



浙江永隆實業股份有限公司  
**ZHEJIANG YONGLONG ENTERPRISES CO., LTD.\***  
*(a joint stock limited company incorporated in the People's Republic of China)*  
(Stock Code: 8211)

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE  
STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.*

*This document, for which the directors of Zhejiang Yonglong Enterprises 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.*

*\* For identification purpose only*

## HIGHLIGHTS

For the year ended 31 December 2014,

- Revenue of the Company decreased from approximately RMB206.41 million in year 2013 to approximately RMB188.56 million in year 2014, representing a drop of approximately 8.65% when compared to the year ended 31 December 2013;
- loss for the year was approximately RMB7.31 million; and
- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2014.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

The board of directors (the “Board” or the “Directors”) of the Company is pleased to announce the audited results of the Company for the year ended 31 December 2014, together with the comparative results for the corresponding period in 2013 as follows:

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
Revenue	3	188,562	206,405
Cost of sales		<u>(165,945)</u>	<u>(180,342)</u>
Gross profit		22,617	26,063
Other income and gains	3	6,801	49,110
Selling and distribution costs		(1,233)	(618)
Administrative expenses		(9,874)	(10,096)
Finance costs	5	<u>(24,653)</u>	<u>(21,576)</u>
(Loss) profit before taxation		(6,342)	42,883
Income tax (expense) credit	6	<u>(972)</u>	<u>818</u>
(Loss) profit for the year	7	<u><u>(7,314)</u></u>	<u><u>43,701</u></u>
Other comprehensive income for the year			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Gain on revaluation of properties		3,324	3,271
Income tax relating to revaluation of properties		<u>(831)</u>	<u>(818)</u>
Other comprehensive income for the year, net of tax		<u>2,493</u>	<u>2,453</u>
Total comprehensive (expense) income for the year		<u><u>(4,821)</u></u>	<u><u>46,154</u></u>
		RMB	RMB
(Loss) earnings per share			
Basic and diluted	8	<u><u>(0.69) cents</u></u>	<u><u>4.11 cents</u></u>

## STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	<i>Notes</i>	<b>2014</b> <i>RMB'000</i>	2013 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>100,038</b>	103,696
Prepaid lease payments		<b>6,832</b>	7,020
		<b>106,870</b>	110,716
<b>Current assets</b>			
Inventories		<b>27,221</b>	14,333
Trade and other receivables	<i>10</i>	<b>40,284</b>	48,984
Prepaid lease payments		<b>188</b>	188
Financial assets at fair value through profit or loss	<i>11</i>	<b>50,000</b>	-
Bank balances and cash		<b>127,865</b>	168,883
		<b>245,558</b>	232,388
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>47,670</b>	51,188
Amount due to a fellow subsidiary	<i>13</i>	<b>1,819</b>	612
Provision	<i>14</i>	<b>-</b>	10,000
		<b>49,489</b>	61,800
<b>Net current assets</b>		<b>196,069</b>	170,588
<b>Total assets less current liabilities</b>		<b>302,939</b>	281,304
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>1,803</b>	-
Amount due to ultimate holding company	<i>15</i>	<b>197,528</b>	172,875
		<b>199,331</b>	172,875
<b>Net assets</b>		<b>103,608</b>	108,429
<b>Capital and reserves</b>			
Share capital		<b>106,350</b>	106,350
Reserves		<b>(2,742)</b>	2,079
		<b>103,608</b>	108,429

## STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note (a))	Asset revaluation reserve RMB'000	Statutory surplus reserve RMB'000 (Note (b))	Accumulated losses RMB'000 (Note (c))	Total RMB'000
At 1 January 2013	106,350	69,637	124,950	29,884	12,496	(281,042)	62,275
Profit for the year	-	-	-	-	-	43,701	43,701
Other comprehensive income for the year	-	-	-	2,453	-	-	2,453
Total comprehensive income for the year	-	-	-	2,453	-	43,701	46,154
Transfer to reserve upon disposal of property	-	-	-	(11,115)	-	11,115	-
At 31 December 2013 and 1 January 2014	106,350	69,637	124,950	21,222	12,496	(226,226)	108,429
Loss for the year	-	-	-	-	-	(7,314)	(7,314)
Other comprehensive income for the year	-	-	-	2,493	-	-	2,493
Total comprehensive income (expense) for the year	-	-	-	2,493	-	(7,314)	(4,821)
At 31 December 2014	<u>106,350</u>	<u>69,637</u>	<u>124,950</u>	<u>23,715</u>	<u>12,496</u>	<u>(233,540)</u>	<u>103,608</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 of the Company (Note 15).
- (b) As stipulated by regulations in the People's Republic of China (the "PRC"), the Company is required to appropriate 10% of its after-tax profit (after offsetting prior year losses) to a 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 December 2014 and 2013, 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 and ultimate holding company is 浙江永利實業集團有限公司 (Zhejiang Yongli Industry Group Co., Ltd.\*) (“Zhejiang Yongli”), a company incorporated in the PRC.

