



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



**THIRD QUARTERLY  
REPORT**

**2015**

*\* For identification purpose only*

**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.**

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*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.*

**HIGHLIGHTS**

*For the nine months ended 30 September 2015,*

- revenue of the Company dropped from approximately RMB146.36 million to approximately RMB138.31 million, representing a slight decrease of approximately 5.5% when compared to the corresponding period in 2014;
- net loss was approximately RMB5.37 million; and
- the Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2015.

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

*For the three months and nine months ended 30 September 2015*

The board of directors (the “Board” or the “Directors”) of 浙江永隆實業股份有限公司 (Zhejiang Yonglong Enterprises Co., Ltd.\*) (the “Company”) is pleased to announce the unaudited results of the Company for the three months and nine months ended 30 September 2015 as follows:

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	3	55,609	56,722	138,307	146,360
Cost of sales		(48,362)	(52,064)	(120,932)	(131,207)
Gross profit		7,247	4,658	17,375	15,153
Other income and gains	3	147	1,761	5,413	2,633
Selling and distribution costs		(547)	(613)	(1,493)	(1,102)
Administrative expenses		(1,822)	(1,179)	(5,541)	(3,741)
Finance costs	4	(7,042)	(6,163)	(21,127)	(18,490)
Loss before taxation		(2,017)	(1,536)	(5,373)	(5,547)
Income tax expenses	5	-	-	-	-
Loss and total comprehensive expenses for the period	6	<u>(2,017)</u>	<u>(1,536)</u>	<u>(5,373)</u>	<u>(5,547)</u>
		<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
Loss per share					
– Basic and diluted	8	<u>(0.18) cents</u>	<u>(0.14) cents</u>	<u>(0.51) cents</u>	<u>(0.52) cents</u>

## UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY

	Paid-up capital RMB '000	Share premium RMB '000	Other reserve RMB '000 (Note a)	Assets revaluation reserve RMB '000	Statutory surplus reserve RMB '000 (Note b)	Accumulated losses RMB '000 (Note c)	Total RMB '000
Balance at 1 January 2014	106,350	69,637	124,950	21,222	12,496	(226,226)	108,429
Total comprehensive expenses for the period	-	-	-	-	-	(5,547)	(5,547)
Balance at 30 September 2014	<u>106,350</u>	<u>69,637</u>	<u>124,950</u>	<u>21,222</u>	<u>12,496</u>	<u>(231,773)</u>	<u>102,882</u>
Balance at 1 January 2015	106,350	69,637	124,950	23,715	12,496	(233,540)	103,608
Total comprehensive expenses for the period	-	-	-	-	-	(5,373)	(5,373)
Balance at 30 September 2015	<u>106,350</u>	<u>69,637</u>	<u>124,950</u>	<u>23,715</u>	<u>12,496</u>	<u>(238,913)</u>	<u>98,235</u>

## Notes:

- (a) Other reserve represents 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.
- (b) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the Company is required to appropriate 10% of its after-tax profit (after offsetting prior years losses) to general reserve fund until the balance of the fund reaches 50% 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 30 September 2015 and 2014, 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 Company’s books and records are maintained in Renminbi (“RMB”), which is the same as the functional currency of the Company.

The principal accounting policies used in the preparation of the unaudited results are consistent with those used in the preparation of the Company’s annual financial statements for the year ended 31 December 2014. The unaudited results are prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accounts (“HKICPA”) and 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 new and revised HKFRSs (“new and revised HKFRSs”) issued by the HKICPA.

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>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle <sup>1</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>

Amendments to HKFRS 10,  
HKFRS 12 and HKAS 28  
Amendments to HKFRS 11

Investment Entities: Applying the  
Consolidation Exception<sup>1</sup>  
Accounting for Acquisitions of Interests in  
Joint Operations<sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018.

The directors of the Company anticipate that application of the other new and revised HKFRSs will have no materials impact on the results and the financial position of the Company.

