INTERIM REPORT 2020

YONGAN HOLDINGS

浙江永安融通控股股份有限公司

ZHEJIANG YONGAN RONGTONG HOLDINGS CO., LTD.*

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

Stock Code: 8211

**For identification purpose only*

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

HIGHLIGHTS

For the six months ended 30 June 2020,

- Revenue of the Group decreased from approximately RMB68.13 million to approximately RMB36.39 million, representing a drop of approximately 46.59% when compared to the corresponding period in 2019;

- Net loss for the six months ended 30 June 2020 was approximately RMB15.14 million; and

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020.

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

For the six months ended 30 June 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 six months ended 30 June 2020 together with the comparative results for the corresponding period in 2019 as follows:

		Three months ended 30 June		**Six months ended 30 June**	
		2020	2019	**2020**	2019
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	3	**24,191**	33,902	**36,393**	68,129
Cost of sales		**(23,960)**	(30,175)	**(35,423)**	(62,083)
Gross profit		**231**	3,727	**970**	6,046
Other income and gains	3	**875**	1,419	**2,702**	1,555
Selling and distribution costs		**(342)**	(390)	**(647)**	(950)
Administrative expenses		**(7,915)**	(4,834)	**(10,685)**	(9,445)
Share of losses of associates		**(1,579)**	—	**(3,927)**	—
Finance costs	5	**(1,753)**	(1,483)	**(3,505)**	(2,965)
Loss before taxation		**(10,483)**	(1,561)	**(15,092)**	(5,759)
Income tax expenses	6	**(18)**	—	**(48)**	(357)
Loss and total comprehensive expenses for the period	7	**(10,501)**	(1,561)	**(15,140)**	(6,116)
		RMB	*RMB*	***RMB***	*RMB*
Loss per share — basic and diluted	9	**0.99 cents**	0.15 cents	**1.42 cents**	0.58 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	**As at 30 June 2020** *RMB'000* *(Unaudited)*	As at 31 December 2019 *RMB'000* *(Audited)*
NON-CURRENT ASSETS			
Property, plant and equipment	10	**121,298**	125,925
Right-of-use assets		**5,986**	6,080
Goodwill		**—**	1,230
Interests in associates		**50,069**	53,996
Financial asset at fair value through other comprehensive income		**—**	1,065
Financial asset at fair value through profit or loss		**25,489**	25,489
		202,842	213,785
CURRENT ASSETS			
Inventories		**45,739**	43,273
Trade and other receivables	11	**29,966**	27,997
Bank balances and cash		**26,560**	46,896
		102,265	118,166
CURRENT LIABILITIES			
Trade and other payables	12	**26,036**	32,215
Contract liabilities		**4,518**	2,065
Tax payable		**319**	332
		30,873	34,612
NET CURRENT ASSETS		**71,392**	83,554
TOTAL ASSETS LESS CURRENT LIABILITIES		**274,234**	297,339
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**11,448**	11,565
Amount due to immediate holding company	13	**30,977**	38,472
		42,425	50,037
NET ASSETS		**231,809**	247,302
CAPITAL AND RESERVES			
Share capital		**106,350**	106,350
Reserves		**125,459**	140,952
		231,809	247.302

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**(7,177)**	1,025
Purchase of property, plant and equipment	**(90)**	(23,715)
Net cash outflow from disposal of a subsidiary	**(4,302)**	—
Deposits paid for acquisition of an associate	**—**	(27,000)
Refund of deposits paid for acquisition of property, plant and equipment	**—**	10,000
Dividend from financial assets at FVTPL	**313**	5
Interest received	**12**	69
NET CASH USED IN INVESTING ACTIVITIES	**(4,067)**	(40,641)
Repayment to immediate holding comany	**(11,000)**	—
Advance to ultimate holding company	**—**	(707)
Government subsidy received	**1,908**	6
NET CASH USED IN FINANCING ACTIVITIES	**(9,092)**	(701)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(20,336)**	(40,317)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**46,896**	153,425
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, representing bank balances and cash	**26,560**	113,108