The Company is principally engaged in (i) the manufacture and sale of woven fabrics and (ii) provision of subcontracting services.

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Company has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKAS(s)”), amendments and Interpretations (“Int(s)”), issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Hong Kong (IFRS Interpretations Committee) – Int 21	Levies

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Company’s financial performance and positions for the current and prior years and/or the disclosures set out in the financial statements.

### ***Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities***

The Company has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance or substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity, the directors of the Company consider that the application of the amendments has had no impact on the disclosure or the amounts recognised in the Company's financial statements.

#### ***Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities***

The Company has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify the existing requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The amendments have been applied retrospectively. As the Company does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Company's financial statements.

#### ***Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets***

The Company has applied the amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 *Fair Value Measurements*.

The directors of the Company consider that the application of these amendments has had no material impact on the disclosures in the Company's financial statements.

***New and revised HKFRSs issued but not yet effective***

The Company has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments <sup>4</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>2</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>2</sup>
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>2</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>2</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2018.

The directors of the Company anticipate that, except as described in the financial statements, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Company.

### 3. REVENUE AND OTHER INCOME AND GAINS

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i> <i>(Restated)</i>
Revenue		
Sales of woven fabrics	162,435	161,081
Subcontracting fee income	26,127	45,324
	<u>188,562</u>	<u>206,405</u>
Other income and gains		
Government subsidies ( <i>Note a</i> )	100	16
Interest income	2,559	49
Sales of scrap materials	1,135	1,789
Refund of land use tax and real estate tax	855	-
Gain on disposal of assets classified as held for sale ( <i>Note b</i> )	-	44,866
Reversal of impairment loss recognised in respect of trade receivables	2,022	2,379
Others	130	11
	<u>6,801</u>	<u>49,110</u>

*Notes:*

- a) Government subsidies of approximately RMB100,000 (2013: RMB16,000) was awarded to the Company during the year ended 31 December 2014 for encouraging the usage of the higher productivity machinery. (2013: for encouraging the usage of the environmental machinery.) There is no unfulfilled condition or contingencies relating to these subsidies.
- b) During the year ended 31 December 2013, assets classified as held for sale with carrying value of approximately RMB39,526,000 was disposed of with consideration of approximately RMB84,392,000. The transaction was completed on 26 March 2013.



#### 4. SEGMENTAL INFORMATION

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

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

- Woven fabrics - Manufacture and sale of woven fabrics
- Subcontracting services - Provision of subcontracting services

##### (a) Segment revenue and results

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

	For the year ended 31 December					
	Woven fabrics		Subcontracting services		Total	
	2014	2013	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	<u>162,435</u>	<u>161,081</u>	<u>26,127</u>	<u>45,324</u>	<u>188,562</u>	<u>206,405</u>
Segment profit	<u>18,596</u>	<u>45,301</u>	<u>5,269</u>	<u>28,477</u>	<u>23,865</u>	73,778
Unallocated corporate income					3,644	76
Unallocated corporate expenses					(9,198)	(9,395)
Finance costs					<u>(24,653)</u>	<u>(21,576)</u>
(Loss ) profit before taxation					<u>(6,342)</u>	<u>42,883</u>

The accounting policies of the operating segments are the same as the Company's accounting policies described in Note 3 of the financial statements. Segment profit represents the profit earned by each segment without allocation of interest income, government subsidies, refund of land use tax and real estate tax, other income, directors' remuneration, central administration costs and finance costs. This is the measure reported to the chief operating decision maker of the Company for the purposes of resource allocation and performance assessment.