### 3. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the net 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 period are as follows:

	Three months ended		Nine months ended	
	30 September 2015	2014	30 September 2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>				
Sales of woven fabrics	<b>51,738</b>	49,389	<b>126,796</b>	126,635
Subcontracting fee income	<b>3,871</b>	7,333	<b>11,511</b>	19,725
	<b>55,609</b>	56,722	<b>138,307</b>	146,360
<b>Other income and gains</b>				
Interest income	<b>9</b>	1,226	<b>1,496</b>	1,242
Government subsidies ( <i>Note</i> )	<b>6</b>	106	<b>1,240</b>	106
Sundry income	<b>82</b>	22	<b>334</b>	128
Sales of scrap materials	<b>50</b>	407	<b>362</b>	1,157
Gain on disposal of old production machinery	-	-	<b>1,981</b>	-
	<b>147</b>	1,761	<b>5,413</b>	2,633

*Notes:*

During the nine months ended 30 September 2015, government subsidies of approximately RMB1,240,000 represents (i) approximately RMB40,000 of tax waived for disposal of old production machinery during the period ended 30 September 2015; and (ii) approximately RMB50,000 and RMB1,150,000 awarded to the Company during the period ended 30 September 2015 for attending trade exhibition and disposal of low productivity machinery respectively. There is no unfulfilled condition or contingencies relating to these subsidies.

**4. FINANCE COSTS**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
Imputed interest on non-current interest-free amount due to ultimate holding company	<u>7,042</u>	<u>6,163</u>	<u>21,127</u>	<u>18,490</u>

**5. INCOME TAX EXPENSES**

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 periods.

No provision for PRC Enterprise Income Tax was made for both periods ended 30 September 2015 and 2014 since the assessable profit was wholly absorbed by the tax losses brought forward.

**6. LOSS FOR THE PERIOD**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
Loss for the period has been arrived at after charging:				
Depreciation and amortisation	<u>1,821</u>	<u>1,874</u>	<u>5,457</u>	<u>5,782</u>

## 7. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three and nine months ended 30 September 2015 and 2014.

## 8. LOSS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the purpose of calculating basic loss per share	<u>(2,017)</u>	<u>(1,536)</u>	<u>(5,373)</u>	<u>(5,547)</u>
Number of shares for the purpose of basic loss per share ( <i>Note</i> )	<u>1,063,500,000</u>	<u>1,063,500,000</u>	<u>1,063,500,000</u>	<u>1,063,500,000</u>
Weighted average number of shares for the purpose of calculating loss per share	<u>1,063,500,000</u>	<u>1,063,500,000</u>	<u>1,063,500,000</u>	<u>1,063,500,000</u>

*Note:*

No diluted loss per share have been presented for the three months and nine months ended 30 September 2015 and 2014, as there was no diluting events existed during these periods.



## 9. RELATED PARTY TRANSACTIONS

During the periods, the Company had the following related party transactions and continuing connected party transactions with the related parties:

Name of related company	Nature	Nine months ended 30 September	
		2015 RMB'000	2014 RMB'000
Zhejiang Yongli Thermal Electricity ( <i>Note 1</i> )	Purchase of electricity and steam for usage in the production	4,606	5,854
Zhejiang Yongli Printing & Dyeing ( <i>Note 2</i> )	Purchase of dyeing services for usage in the production	57	73
Zhejiang Yongli Warp Knitting ( <i>Note 3</i> )	Sales of woven fabrics	55	-

Notes:

- (1) 浙江永利熱電有限公司 (Zhejiang Yongli Thermal Electricity Company Limited\*) (“Zhejiang Yongli Thermal Electricity”) is a fellow subsidiary of the Company. The aforesaid transactions were conducted in accordance with the term of contract dated 11 May 2015 and were in the ordinary course of the business of the Company.

As at 30 September 2015, amount due to Zhejiang Yongli Thermal Electricity was approximately RMB2.51 million (2014: approximately RMB1.21 million) which was unsecured, interest-free and repayable on demand.

