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 2013

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.

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 2013,

- Revenue of the Company increased from approximately RMB130.01 million in year 2012 to approximately RMB206.41 million in year 2013, representing an increase of approximately 58.76 % when compared to the year ended 31 December 2012;
- profit for the year was approximately RMB43.7 million; and
- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2013.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

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 2013, together with the comparative results for the corresponding period in 2012 as follows:

	Notes	**2013** *RMB'000*	2012 *RMB'000*
Revenue	*3*	**206,405**	130,007
Cost of sales		**(180,342)**	(114,790)
Gross profit		**26,063**	15,217
Other income and gains	*3*	**46,731**	3,702
Selling and distribution costs		**(618)**	(210)
Administrative expenses		**(7,717)**	(13,851)
Finance costs	*5*	**(21,576)**	(23,414)
Profit (loss) before taxation		**42,883**	(18,556)
Income tax credit		**818**	922
Profit (loss) for the year	*7*	**43,701**	(17,634)
Other comprehensive income for the year			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of properties		**3,271**	3,691
Income tax relating to revaluation of properties		**(818)**	(922)
Other comprehensive income for the year, net of tax		**2,453**	2,769
Total comprehensive income (expense) for the year		**46,154**	(14,865)
		RMB	*RMB*
Earnings (loss) per share			
Basic and diluted	*8*	**4.11 cents**	(1.66) cents

STATEMENT OF FINANCIAL POSITION
At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment		**103,696**	108,311
Prepaid lease payments		**7,020**	7,208
		110,716	115,519
Current assets			
Inventories		**14,333**	10,753
Trade and other receivables	*10*	**48,984**	48,550
Prepaid lease payments		**188**	188
Financial assets at fair value through profit or loss		**-**	4,500
Bank balances and cash		**168,883**	43,253
		232,388	107,244
Assets classified as held for sale	*11*	**-**	39,526
		232,388	146,770
Current liabilities			
Trade and other payables	*12*	**51,188**	37,767
Amount due to a related company	*13*	**612**	948
Provision	*14*	**10,000**	10,000
		61,800	48,715
Net current assets		**170,588**	98,055
Total assets less current liabilities		**281,304**	213,574
Non-current liability			
Amount due to ultimate holding company	*15*	**172,875**	151,299
Net assets		**108,429**	62,275
Capital and reserves			
Share capital		**106,350**	106,350
Reserves		**2,079**	(44,075)
		108,429	62,275

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 2012	106,350	69,637	124,950	27,115	12,496	(263,408)	77,140
Loss for the year	-	-	-	-	-	(17,634)	(17,634)
Other comprehensive income for the year	-	-	-	2,769	-	-	2,769
Total comprehensive income (expense) for the year	-	-	-	2,769	-	(17,634)	(14,865)
At 31 December 2012 and 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	106,350	69,637	124,950	21,222	12,496	(226,226)	108,429

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 the relevant laws and regulations in the People's Republic of China (the "PRC"), when distributing the net profit for each year, the Company (after conversion to a limited liability company) shall set aside 10% of its net profit after taxation (based on the PRC statutory accounts of the Company) for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the Company's share capital). The reserve fund can only be used, upon approval by the board of directors and by the relevant authority, to offset against accumulated losses or increase the share capital.

(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 2013 and 2012, 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 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")

Application of new and revised HKFRSs (disclosure of a detailed list of new and revised HKFRSs)

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in 2012
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosures of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK (IFRIC*) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

* IFRIC represents the International Financial Reporting Standards Interpretation Committee.

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 these financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Company has applied the amendments to HKFRS 7 for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation and recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. As the Company does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the financial statements.

HKFRS 13 Fair Value Measurement

The Company has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements for both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for leasing transactions within the scope of HKAS 17 Leases and measurements that have some similarities to fair value but are not fair value.

HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

HKFRS 13 has been applied prospectively as of the beginning of the annual period and resulted in additional disclosure as set out in Notes 7 and 23 to the financial statements. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the financial statements.

HKAS 19 (revised 2011) Employee Benefits

The Company has applied HKAS 19 (revised 2011) for the first time in the current year. HKAS 19 (revised 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. HKAS 19 (revised 2011) requires recognition of all changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. HKAS 19 (revised 2011) also replaces the interest cost and expected return on plan assets used in the previous version of HKAS 19 with a "net-interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

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:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKAS 19	Defined Benefit Plans – Employee contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-lnt 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.