(b) Geographical information

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

	<b>Revenue from external customers</b>	
	<b>2014</b>	2013
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
The PRC (country of domicile)	<b>135,640</b>	112,029
Middle East	<b>27,282</b>	73,574
Other overseas	<b>25,640</b>	20,802
	<b><u>25,640</u></b>	<u>20,802</u>

**5. FINANCE COSTS**

	<b>2014</b>	2013
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Imputed interest on non-current interest-free loan due to ultimate holding company (Note 15)	<b>24,653</b>	21,576
	<b><u>24,653</u></b>	<u>21,576</u>

**6. INCOME TAX (EXPENSE) CREDIT**

	<b>2014</b>	2013
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Deferred taxation - Current year	<b>(972)</b>	818
	<b><u>(972)</u></b>	<u>818</u>

No provision for taxation has been made as the Company's income neither arises in, nor is derived from Hong Kong.

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 years.

No provision for PRC Enterprise Income Tax was made for the years ended 31 December 2014 and 2013 since the assessable profit was wholly absorbed by tax losses brought forward.

## 7. (LOSS) PROFIT FOR THE YEAR

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
(Loss) profit for the year has been arrived at after (crediting) charging:		
Staff cost (including supervisors', directors' and chief executive's emoluments):		
Salaries, wages and other benefits in kind	23,748	26,499
Retirement benefit scheme contributions	436	411
	<hr/>	<hr/>
Total staff costs	24,184	26,910
	<hr/>	<hr/>
Allowance for inventories (included in cost of inventories recognised as an expense)	114	166
Amortisation of prepaid lease payments	188	188
Auditor's remuneration	560	550
Cost of inventories recognised as an expense	166,924	180,342
Depreciation of property, plant and equipment	7,476	8,322
Exchange loss	41	764
Provision for litigation (included in administrative expenses)(Note 14)	1,000	-
Research and development costs recognised as an expense	102	101
Reversal of allowance for inventories (included in cost of inventories recognised as an expense)	(102)	(1,723)
Written off / loss on disposal of property, plant and equipment	-	8
	<hr/> <hr/>	<hr/> <hr/>

## 8. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share for the year is calculated on the loss for the year of approximately RMB7,314,000 (2013: profit for the year of approximately RMB43,701,000) and the weighted average of 1,063,500,000 (2013: 1,063,500,000) ordinary shares in issue during the year ended 31 December 2014.

For the year ended 31 December 2014 and 2013, the diluted loss (2013: earnings) per share is the same as the basic loss (2013: earnings) per share.

No diluted (loss) earnings per share have been presented for the year ended 31 December 2014 and 2013 as there were no diluting events existed during both years.

## 9. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2014, nor has any dividend been proposed since the end of reporting period (2013: Nil).

## 10. TRADE AND OTHER RECEIVABLES

	<b>2014</b> <i>RMB'000</i>	2013 <i>RMB'000</i>
Trade receivables	<b>57,923</b>	62,922
Less: Allowance for impairment of trade receivables	<b>(20,381)</b>	(22,403)
	<b>37,542</b>	40,519
Other receivables		
Prepayments to suppliers	<b>2,304</b>	5,863
Other prepayments	<b>234</b>	141
Other receivables	<b>204</b>	2,461
	<b>2,742</b>	8,465
Total trade and other receivables	<b>40,284</b>	48,984

The Company allows an average credit period of 60 days to 180 days (2013: 60 to 120 days) to its trade customers. For the year ended 31 December 2014 and 2013, the Company extended the credit period to certain customers by signing separate repayment agreements. The Company does not hold any collateral or other credit enhancements over its trade and other receivables.

An aged analysis of trade receivables, net of allowance for impairment of trade receivables and presented based on invoice date which approximates the respective recognition dates, at the end of the reporting period is as follows:

	<b>2014</b> <i>RMB'000</i>	2013 <i>RMB'000</i>
0 – 60 days	<b>27,844</b>	34,923
61 – 90 days	<b>210</b>	4,808
91 – 120 days	<b>1,548</b>	129
121– 270 days	<b>7,940</b>	659
	<b>37,542</b>	40,519

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The structured deposit is placed with a bank and contains embedded derivatives. The structured deposit is structured investment products and principal protected deposits with maturity less than one year. The counterparty bank guarantees 100% of the invested capital and the returns of which are determined by reference to the change in London Interbank Offered Rate (LIBOR). The structured deposit is designated as financial assets at fair value through profit or loss on initial recognition.

Structured deposit at the end of the reporting period is as follows:

### At 31 December 2014

<u>Principal amount</u>	<u>Maturity</u>	<u>Annual coupon rate</u>
RMB50,000,000	January 2015	0.4% , 1.95% or 3.50%

Note: The annual coupon rate is dependent on whether the LIBORs fall within ranges as specified in the relevant agreement during the period from inception date to maturity date of the relevant agreement.