- (2) 浙江紹興永利印染有限公司 (Zhejiang Shaoxing Yongli Printing & Dyeing Co., Ltd.\*) (“Zhejiang Yongli Printing & Dyeing”) is a fellow subsidiary of the Company. The aforesaid transactions were conducted in accordance with the term as agreed with both parties and were in the ordinary course of the business of the Company.

As at 30 September 2015, amount due to Zhejiang Yongli Printing & Dyeing was approximately RMB51,000 (2014: approximately RMB3,000) which was unsecured, interest-free and repayable on demand.

- (3) 浙江永利經編有限公司 (Zhejiang Yongli Warp Knitting Company Limited\*) (“Zhejiang Yongli Warp Knitting”) is a fellow subsidiary of the Company. The aforesaid transactions were conducted in accordance with the term as agreed with both parties and were in the ordinary course of the business of the Company.

As at 30 September 2015, amount due from Zhejiang Yongli Warp Knitting was approximately RMB64,000 (2014: Nil) which was unsecured, interest-free and repayable on demand. The maximum balance outstanding during the period amounted to approximately RMB64,000 (2014: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial review

For the nine months ended 30 September 2015, the Company recorded a revenue of approximately RMB138.31 million, represents a slight decrease of approximately 5.5% when compared with the same period in 2014. It was mainly due to significant decrease in subcontracting fee income of approximately 41.64% as the Company concentrated in the business of manufacturing and sales of woven fabrics. Compared with the corresponding period in 2014, revenue from the local market increased by approximately 38.57% and export to Europe also increased by approximately 82.24% as the Company re-entered the European market. The gross profit margin increased from approximately 10.35% to 12.56% which was contributed from the effective cost control and sales of higher value-added products that in return have better profit margin.

The selling and distributed costs for the nine months ended 30 September 2015 increased by approximately 35.48% when compared with the corresponding period in 2014 mainly due to salary, sampling and exhibition fees increased in line with the Company's strategies of developing local and overseas markets. The administrative expenses increased sharply by approximately RMB1,800,000 or approximately 48.12% mainly due to staff retirement benefits fund contribution overprovided in previously years and adjustment was made in 2014, except for that, there was no material changes in other administrative expenses during the nine months ended 30 September 2015.

Other income and gains increased by approximately RMB2.78 million during the nine months ended 30 September 2015 when compared with the corresponding period in 2014 as there was significant gains on disposal of old production machinery, government subsidies and bank interests income during the periods in 2015. Except for the finance cost of approximately RMB21.13 million in respect of imputed interest in non-current interest-free loan due to ultimate holding company, there was net profit before finance cost of approximately RMB15.75 million for the nine months ended 30 September 2015. The respective loss per share for the nine months ended 30 September 2015 and 2014 were approximately RMB0.51 cents and RMB0.52 cents respectively.

### Business and operation review

The Company re-entered the European market during the nine months ended 30 September 2015 as it's one of the market that used to demand for high value-added products and willing to pay for better price. During the nine months ended 30 September 2015, sales of woven fabrics to the domestic markets increased by approximately 38.57% mainly due to increase of local demand. The Directors expect that the global economic environment is expected to recover gradually in the next few years, the Company will continue to place efforts in expanding the domestic market and diversifying the overseas market. In addition, over time, China has shifted from low-end products to focus on high value-added products. As such, the Directors see greater potential in the luxury fashion wear market in the PRC and overseas and expect going forward, the Company will concentrated in production of high value-added products.

### **Production facilities**

During the nine months ended 30 September 2015 under review, the Company spent approximately RMB114,000 in additions of office and factory equipment and approximately RMB144,000 in upgrading of plant and machinery.

### **Product research and development**

During the nine months ended 30 September 2015, the Company 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 nine months ended 30 September 2015, the Company actively participated in various trade fairs held in PRC and overseas so as to gain exposure in the fabrics market and to popularise the Company's new products.