[3] HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

[4] Effective for annual periods beginning on or after 1 January 2016

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

The effective date of HKFRS 9 is not yet determined. However, earlier application is permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. Changes in the fair value of financial liabilities attributable to changes in credit risk of financial liabilities that are designated as at fair value through profit or loss are disclosed in Note 7 of the financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKAS 32 are effective for annual periods beginning on or after 1 January 2014 with early application permitted and require retrospective application.

The directors of the Company do not anticipate that the application of the amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

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

The amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is catergorised in its entirety. The Company is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;

- each key assumption on which management has based its determination of fair value less costs of disposal;

- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied, and require retrospectively application.

The directors of the Company do not anticipate that the application of the amendments to HKAS 36 may result in additional disclosures being made with regard to the impairment assessment on non-financial assets.

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:

	2013	2012
	RMB'000	*RMB'000*
Revenue		
Sales of woven fabrics	**161,081**	76,327
Subcontracting fee income	**45,324**	53,680
	206,405	130,007
Other income and gains		
Government subsidies *(Note)*	**16**	432
Trade and other payables written off	**-**	325
Interest income	**49**	479
Sales of scrap materials	**1,789**	2,447
Gain on disposal of assets classified as held for sale *(Note 11)*	**44,866**	-
Exchange gain	**-**	5
Others	**11**	14
	46,731	3,702

Note: Government subsidies of approximately RMB16,000 (2012: RMB432,000) was awarded to the Company during the year ended 31 December 2013 for encouraging the usage of the environmental machinery. There is no unfulfilled conditions or contingencies relating to these subsidies.

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 segments and operating segments are as follows:

Woven fabric	-	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 segment：

	For the year ended 31 December					
	Woven fabric		Subcontracting services		Total	
	2013	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Turnover	**161,081**	76,327	**45,324**	53,680	**206,405**	130,007
Segment results	**45,301**	2,518	**28,477**	14,906	**73,778**	17,424
Unallocated corporate income					**76**	432
Unallocated corporate expenses					**(9,395)**	(12,998)
Finance costs					**(21,576)**	(23,414)
Profit (loss) before taxation					**42,883**	(18,556)

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, 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.

	Revenue from external customers	
	2013	2012
	RMB'000	*RMB'000*
The PRC	**112,029**	130,007
Middle East	**73,574**	-
Other overseas	**20,802**	-

5. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Imputed interest on non-current interest-free loan from the controlling shareholder	**21,576**	23,414

6. INCOME TAX CREDIT

	2013	2012
	RMB'000	*RMB'000*
Deferred taxation		
- Current year	**818**	922

Hong Kong Profits Tax was calculated a 16.5% of the estimated assessable profit for both year. No provision for Hong Kong Profits Tax has been made for the two years ended 31 December 2013 as the Company did not have assessable profit subject to Hong Kong Profits Tax for both years.

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 two years ended 31 December 2013 and 2012 as there was no assessable profit derived from the PRC.

7. PROFIT (LOSS) FOR THE YEAR

	2013	2012
	RMB'000	*RMB'000*
Profit (loss) for the year has been arrived at after charging (crediting):		
Staff cost (including supervisors', directors', chief executive's and chairman's emoluments):		
Salaries, wages and other benefits in kind	**26,499**	18,761
Retirement benefit scheme contributions	**411**	388
Total staff costs	**26,910**	19,149
Amortisation of prepaid lease payments	**188**	188
Auditor's remuneration	**550**	527
Cost of inventories recognised as an expense	**125,204**	82,171
Depreciation of property, plant and equipment	**8,322**	20,122
Written off / loss on disposal of property, plant and equipment	**8**	1,235
Research and development costs recognised as an expense	**101**	78
Exchange loss	**764**	-
Reversal of impairment loss recognised in respect of trade receivables	**(2,379)**	(100)

8. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share for the year is calculated on the profit for the year of approximately RMB43,701,000 (2012: loss for the year of approximately RMB17,634,000) and the weighted average of 1,063,500,000 (2012: 1,063,500,000) ordinary shares in issue during the year ended 31 December 2013.

No diluted earnings (loss) per share have been presented for the two years ended 31 December 2013 and 2012 as there were no diluting events existed during both years.

9. DIVIDENDS

No dividend was paid or proposed by the directors of the Company in respect of the year ended 31 December 2013, nor has any dividend been proposed since the end of reporting period (2012: Nil).