At the end of the reporting period, the structured deposit is stated at fair value. The fair value is determined by reference to the LIBOR as provided by the counterparty bank.

## 12. TRADE AND OTHER PAYABLES

	<b>2014</b>	2013
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade payables ( <i>Note i &amp; ii</i> )	<b>29,736</b>	34,432
Receipt in advance	<b>4,605</b>	3,554
Other tax payables	<b>6,561</b>	5,940
Accrued expenses and other payables	<b>6,768</b>	7,262
	<b><u>47,670</u></b>	<u>51,188</u>

*Notes:*

- (i) The Company normally receives credit periods from suppliers ranging from 30 days to 90 days. The Company has in place financial risk management policies to ensure that all payables are settled within the credit timeframe.

- (ii) An aging analysis of the trade payables at the end of the reporting period based on invoice date is as follows:

	<b>2014</b>	2013
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
0 – 60 days	<b>17,890</b>	24,354
61 – 90 days	<b>1,419</b>	1,203
91 – 365 days	<b>5,473</b>	3,020
Over 365 days	<b>4,954</b>	5,855
	<hr/> <b>29,736</b> <hr/>	<hr/> 34,432 <hr/>

### 13. AMOUNT DUE TO A FELLOW SUBSIDIARY

Amount due to 浙江永利熱電有限公司 (Zhejiang Yongli Thermal Electricity Company Limited\*) (“Zhejiang Yongli Thermal Electricity”) is unsecured, non-interest bearing and repayable on demand.

### 14. PROVISION

During the year ended 31 December 2008, the Company acted as a guarantor to secure 紹興縣亞太投資有限公司(Shaoxing Yatai Investment Co., Ltd.\*) (“Yatai”) (the “Yatai Loan”) for an amount of RMB20,000,000. Yatai is an independent third party of the Company.

On 18 October 2008, the Yatai Loan was due for payment and 浙江加佰利控股集團有限公司 (Zhejiang Gabriel Holdings Group Co., Ltd.\*) (“Gabriel”) was unable to repay the loan. On 18 August 2009, the Company received a writ from Zhejiang Shaoxing Intermediate People’s Court (紹興市中級人民法院) in relation to a claim of the outstanding Yatai Loan by Yatai against Gabriel and the Company for the borrowings principal plus the interest and legal fees amount of approximately RMB30,280,000.

On 9 October 2009, a civil judgment was issued by the Zhejiang Shaoxing Intermediate People’s Court (the “Judgment”), pursuant to which Gabriel is liable to repay the sum of outstanding principal of RMB20,000,000, the interest for the period between 18 September 2008 to 20 October 2009 and the related legal fees amount of RMB200,000. According to the Judgment, the Company, as a guarantor, is liable to a limited sum of RMB10,000,000 in connection with the claim. A provision was made during the year ended 31 December 2009.

On 29 December 2014, a final judgement, which was final and conclusive, was issued by Zhejiang Shaoxing Intermediate People's Court and it was held that the Company is liable to pay RMB11,000,000 in aggregate including the principal and accrued interest. Therefore, an additional provision of RMB1,000,000 was recognised as administrative expenses during the year ended 31 December 2014. The amount has been fully settled by the Company on 31 December 2014 and deposited to Zhejiang Shaoxing Intermediate People's Court.

## **15. AMOUNT DUE TO ULTIMATE HOLDING COMPANY**

The Company and Zhejiang Yongli signed a debt restructuring agreement on 13 September 2011 with the following repayment terms:

- (1) The Company shall owe the sum of approximately RMB239,677,000 (before the effect of discounting) to Zhejiang Yongli, and Zhejiang Yongli shall permanently abandon any claim against the Company for the repayment of debt amounting to RMB187,090,000 which will be compensated by the Local Government by way of government subsidies;
- (2) The Company agreed to repay Zhejiang Yongli, commencing from the fifth anniversary after the signing of the debt restructuring agreement provided that the amount to be repaid shall not exceed 50% of the operating cash flow of the year on an annual basis until the full repayment of the debt;
- (3) 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 event(s) affecting the Zhejiang Yongli's repayment capability such as, among other things, serious operation problems, deterioration in financial situation and material litigation;
- (4) No interest would be charged to the Company during the repayment period;
- (5) Zhejiang Yongli undertakes to assume all the contingent debts of the Company incurred at all times and permanently abandon any claim against the Company for the repayment of such contingent debts of the Company: and
- (6) The amount is unsecured, interest-free and will not be repayable until 12 September 2016. The carrying value of the amount due to ultimate holding company as at 31 December 2014 and 2013 was stated at discounted present value with an imputed interest rate of 14.35% per annum.