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Paid-up capital	Share premium	Other reserve	Assets revaluation reserve	Statutory surplus reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(Note a)		*(Note b)*	*(Note c)*	
Balance at 1 January 2019	106,350	69,637	331,664	39,828	12,496	(265,746)	294,229
Total comprehensive expense for the period	—	—	—	—	—	(6,116)	(6,116)
Balance at 30 June 2019	106,350	69,637	331,664	39,828	12,496	(271,862)	288,113
Balance at 1 January 2020	106,350	69,637	331,664	42,067	12,496	(314,912)	247,302
Loss and total comprehensive expense for the period	—	—	—	—	—	(15,140)	(15,140)
Balance at 30 June 2020	106,350	69,637	331,664	41,714	12,496	(330,052)	231,809

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 statutory surplue reserve fund until the balance of the fund reaches 50% of its registered capital and thereafter any further appropriation is optional. The statutory surplue 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 30 June 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.

The principal activities of the Group are (i) the manufacture, and sale of woven fabrics; (ii) the provision of woven fabrics subcontracting services; and (iii) assets management services.

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

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

The Group has prepared the condensed consolidated financial statements in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

The principal accounting policies used in the preparation of the unaudited consolidated results are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 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 HKICPA and the disclosure requirements of the GEM Listing Rules.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The financial statements have been prepared in accordance with the new and revised HKFRSs ("new and revised HKFRSs") issued by the HKICPA.

In the current interim period, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by HKICPA.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

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 period are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***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	**23,740**	33,621	**35,525**	66,304
Subcontracting fee income	**748**	281	**868**	1,825
	24,488	33,902	**36,393**	68,129
Disaggregation of revenue from contracts with customers by timing of recognition				
Timing of revenue recognition				
At a point in time	**23,740**	33,621	**35,525**	66,304
Over time	**748**	281	**868**	1,825
Total revenue from contract with customers	**24,488**	33,902	**36,393**	68,129
Other income and gains				
Dividend from financial asset at FVTPL	**313**	369	**313**	369
Bank interest income	**7**	19	**12**	69
Exchange difference	**(10)**	46	**25**	46
Government subsidy *(note)*	**202**	6	**1,908**	6
Refund of retirement benefit scheme contributions	**235**	890	**235**	890
Others	**66**	—	**133**	—
Compensation income	**—**	70	**—**	156
Sales of scrap materials	**62**	19	**76**	19
	875	1,419	**2,702**	1,555

Note:

Government subsidies of approximately RMB1,908,000 (2019: RMB6,000) included (i) approximately RMB153,000 and approximately RMB1,626,000 was awarded to the Group during the period ended 30 June 2020 for encouraging the business development and replacement of low productivity machinery and equipment respectively and (ii) approximately RMB130,000 represents subsidies award to the Group for resumption of work and production after the epidemic was under controlled. There is no unfulfilled condition or contingencies relating to these subsidies.

4. SEGMENTAL INFORMATION

Information reported to the Board of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods sold or services delivered or provided.

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

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

(a) Segment revenues and results

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

	For the six months ended 30 June							
	Woven fabric		**Subcontracting services**		**Asset management**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	***RMB'000***
Segment revenue	**35,525**	66,304	**868**	1,825	**—**	—	**36,393**	68,129
Segment profit (loss)	**(5,817)**	808	**(179)**	262	**313**	(703)	**(5,683)**	367
Unallocated corporate income							**2,287**	490
Unallocated corporate expenses							**(4,264)**	(3,651)
Share of losses of associates							**(3,927)**	—
Finance costs							**(3,505)**	(2,965)
Loss before taxation							**(15,092)**	(5,759)

The accounting policies of the operating segments are the same as the Group's accounting policies described in the annual financial statements of the Group for the year ended 31 December 2019. Segment profit (loss) represents the profit (loss) earned by each segment without allocation of bank interest income, exchange difference, government subsidies, refund of retirement benefit scheme contributions, sundry income, central administration costs, share of losses of 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 continuing operation from external customers is presented based on the location of the operation. Segment information about these geographical markets are as follows:

Revenue from external customers:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
The PRC (country of domicile)	**31,587**	59,636
Europe	**3,961**	5,924
South America	**739**	1,506
Other overseas	**106**	1,063
	36,393	68,129

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Imputed interest on interest-free loan due to immediate holding company	**1,753**	1,483	**3,505**	2,965