10. TRADE AND OTHER RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**62,922**	73,001
Less: allowance for impairment of trade receivables	**(22,403)**	(24,782)
	40,519	48,219
Other receivables		
Prepayments to suppliers	**5,863**	122
Other receivables	**2,602**	209
	8,465	331
Total trade and other receivables	**48,984**	48,550

The Company allows an average credit period of 60 to 120 days to its trade customers. For the year ended 31 December 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:

	2013	2012
	RMB'000	*RMB'000*
0 – 60 days	**34,923**	18,773
61 – 90 days	**4,808**	1,471
91 – 120 days	**129**	3,644
121– 365 days	**659**	6,345
Over 365 days	**-**	17,986
	40,519	48,219

11. ASSETS CLASSIFIED AS HELD FOR SALE

On 29 December 2010, a resolution was passed by the board of directors of the Company to dispose of certain buildings, investment properties and prepaid lease payments (the "Selling Assets"). On 30 August 2011, the Company has signed a memorandum of understanding with the People's Government of Yang Xun Qiao Town, Shaoxing County* "浙江省紹興縣楊汛橋鎮人民政府" (the "Local Government") in respect of disposal of Selling Assets. On 30 December 2011, the Company and Local Government entered into an assets transfer agreement, pursuant to which the Local Government has agreed to acquire and the company has agreed to dispose the Selling Assets at a total consideration of RMB79,772,200.

During the year ended 31 December 2012, there were changes in the Local Government policies in relation to the compensation for demolition and relocation and more time is required by the relevant government authorities to arrange for the Auction for the Selling Assets. As a result, on 25 December 2012, the Company and the Local Government entered into a supplementary assets transfer agreement, in which (1) the total consideration of the Selling Assets was increased from RMB79,772,200 to RMB84,392,068 and (2) the long stop date of the disposal of Selling Assets was extended from 30 September 2012 to 31 March 2013 in accordance with the terms of the supplementary assets transfer agreement. Further details are set out in the announcement of the Company dated 31 December 2012.

The disposal of the assets classified as held for sale was completed on 26 March 2013 and gain on disposal of approximately RMB44,866,00 was recognised in profit and loss for the year ended 31 December 2013.

The assets classified as held for sale represent as at 31 December 2012 as follows:

	2012 *RMB'000*
Buildings	28,892
Investment properties *(Note)*	7,384
Prepaid lease payments	3,250
	39,526

Note: The investment properties of the Company are located in the PRC under medium-term leases and were held to for capital appreciation.

12. TRADE AND OTHER PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Trade payables *(Note i & ii)*	**34,432**	23,350
Receipt in advance	**3,554**	2,110
Other tax payables	**5,940**	7,229
Accrued expenses and other payables	**7,262**	5,078
	51,188	37,767

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 periods based on invoice date is as follows:

	2013	2012
	RMB'000	*RMB'000*
0 – 60 days	**24,354**	10,784
61 – 90 days	**1,203**	1,774
91 – 365 days	**3,020**	3,205
Over 365 days	**5,855**	7,587
	34,432	23,350

13. AMOUNT DUE TO A RELATED COMPANY

Balance with a related party 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 Shaoxing Yatai Investment Co., Ltd.* 紹興縣亞太投資有限公司 ("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 judgement was issued by the Zhejiang Shaoxing Intermediate People's Court (the "Judgement"), 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 Judgement, the Company, as a guarantor, is liable to a limited sum of RMB10,000,000 in connection with the claim.

At 31 December 2013, the Company was still in process to negotiate with Yatai about the settlement arrangement and no further progress was noted.

15. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The Company and 浙江永利實業集團有限公司(Zhejiang Yongli Industry Group Co., Ltd.*) ("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 not withstanding the occurrence of one or a multiple of material adverse event(s) affecting 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 2013 was stated at discounted present value with an imputed interest rate of 14.3% per annum.

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 related party and ultimate holding company are set out in Note 13 and 15 respectively.

(b) During the year ended 31 December 2013, the Company had paid approximately RMB8,335,000 (2012: RMB9,134,000) to 浙江永利熱電有限公司 (Zhejiang Yongli Thermal Electricity Company Limited*), a subsidiary of Zhejiang Yongli 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) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2013	2012
	RMB'000	*RMB'000*
Short-term employee benefits	**398**	772
Post-employment benefits	**7**	15
	405	787