The movement during the current and prior reporting periods are set out as follows:

	<b>2014</b> <i>RMB'000</i>	2013 <i>RMB'000</i>
At 1 January	<b>172,875</b>	151,299
Imputed interest charged to profit or loss (note 5)	<u><b>24,653</b></u>	<u>21,576</u>
At 31 December	<u><b>197,528</b></u>	<u>172,875</u>

## 16. RELATED PARTY TRANSACTIONS

The Company had the following related party transaction and continuing connected party transaction during the years.

- (a) The balances with a fellow subsidiary and ultimate holding company are set out in Notes 13 and 15 respectively.
- (b) During the year ended 31 December 2014, the Company had paid approximately RMB7,874,000 (2013: RMB8,335,000) to Zhejiang Yongli Thermal Electricity for electricity and steam provided to the Company for usage in the production.

The aforesaid transactions were conducted in accordance with the term of contract dated 30 December 2011 and were in the ordinary course of business of the Company.

- (c) During the year ended 31 December 2014, the Company has paid approximately RMB73,000 (2013: nil) to 浙江紹興永利印染有限公司 (Zhejiang Shaoxing Yongli Printing & Dyeing Co., Limited\*), a fellow subsidiary of the Company, for providing dyeing services to the Company.

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

- (d) Compensation of key management personnel

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

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



## 17. COMPARATIVE FIGURES

The following comparative figures had been reclassified to conform to current year's presentation as the directors of the Company consider the reclassifications are more meaningful.

- i) Reversal of impairment loss recognised in respect of trade receivables of approximately RMB2,379,000 was reclassified from administrative expenses to other income and gains in the statement of profit or loss and other comprehensive income.
- ii) Government subsidies of approximately RMB16,000 was reclassified from operating activities to financing activity in the statement of cash flows.

As the reclassifications do not affect the statement of financial position, it is not necessary to disclose comparative information as at 1 January 2013.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial review**

For the year ended 31 December 2014, the Company recorded a revenue of approximately RMB188.56 million, represents a drop of approximately 8.65% when compared with the same period in 2013. It was mainly due to subcontracting fee income dropped by approximately 42.36% as the Company concentrated in the business of sales of woven fabrics. Gross profit margin dropped by approximately 13.22% mainly due to decrease of subcontracting fee income which has higher profit margin. The selling expenses increased sharply in 2014 when compared with that in 2013 was in line with the increase of sales of woven fabrics. The administrative expenses for year ended 31 December 2014 decreased slightly by approximately 2.2% when compared with the corresponding period in 2013 as consistent policy of control of expenditure was adopted in both years. Other income and gains dropped by approximately RMB42.31 million when compared with the corresponding period in 2013 mainly because there was gains on disposal of old factory to the Local Government in 2013. Disregard of the finance cost of approximately RMB24.65 million in respect of imputed interest in non-current interest-free loan from ultimate holding company, there was profits of approximately RMB18.31 million for the year ended 31 December 2014. The respective loss and earnings per share for the years ended 31 December 2014 and 2013 were approximately RMB0.69 cents and RMB4.11 cents respectively.

### **Business and operation review**

In view of the financial problem in Europe, the foreign markets have been shrinking. However, the market in the Middle-East, South America and Eastern Europe provides another business opportunity to the Company, export sales to these markets has been commenced since the second quarter in 2013. Since the third quarter in 2012, the local textile industry has been facing the impact of rising of raw materials cost, labour cost and therefore, the overall market sentiments were still poor. Therefore, the Company recommenced the export sales in the second quarter of 2013. In order to maximise the interests of the shareholders, the Company will continue the strategy of expanding the market share in both domestic and overseas markets and sales efforts will be placed in these markets.

### **Production facilities**

During the year ended 31 December 2014 under review, the Company spent approximately RMB407,000 in upgrading of plant and machinery.

### **Product research and development**

During the year ended 31 December 2014, the Company continued to innovate and develop new product so as to meet the customers' need and enhance sales orders from customers.