6. INCOME TAX EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC Enterprise Income Tax				
— Current taxation	**—**	—	**—**	—
— Prior year under-provided	**18**	—	**48**	357
	18	—	**48**	357

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

7. LOSS FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Loss for the period has been arrived at after charging:				
Staff cost (including supervisors', directors' and chief executive's emoluments):				
Salaries, wages and other benefits in kind	**5,979**	6,700	**9,475**	12,974
Retirement benefit scheme contributions	**236**	223	**644**	457
Total staff costs	**6,215**	6,923	**10,119**	13,431
Depreciation of right-of-use assets	**47**	47	**94**	94
Cost of inventories recognized as an expenses	**23,140**	30,131	**34,541**	60,653
Depreciation of property, plant and equipment	**3,137**	1,939	**4,716**	3,530
Research and development costs recognized as an expenses (note)	**453**	435	**735**	781
Written-off of property, plant and equipment	**—**	22	**—**	22
Loss from change on fair value of financial asset at fair value through profit and loss	**—**	246	**—**	246
Impair loss on trade receivables	**2,638**	710	**2,633**	710
Loss on disposal of a subsidiary	**2,204**	—	**2,204**	—

Note: Research and development costs includes staff costs of approximately RMB735,000 (2019: approximately RMB781,000) which have been included in the staff costs as disclosed above.

8. DIVIDEND PAID

The Directors do not recommend the payment of an interim dividend for the three and six months ended 30 June 2020 and 2019.

9. LOSS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Loss for the purpose of calculating basic loss per share	**10,501**	1,561	**15,140**	6,116
Number of shares for the purpose of basic loss per share *(Note)*	**1,063,500,000**	1,063,500,000	**1,063,500,000**	1,063,500,000
Weighted average number shares for the purpose of calculating loss per share	**1,063,500,000**	1,063,500,000	**1,063,500,000**	1,063,500,000

Note:

No diluted loss per share have been presented for the three months and six months ended 30 June 2020 and 2019, as there was no diluting events existed during these periods.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period for the six months ended 30 June 2020, the Group spent approximately RMB90,000 (31 December 2019: approximately RMB89,000) for renovation of factory buildings.

11. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 to 180 days (31 December 2019: 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. The aged analysis of trade receivables, net of allowance for impairment of trade receivables and presented base on the revenue recognition dates, at the end of the reporting period is as follows:

	30 June 2020 *RMB'000*	31 December 2019 *RMB'000*
0-60 days	**17,428**	21,644
61-90 days	**1,054**	220
91-120 days	**219**	35
121-365 days	**3,730**	96
Over 365 days	**—**	169
	22,431	22,164
Other receivables		
Prepayments to suppliers	**1,806**	1,652
Other prepayments	**28**	—
Other tax recoverable	**—**	3,653
Other receivables	**5,701**	528
	7,535	5,833
Total trade and other receivables	**29,966**	27,997

Included in other receivables as at 30 June 2020, balance of approximately RMB589,000 (31 December 2019: approximately RMB324,000) is amount due from a fellow subsidiary in relation to certain property, plant and equipment renting to the fellow subsidiary. The balance is unsecured, interest-free and repayable upon invoice issued.

12. TRADE AND OTHER PAYABLES

	30 June 2020 *RMB'000*	31 December 2019 *RMB'000*
Trade payables	**17,399**	20,088
Other tax payables	**1,036**	2,832
Accrued expenses and other payables	**7,601**	9,295
	26,036	32,215

(i) The Group normally receives credit periods from suppliers ranging from 30 days to 90 days (31 December 2019: 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 periods based on invoice date is as follows:

	30 June 2020 *RMB'000*	31 December 2019 *RMB'000*
0-60 days	**7,289**	10,789
61-90 days	**2,467**	3,390
91-365 days	**3,853**	1,715
Over 365 days	**3,790**	4,194
	17,399	20,088

Included in other payables as at 30 June 2020 has balance of approximately RMB119,000 (31 December 2019: approximately RMB131,000) is amount due to ultimate holding company in relation to electricity provided to the Group and balance of approximately RMB60,000 (31 December 2019: nil) is amount due to a fellow subsidiary in relation to provision of dyeing services to the Group. The balances are unsecured, interest-free and repayable upon invoice issued.

13. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

Analysed for reporting purposes as:

	30 June 2020 *RMB'000*	31 December 2019 *RMB'000*
Non-current liability	**30,977**	38,472

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 ("Original Debt Agreement").

Referring to the principal advances of approximately RMB239,677,000 in relation to the Assignment of Debt Agreement entered into on 23 December 2016 between Zhejiang Yongli and Guizhou Yongan, it had been initially reduced to its present value of approximately RMB20,724,000 based on the managements' estimates of future cash payments with a corresponding adjustment of approximately RMB218,953,000 which was deemed as a contribution from the immediate holding company during the year ended 31 December 2016. The effective interest rate adopted for measurement at fair value at initial recognition of the advances from immediate holding company for the year was determined with reference to the prevailing market rates of interest for similar instruments with similar credit ratings and with reference to the timing and repayment based on the cash flow of the Company in the year ended 31 December 2016.

Imputed interest on these advances had been computed at an original effective interest rate of 18.22% (31 December 2019: 18.22%). The amount is unsecured, interest-free and repayable of an amount which does not exceed 50% of operating cash flow of the year on an annual basis until the full repayment of the debt.

During the six months ended 30 June 2020, Guizhou Yongan negotiated with the Company to request for partial repayment of the outstanding principal. After negotiation and on 26 April 2020, the Board passed a resolution and agreed to partially repaid the principal of RMB11 million (the "Repayment") from the internal resources of the Company with the following reasons: (i) According to the terms of the Original Debt Agreement entered into between the Company and Zhejiang Yongli on 13 September 2011, the Company shall repay Zhejiang Yongli, commencing from the fifth anniversary (i.e. from 14 September 2016) after the signing of the debt agreement provided that the amount to be repaid shall not exceed 50% of the year of the operating cash flow on an annual basis until the full repayment of the debt; and unless obtaining prior written agreement from both parties, Zhejiang Yongli shall not demand any early repayment of the debt notwithstanding the occurrence of one or a multiple of material adverse events affecting Zhejiang Yongli's financial position, such as, among other things, serious operation problems, deterioration in financial situation and material litigation. Therefore, with regard to the Assignment of Debt Agreement, Guizhou Yongan has the right to re-negotiate the terms of the repayment; (ii) the repayment amount of RMB11 million represents approximately 4.79% of the principal amount outstanding of RMB229,475,000 as at 31 December 2019; (iii) after due and careful enquiry, the Directors are of the opinion that, after taking into account the present available financial resources, the Group has sufficient working capital for its requirements for at least the next 18 months from the date of the Repayment in the absence of unforeseen circumstances and (iv) Guizhou Yongan committed, when under exceptional conditions and within one month of the request by the Group, to provide additional interest free loan of not more than RMB15 million to the Group within twenty four months after the Repayment. During the six months ended 30 June 2020, the Company partially repaid the principal of RMB11 million (during the year ended 31 December 2019: nil) to Guizhou Yongan. After the Repayment, the principal amount outstanding as at 30 June 2020 was RMB218,475,000 (31 December 2019: RMB229,475,000).

After the above Repayment, 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. As at 30 June 2020, the Directors do not expect to repay the amount due to immediate holding company in the next twelve months based on the cash flow forecasts and the estimation on operating cash flows.

14. CONNECTED AND RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in this document, the Group had the following related party transactions and continuing connected party transaction during the periods:

(a) The balances with ulimate holding company, fellow subsidiaries and immediate holding company are set out in Notes 11, 12 and 13 respectively.

(b) During the period for the six months ended 30 June 2020, the Group had paid approximately RMB5,499,000 (2019: RMB9,272,000) to Zhejiang Yongli for electricity charges paid by Zhejiang Yongli on behalf of the Group.

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

(c) During the six months ended 30 June 2020, the Group had paid approximately RMB94,000 (2019: approximately RMB78,000) to 浙江紹興永利印染有限公司 (Zhejiang Yongli Printing & Dyeing Co., Ltd.*) for providing dyeing services to the Group.

