浙江紹興永利印染有限公司 (Zhejiang Shaoxing Yongli Printing & Dyeing Company Limited*), a fellow subsidiary of the Company, for providing dyeing services to the Group.

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

- (c) During the period for the three months ended 31 March 2020, the Group had received approximately RMB297,000 (2019: Nil) from 貴陽市貴山基金管理有限公司 (Guiyang City Guishan Funds Management Co., Ltd.*), a related company which chairman and executive director, Mr. Wang Hengzhuang is also its executive director, the legal representative and the general manager, for provision of financial consulting services.

The aforesaid transaction was in the ordinary course of business of the Group.

- (d) During the period for the three months ended 31 March 2020, the Group had received RMB66,000 (2019: Nil) from 紹興虹利化纖有限公司 (Shaoxing Hongli Fiber Co., Ltd.*), a fellow subsidiary of the Company, for leasing of certain factory buildings of the Group.

The aforesaid transactions were carried out at the terms determined and agreed by the Group and the relevant party and were in the ordinary course of business of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the three months ended 31 March 2020, the Group recorded a revenue of approximately RMB12.20 million, represents a significant decrease of approximately 64.88% when compared to the same period in 2019. It was mainly due to outbreak of the Novel Coronavirus (“COVID-19”) disease in the PRC in early 2020 caused impact to the production and sales of the Group during the three months ended 31 March 2020, details of which were disclosed in the announcement dated 20 February 2020. In addition, the then worldwide outbreak of the COVID-19 epidemic since early 2020 also led to the temporary suspension of most of the business activities all round the world. As such, both domestic and export sales of woven fabrics of the Group were significantly affected.

Other income and gains increased by approximately RMB1.69 million mainly due to government subsidies granted during the period ended 31 March 2020.

The selling and distribution costs decreased by approximately RMB255,000 or 45.54% for the three months ended 31 March 2020 when compared with the correspondence period in 2019 was is in line with decrease of revenue.

Administrative expenses decreased by approximately RMB1.59 million or 36.53% during the three months ended 31 March 2020 when compared to the same period in 2019. It was mainly due to (i) professional fees incurred for preparing the connected and major transactions in 2019 led to higher administrative expenses during 2019, and (ii) streamline of operation since early 2020 led to decrease of salary and benefits.

Share of loss of associates of approximately RMB2.35 million represents share of loss from Beijing Tepia Technology Co., Ltd.* (北京太比雅科技股份有限公司) (“Tepia”), a company incorporated in the PRC and is listed on the NEEQ (Stock Code: 838941) which the Group has acquired and interest in 41.67% since 20 August 2019. During the three months ended 31 March 2020, the outbreak of COVID-19 epidemic and the various restrictions as imposed by the relevant government authorities including travel restrictions and temporary suspension of all commercial and social activities etc., Tepia could not commence work as scheduled after Chinese New Year Holidays. In addition, as many of the water management services projects in China are opened for bidding by the relevant government authorities around the second half of the year, in the first quarter of every year, Tepia are undertaking the business of the currently signed contracts and preparing for bidding more projects for provision of system integration, software development and reservoir management system at such time.

Finance cost of approximately RMB1.75 million for the three months ended 31 March 2020 represents imputed interest in interest-free loan due to immediate holding company.

The respective loss per share for the three months ended 31 March 2020 and 2019 were approximately RMB0.44 cents and RMB0.41 cents respectively.

Business and operation review

During the three months ended 31 March 2020, both domestic sales and export sales dropped by approximately 63.94% and subcontracting fee income also dropped sharply by approximately 92.23% mainly due to the outbreak of COVID-19 since early January 2020 in the PRC and then worldwide led to temporary suspension of business activities in the PRC and overseas countries. The COVID-19 epidemic in China seems has been under controlled and certain overseas countries also have been gradually controlled the epidemic, the Directors expect that the business activities will soon resume. However, the worldwide economy takes time to recover. 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.

As discussed above, although the COVID-19 epidemic in China seems has been under controlled, the economy and the securities market in the PRC takes time to recover, hence the private equity funds in the PRC tend to be more cautious and exercise higher level of diligence in identifying investment projects. During the three months ended 31 March 2020, 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 has entered into a services agreement with 貴陽市貴山基金管理有限公司 (Guiyang City Guishan Funds Management Co., Ltd.*), a related company of the Company for provision of financial consulting services.

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 Group successfully acquired 41.67% of the Tepia. The Directors consider that acquisition of Tepia 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.

Product research and development

During the three months ended 31 March 2020, the Group continued to innovate and develop new product so as to meet the customers' need and enhance sales orders from customers.

OUTLOOK

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.

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

As at 31 Mar 2020, 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 March 2020, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2020, so far as it is known to the Directors or chief executive or Supervisors, the interests and short positions of person in the shares or underlying shares of the Company, other than the interest of the Directors or Supervisors, which would fall to be disclosed under Divisions 2 and 3 or Part XV of the SFO or which were required, pursuant to section 336 of Part XV of the SFO, to be entered in the register referred to therein, or who is interested directly or indirectly in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Company were as follows:

Long positions in the shares of the Company

Domestic shares of the Company (“Domestic Shares”)

Name of shareholders	Capacity	Number of Domestic Shares held	Approximate percentage of interests in Domestic Shares	Approximate percentage of interests in total registered capital
Guizhou Yongan	Beneficial owner	588,000,000	100.00%	55.29%
Zhejiang Yongli	Interest in controlled corporation (<i>Note</i>)	588,000,000	100.00%	55.29%
Mr. Zhou Yongli	Interest in controlled corporation (<i>Note</i>)	588,000,000	100.00%	55.29%
Ms. Xia Wanmei	Interest of spouse (<i>Note</i>)	588,000,000	100.00%	55.29%

Notes:

Mr. Zhou Yongli and his spouse Ms. Xia Wanmei, own approximately 94.25% and approximately 3.49% in Zhejiang Yongli respectively. Zhejiang Yongli owns 65% interest in Guizhou Yongan. Mr. Zhou Yongli and Ms. Xia Wanmei are therefore deemed to be interested in the 588,000,000 Domestic Shares 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	Approximate percentage of interests in total registered capital
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,530,000	43.85%	19.61%

Saved as disclosed above, as at 31 March 2020, so far as was known to the Directors, chief executives and Supervisors, no other person (other than the Directors, chief executives or Supervisors) 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 three months ended 31 March 2020, 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.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited first quarterly results of the Group for the three months ended 31 March 2020 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure had been made.

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, all Directors and Supervisors 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.

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 three months ended 31 March 2020.

By Order of the Board
Zhejiang Yongan Rongtong Holdings Co., Ltd.*
Wang Hengzhuang
Chairman

Zhejiang, the PRC, 15 May, 2020

As at the date of this announcement, the executive Directors are Mr. Wang Hengzhuang (Chairman), Ms. He Lianfeng (Chief Executive Officer) and Mr. Hu Hua Jun; the non-executive Director is Mr. Ma Jinsong (Deputy Chairman); and the independent non-executive Directors are Mr. Song Ke, Mr. Leng Peng and Mr. Zhu Weizhou.

This announcement will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at www.zj-yongan.com.

* *For identification purpose only*