## **Outlook**

The Directors expect that the textile industry will continue be impacted by the rising of labour cost in year 2015 and therefore, the overall market sentiments are still poor. In additions, it is expected that the worldwide economies such as Europe will not be recovered in very soon, hence sales in these markets will continue be shrank. However, the successful development and growth of other local and export markets in 2014 means that there are business opportunities for development. The cash and bank balance of the Company as at 31 December 2014 was approximately RMB127.87 million and under the financial support from Zhejiang Yongli, the Directors expect that the Company has sufficient cash resources to meet its present and future cash flow requirements and is able to face with the challenge in 2015 and the near future.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the year ended 31 December 2014, the Company financed its operations mainly by internally generated cash and financial support from the ultimate holding Company, Zhejiang Yongli.

As at 31 December 2014, the Company's current assets and net current assets were approximately RMB245.56 million (31 December 2013: approximately RMB232.39 million) and approximately RMB196.07 million (31 December 2013: approximately RMB170.59 million) respectively. The liquidity ratio of the Company, represented by the ratio of current assets over current liabilities, was approximately 4.96 (31 December 2013: 3.76).

## **CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS**

As at 31 December 2014, the Company had no commitments (2013: Nil) for capital expenditure.

## **MATERIAL DISPOSALS**

Except for the assets classified as held for sale which comprised buildings, investment properties and prepaid lease payments that were disposed in 2013, there was no material disposals during the year ended 31 December 2014.

## **SEGMENTAL INFORMATION**

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

## **CONTINGENT LIABILITIES**

As at 31 December 2014, the Company did not have any material contingent liabilities (2013: Nil).

## **CHARGES ON COMPANY ASSETS**

As at 31 December 2014, the Company has no charges on company assets (2013: Nil).

## **EMPLOYEE AND EMOLUMENT POLICIES**

As at 31 December 2014, the Company had 557 employees (31 December 2013: 568), comprising 4 (31 December 2013: 3) in research and development, 16 (31 December 2013: 8) in sales and marketing, 478 (31 December 2013: 497) in production, 47 (31 December 2013: 48) in quality control, 6 (31 December 2013: 6) in management, and 6 (31 December 2013: 6) 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 Company 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 Company’s expenses and additions on plant and equipment. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government, the Company has used forward contracts, foreign currency borrowings and other means to hedge its foreign currency exposure. The Company considers it has no material foreign exchange risk to the Company.

## **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 Company under the period under review and up to date of this document.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the “Audit Committee”) in May 2002 and the primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company and provide advice and comments to the Board. The Audit Committee has three members comprising the three independent non-Executive Directors, Mr. Xu Wei Dong, Mr. Li Hui Peng and Mr. Qin Fu. Mr. Xu Wei Dong is the chairman of the Audit Committee.

The annual results of the Company for the year ended 31 December 2014 of the Company have been reviewed by the Audit Committee.

### **SCOPE OF WORK OF MESSRS. SHINEWING (HK) CPA LIMITED**

The figures in respect of the Company's statement of financial position, statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in the Preliminary Announcement have been agreed by the Company's auditors, Messrs. SHINEWING (HK) CPA Limited, to the amounts set out in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements of Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. SHINEWING (HK) CPA Limited on the preliminary announcement.

### **CORPORATE GOVERNANCE PRACTICES**

During the year ended 31 December 2014, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "Code Provision") as set out in the Appendix 15 of the GEM Listing Rules.

### **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

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

### **SUFFICIENCY OF PUBLIC FLOAT**

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

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

The Company did not purchase, sell or redeem any of the Company's listed securities during the year ended 31 December 2014.

## **ANNUAL GENERAL MEETING**

The annual general meeting (“AGM”) of the Company for the year 2014 will be held on 15 May 2015. A notice convening the annual general meeting will be published in due course.

## **CLOSURE OF H SHARE REGISTER**

The H Share register of shareholders of the Company will be closed from 15 April 2015 to 15 May 2015 (both days inclusive), during which period no transfer of H Shares will be affected. The shareholders of H Shares whose names appeared on the register of shareholders of the Company at 4:00 p.m. on Tuesday, 14 April 2015 will be entitled to attend and vote at the AGM.

By Order of the Board  
**Zhejiang Yonglong Enterprises Co., Ltd. \***  
**Wang Xinyi**  
*Chairman*

Zhejiang, the PRC, 13 March 2015

*As at the date of this announcement, the executive directors of the Company are Mr. Wang Xinyi (Chairman), Ms. He Lianfeng (Deputy Chairman and Chief Executive Officer), Mr. Hu Hua Jun, Mr. Chen Jian Jiang; the non-executive director is Mr. Chen Dong Chun; the independent non-executive directors are Mr. Xu Wei Dong, Mr. Li Hui Peng and Mr. Qin Fu.*

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