(d) During the six months ended 30 June 2020, the Group had received approximate RMB132,000 (2019: approximately RM132,000) from 紹興虹利化纖有限公司 (Shaoxing Hongli Fiber Co., Ltd.*) for renting of certain property, plant and equipment to it.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

During the six months ended 30 June 2020, the Group recorded a revenue of approximately RMB36.39 million, represents a significant decrease of approximately 46.58% 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 six months ended 30 June 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 RMB1.15 million mainly due to government subsidies granted during the six months ended 30 June 2020.

The selling and distribution costs decreased by approximately RMB303,000 or 31.89% for the six months ended 30 June 2020 when compared with the correspondence period in 2019 was in line with decrease of revenue.

Administrative expenses increased by approximately RMB1.24 million or 13.13% during the six months ended 30 June 2020 when compared to the same period in 2019. It was mainly due to loss incurred on disposal of a subsidiary during the six months ended 30 June 2020 and impairment loss provided for trade receivables as at 30 June 2020.

Share of loss of associates of approximately RMB3.93 million represents share of losses 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 six months ended 30 June 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 most of the contracts were signed after the second quarter of 2019 which led to those contracts could not be completed in 2019 and then put forward to 2020. Therefore, during the six months ended 30 June 2020, Tepia mainly continued to undergo the projects from 2019. Although the above events led to defer of completion of projects during the six months ended 30 June 2020, compared with the same period in 2019, the revenue increased by approximately RMB3.69 million or 68.98%. It was mainly due to the unexpected government policies implemented in 2019 led to either termination or delay of project bidding opened by the relevant government authorities in 2019 caused the significant decrease of revenue in 2019. During the six months ended 30 June 2020, selling expenses decreased by approximately RMB10.49 million or 61.87% and administrative expense decreased by approximately RMB4.75 million or 45.18% mainly due to various cost saving actions had been implemented in 2019 which including closed of certain low efficiency branches in August and Oct 2019, laid-off excess staff since June 2019 and shrinking of offices' size in late 2019 etc.

Finance cost of approximately RMB3.51 million for the six months ended 30 June 2020 represents imputed interest in interest-free loan due to immediate holding company.

The respective loss per share for the six months ended 30 June 2020 and 2019 were approximately RMB1.42 cents and RMB0.58 cents respectively.

Business and operation review

During the six months ended 30 June 2020, both domestic sales and export sales dropped by approximately 46.42% and subcontracting fee income also dropped sharply by approximately 52.44% 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 and the rise of tension between China and the U.S. led to impact to the export sales. The COVID-19 epidemic in the PRC seems has been under controlled while most of the overseas countries still impacted by the epidemic, the Directors expect that the economic outlook and operating environment of China are anticipated to be more challenging in the second half of 2020. In this regard, the Group has planned to place more effort in develop and enlarge the domestic market share so as to minimise the market risk of the Group. In addition, the Group will place more attention to the creditability of the existing and new customers in order to minimise the risk of expected credit loss from the customers.

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. As discussed above, although the COVID-19 epidemic in China seems has been under controlled, the epidemic outbroke worldwide led to the global financial crisis which would also impact the economy and the securities market in the PRC. Therefore, the private equity funds in the PRC tend to be more cautious and exercise higher level of diligence in identifying investment projects. In additions, the Company was required to inject further cash to Guizhou Anheng for fulfilment of the capital requirement under the relevant regulations. In view of the increase of global financial crisis, the Directors decided to concentrate the resources of the Group to cope with the crisis and for future development. On 26 May 2020, the Company entered into share transfer agreements with two independent third parties at a total consideration of RMB5.93 million, which was determined by reference to an independent valuation prepared by an independent professional valuer in the PRC with 17.5% discount, for transferring all the shareholding rights in Guizhou Anheng. The cash of RMB5.93 million from the sale of Guizhou Anheng will be used as the Group's general working capital to strengthen the liquidity of working capital and to cope with the global economic crisis that may impact the Group's business.

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. In 2020, the development of the new water related management business was on track and receive encourage response from the users, hence Tepia has signed some new services contracts from the new water related management business. The Board 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.

Product research and development

During the six months ended 30 June 2020, the Group continued to innovate and develop new product so as to meet the customers' need and enhance sales orders from customers.

Sales and marketing

During the six months ended 30 June 2020, the Group actively prepared for participating in various trade fairs to be held in PRC so as to gain exposure in the fabrics market and to popularise the Group's new products.

