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)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019,

- Revenue of the Group decreased slightly 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 RMB49.21 million; and

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

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

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 unaudited results of the Group for the year ended 31 December 2019, together with the comparative results for the corresponding period in 2018 as follows:

	Notes	**2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
Revenue	3	**134,537**	151,288
Cost of sales		**(124,392)**	(134,027)
Gross profit		**10,145**	17,261
Other income and gains	3	**7,624**	4,777
Selling and distribution costs		**(2,140)**	(2,953)
Administrative expenses		**(22,766)**	(16,148)
Share of losses of associates		**(5,694)**	—
Impairment loss of interests in associates		**(30,355)**	—
Finance costs	5	**(5,929)**	(6,006)
Loss before taxation		**(49,115)**	(3,069)
Income tax expense	6	**(96)**	(502)
Loss for the year	7	**(49,211)**	(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 expenses for the year		**(46,972)**	(1,174)
		RMB	*RMB*
Loss per share			
Basic and diluted	8	**(4.63) cents**	(0.34) cents

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Notes	**2019** **RMB'000** **(Unaudited)**	2018 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**125,925**	98,675
Right-of-use assets		**6,080**	—
Prepaid lease payments		**—**	6,080
Goodwill		**1,230**	1,230
Interests in associates		**53,951**	—
Financial asset at fair value through other comprehensive income		**1,065**	635
Financial asset at fair value through profit or loss		**25,489**	25,129
Deposits paid for acquisition of property, plant and equipment		**—**	19,370
		213,740	151,119
Current assets			
Inventories		**43,273**	29,246
Trade and other receivables	10	**27,997**	33,525
Prepaid lease payments		**—**	188
Tax recoverable		**—**	187
Bank balances and cash		**46,896**	153,425
		118,166	216,571
Current liabilities			
Trade and other payables	11	**32,215**	26,194
Contract liabilities		**2,065**	3,273
Tax payable		**332**	—
		34,612	29,467
Net current assets		**83,554**	187,104
Total assets less current liabilities		**297,294**	338,223
Non-current liabilities			
Deferred tax liabilities		**11,565**	11,451
Amount due to immediate holding company		**38,472**	32,543
		50,037	43,994
Net assets		**247,257**	294,229
Capital and reserves			
Share capital		**106,350**	106,350
Share premium and reserves		**140,907**	187,879
		247,257	294,229

Notes:

1. GENERAL

Zhejiang Yongan Rongtong Holdings Co., Ltd. (the "Company") is a joint stock limited company established in the People's Republic of China (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 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 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 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 the consolidated financial statements.

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. 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.

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 sales related taxes. An analysis of the Group's revenue and other income and gains for the year are as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregrated 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	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
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.

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
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 assets 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.

4. 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 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**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
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							**(5,694)**	—
Impairment loss of interests in associates							**(30,355)**	—
Finance costs							**(5,929)**	(6,006)
Loss before taxation							**(49,115)**	(3,069)

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.

(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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
The PRC (country of domicile)	**117,213**	131,039
Europe	**12,190**	10,732
South America	**3,195**	5,795
Other overseas	**1,939**	3,722
	134,537	151,288

(c) **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.

5. FINANCE COSTS

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

6. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current taxation		
PRC Enterprise Income Tax	**727**	444
Deferred taxation		
- 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.

7. LOSS FOR THE YEAR

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
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	**814**	683
— Non-audit service	**361**	—
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 staff costs as disclosed above.

8. LOSS PER SHARE

Basic and diluted loss per share for the year is calculated on the unaudited loss for the year of approximately RMB49,211,000 (2018 (audited): 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.

9. DIVIDEND

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

10. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
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

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 receivables, 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	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
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

11. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables *(notes i & ii)*	**20,088**	13,295
Other tax payables	**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	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
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

EVENTS 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

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 to 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 RMB5.69 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 RM30.36 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 RMB4.63 cents and RMB0.34 cents respectively.

Business and operation review

During the year ended 31 December 2019, the domestic sales dropped slightly 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 contracts.

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 under review, 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 product so as to meet 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 so as to gain exposure in the fabrics market and to popularise the Group's new products.

Outlook

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 to 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.

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, 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 approximate 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 was 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 4.

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.

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 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") 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 independent non-executive Director of the Company 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.

REVIEW OF UNAUDITED ANNUAL RESULTS

The annual results set out in this announcement have not been reviewed and verified by the Group's auditor, SHINEWING (HK) CPA Limited.

The annual results audit process for the year ended 31 December 2019 has not been completed due to the global outbreak of the COVID-19 epidemic, which has prevented external auditor from obtaining some of the required information in time.

The Company will issue an announcement of audited results after the auditor has completed the audit process in accordance with the audit criteria.

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited annual results for the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2019, 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 Group.

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

Neither the Company nor its subsidiaries purchase, sell or redeem any of the Company's listed securities during the year ended 31 December 2019.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. (ii) the proposed date on which the forthcoming annual general meeting ("AGM") will be held, (iii) the period during which the register of members holding H shares of the Company will be closed in order to ascertain shareholders' eligibility to attend and vote at the AGM. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed on or before 30 April 2020 if the COVID-19 coronavirus outbreak is improved.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Zhejiang, the PRC, 31 March 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 appear on the GEM website at http://www.hkgem.com on the "Latest Listed Company Information" page for at least 7 days from the day of its posting thereon and the Company's website at http://www.zj-yongan.com.

* *English name is for identification only.*