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the year ended 31 December 2013, the Company recorded a revenue of approximately RMB206.41 million, represents an increase of approximately 58.76 % when compared with the same period in 2012. It is mainly because the revenue of sales and manufacturing of woven fabrics increased sharply by approximately 111.04% as the Company has recommenced the export sales since the second quarter of 2013. Gross profit margin for the year ended 31 December and 2013 and 2012 was approximately 12.63% and 11.7% respectively. The overall increase in gross profit margin mainly contributed from subcontracting fee income as the Company was not required to bear the cost of raw materials and therefore it was not affected by rose of raw materials cost. In addition, the export sales that has better selling price also result in the increase of gross profit margin during the year. The selling and distributed costs for year ended 31 December 2013 increased sharply by approximately 194.45% when compared with the corresponding period in 2012 mainly due to transportation, salary and sampling fee increased as a result of export business recommenced since the second quarter of 2013. Administrative expenses included approximately RMB2.38 million of reversal of impairment loss recognized in respect of trade receivables, except for that, administrative expenses decreased by approximately 27.11% when compare with that in 2012 mainly due to decrease of legal and professional fees. Other income and gains increased approximately RMB43.03 million for the year ended 31 December 2013 when compared with the corresponding period in 2012 mainly contributed from gains on disposal of old factory to the Local Government. The respective earnings and loss per share for the year ended 31 December 2013 and 2012 were approximately RMB4.11 cents and RMB1.66 cents.

Business and operation review

In view of the financial problem in Europe and U.S., the foreign markets have been shrinking. However, the market in the Middle-East, South America and Eastern Europe provides a business opportunity to the Company, export sales to these markets has been commenced since the second quarter of 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 maximize the interests of the shareholders and although the market sentiments were still poor, the Company will continue to focus on both domestic and overseas market and sales efforts will be placed in expanding these markets.

Production facilities

During the year ended 31 December 2013 under review, the Company spent approximately RMB329,000 and RMB46,000 in additions of motor vehicles and furniture, fixtures and equipment respectively and approximately RMB69,000 in upgrading of plant and machinery.

Product research and development

During the year ended 31 December 2013, the Company continued to innovate and develop new product so as to meet the customers' need and enhance sales orders from customers.

Outlook

Since the third quarter in 2012, the textile industry has been facing the impact of rising of raw materials cost, labour cost and therefore, the overall market sentiments were poor. Hence, the impact was reflected since the year end of 2012 to early 2013 of the Company. In additions, the financial problems in the US and Europe, the worldwide economies and the textile industry will continue be impacted in 2014. After disposal of the old factory of the Company in March 2013, the cash and bank balance as at 31 December 2014 was approximately RMB168.88 million and under the financial support from Zhejiang Yongli, the Company has sufficient cash resources to meet its present and future cash flow requirements. The board of directors expects that the Company is able to face with the challenge in 2014 and the near future.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2013, the Company financed its operations mainly by internally generated cash and financial support from the ultimate holding Company, Zhejiang Yongli.

As at 31 December 2013, the Company's current assets and net current assets were approximately RMB232.39 million (31 December 2012: approximately RMB146.77 million) and approximately RMB170.59 million (31 December 2012: approximately RMB98.06 million) respectively. The liquidity ratio of the Company, represented by the ratio of current assets over current liabilities, was approximately 3.79 (31 December 2012: 3.01).

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

As at 31 December 2013, the Company had no commitments (2012: Nil) for capital expenditure.

MATERIAL DISPOSALS

Details of material disposals are set out in note 11 above in respect of assets classified as held for sale.

SEGMENTAL INFORMATION

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

CONTINGENT LIABILITIES

As at 31 December 2013, the Company did not have any material contingent liabilities (2012: Nil).

CHARGES ON COMPANY ASSETS

As at 31 December 2013, the Company has no charges on company assets (2012: Nil).

EMPLOYEE AND EMOLUMENT POLICIES

As at 31 December 2013, the Company had 565 employees (31 December 2012: 459), comprising 3 (31 December 2012: 2) in research and development, 8 (31 December 2012: 3) in sales and marketing, 497 (31 December 2012: 421) in production, 48 (31 December 2012: 22) in quality control, 6 (31 December 2012: 6) in management, and 6 (31 December 2012: 5) 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 2013 of the Company have been reviewed by the Audit Committee.

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

This 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 2013 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 2013, 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 2013.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company for the year 2013 will be held on 15 May 2014. 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 2014 to 15 May 2014 (both days inclusive), during which period no transfer of H Shares will be affected. The shareholders of H Shares whose names appeared on the register of shareholders of the Company at 4:00 p.m. on Friday, 12 April 2014 will be entitled to attend and vote at the AGM.

By Order of the Board
Wang Xinyi
Chairman

Zhejiang, the PRC, 14 March 2014

As at the date of this document, the executive directors of the Company are Mr. Wang Xinyi, Ms. He Lianfeng, 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 document 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.