OUTLOOK

In view of the rise of tension between China and the U.S. and the impact of global financial crisis due to the COVID-19 epidemic ("Epidemic") spread worldwide, the economic outlook and operating environment in the PRC are anticipated to be more challenging in the second half of 2020. In this regard, the Group has implemented various measures to mitigate the adverse impact as discussed under sections of the business and operation. 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 six months ended 30 June 2020, the Group financed its operations mainly by internally generated cash and financial support from Guizhou Yongan, the immediate holding company of the Company.

As at 30 June 2020, the Group's current assets and net current assets were approximately RMB102.27 million (31 December 2019: approximately RMB118.17 million) and approximately RMB71.39 million (31 December 2019: approximately RMB83.55 million) respectively. The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was approximately 3.31 (31 December 2019: 3.41).

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

As at 30 June 2020, the Group did not have any capital commitments (31 December 2019: Nil) and significant investments held (31 December 2019: 90,000,000).

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities (31 December 2019: Nil).

CHARGES ON GROUP ASSETS

As at 30 June 2020, the Group has no charges on Group assets (31 December 2019: Nil).

MATERIAL DISPOSALS

During the six months ended 30 June 2020, the Company has disposed a wholly owned subsidiary, Guizhou Anheng which was engaged in the assets management business. Details of the disposal was discussed under the section of business and operation review. Except for that, the Group did not have any material disposals during the six months ended 30 June 2020 and 2019.

SEGMENTAL INFORMATION

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

EMPLOYEE AND EMOLUMENT POLICIES

As at 30 June 2020, the Company had 356 employees (31 December 2019: 391), comprising 6 (31 December 2019: 9) in research and development, 8 (31 December 2019: 8) in sales and marketing, 291 (31 December 2019: 317) in production, 40 (31 December 2019: 40) in quality control, 4 (31 December 2019: 5) in management, and 7 (31 December 2019: 12) in finance and administration. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Discretionary bonuses on individual performance will be paid to employees as recognition of and reward for their contribution. Other benefits include contributions to retirement scheme and medical scheme.

FOREIGN EXCHANGE EXPOSURE

The Group operates in the PRC with most of the transactions denominated and settled in RMB. However, foreign currencies, mainly United States Dollars, Euro and Hong Kong Dollars, are required to settle the Group's expenses and additions on plant and equipment. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government, if necessary, the Group will used forward contracts, foreign currency borrowings or other means to hedge its foreign currency exposure. The Group considers it has no material foreign exchange risk.

DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY

As at 30 June 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. Ms. Wang Ai Yu, a supervisor of the Company ("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 30 June 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 30 June 2020, so far as it is known to the Directors or chief executive or Supervisors of the Company, the interests and short positions of person in the shares or underlying shares of the Company, other than the interest of the Directors or Supervisors, which would fall to be disclosed under Divisions 2 and 3 or Part XV of the SFO or which were required, pursuant to section 336 of Part XV of the SFO, to be entered in the register referred to therein, or who is interested directly or indirectly in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Company were as follows:

Long positions in the shares of the Company

Domestic shares of the Company ("Domestic Shares")

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

Notes:

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

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

Name of shareholder	Capacity	Number of H Shares held	Approximate percentage of interests in H Shares in issue at 30 June 2020	Approximate percentage of interests in total issued share capital 30 June 2020
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,540,000	43.86%	19.61%

Saved as disclosed above, at 30 June 2020, so far as was known to the Directors, chief executives and Supervisors of the Company, no other person (other than the Directors, chief executives or Supervisors of the Company) has an interest or short position in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

COMPETING INTERESTS

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited first quarterly results and interim results of the Group for the three months ended 31 March 2020 and the six months ended 30 June 2020 respectively and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure had been made.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2020, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "Code Provision") as set out in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

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

Neither the Company nor its subsidiaries purchase, sell or redeem any of the Company's listed securities during the six months ended 30 June 2020.

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

Zhejiang, the PRC, 14 August, 2020

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

This document will remain on the "Latest Listed Company Information" page of the GEM website at http://www.hkgem.com for at lease 7 days from the date of its publication and on the Company's website at http://www.zj-yongan.com.

* *For identification purpose only*