## **OUTLOOK**

The Directors expect that the textile industry will continue be impacted by the high labour cost in year 2015. In order to increase the production output and to meet the future market demands, the Company intends to replace production machines with lower efficiencies by end of 2015 with new and advanced production machines. In addition, in order to (i) enhance a stable supply of electricity and steam for the production of the Company, (ii) insulate the Company from the potential increase and fluctuation in the market of electricity and steam, and (iii) enable the Company to stay competitive in the fabric industry, the Company and Zhejiang Yongli Thermal Electricity entered into another electricity and steam supply agreement on 11 May 2015 ("2015 Agreement"). The 2015 Agreement was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 31 July 2015. In recent years, the increase of household income in China results in the boost in domestic consumption of consumer goods. Along with the increase in consumption power, the end-customers become more quality and price sensitive, in particular with respect to apparel. In addition, the global economic environment is expected to recover gradually in the next few years. During the nine months ended 30 September 2015, the Company re-entered the European market where high value-added products are demanded and in return better price is willing to pay. As such, the Directors see greater potential in the luxury fashion wear market in the PRC and overseas. The Company will continue to place sales efforts in expanding the domestic markets and diversifying and exploring other overseas markets. Also, the Company will place resources in production of high value-added products. The cash and bank balance of the Company as at 30 September 2015 was approximately RMB184.15 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.

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

As at 30 September 2015, the interests and short positions of the Directors, chief executives or supervisors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 they are taken or deemed to have under 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 are as follows:

As at 30 September 2015, Ms. He Lianfeng, an executive Director and her spouse are interested in approximately 0.039% in Zhejiang Yongli, of which Ms. He Lianfeng and her spouse have contributed RMB43,500 and RMB190,000, representing approximately 0.007% and 0.032% of the total registered capital of Zhejiang Yongli, respectively. Zhejiang Yongli is an associated corporation (within the meaning of Part XV of the SFO) by virtue of being a holding company of the Company.

Save as disclosed above, as at 30 September 2015, none of the Directors, chief executives or supervisors of the Company had interest or short position 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 they are taken or deemed to have under 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 September 2015, so far as it is known to the directors, chief executives or supervisors of the Company, the persons (not being a director, chief executive or supervisor of the Company) who had interests or short positions 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, or otherwise notified to the Company are as follows:

**Long positions in the shares of the Company***Domestic shares of the Company (“Domestic shares”)*

<b>Name of shareholders</b>	<b>Capacity</b>	<b>Number of domestic shares held</b>	<b>Approximate percentage of interests in domestic shares</b>	<b>Approximate percentage of interests in total registered capital</b>
Zhejiang Yongli	Beneficial owner	564,480,000	96.00%	53.08%
Mr. Zhou Yongli	Interest in controlled corporation <i>(Note 1)</i>	564,480,000	96.00%	53.08%
Ms. Xia Wanmei	Interest of spouse <i>(Note 2)</i>	564,480,000	96.00%	53.08%

*Notes:*

1. Zhejiang Yongli directly held 564,480,000 Domestic Shares. Mr. Zhou Yongli (“Mr. Zhou”) is holding approximately 94.250% of the equity interests in Zhejiang Yongli. By virtue of the SFO, Mr. Zhou is deemed to be interested in the 564,480,000 Domestic Shares held by Zhejiang Yongli.
2. Ms. Xia Wanmei (“Ms. Xia”) is the spouse of Mr. Zhou. By virtue of the SFO, Ms. Xia is deemed to be interested in the 564,480,000 Domestic Shares held by Zhejiang Yongli.
3. On 10 July 2015, each of Mr. Sun Jian Feng (“Mr. Sun”) and Mr. Xia Xue Nian (“Mr. Xia”) entered into a share transfer agreement (“Share Transfer Agreement”) with Zhejiang Yongli individually in order to dispose of 5,880,000 Domestic Shares (representing approximately 0.55% of the existing issued share capital of the Company) that currently held by each of Mr. Sun and Mr. Xia respectively to Zhejiang Yongli in the consideration of RMB1,176,000 (equivalent to approximately HK\$1,493,520). According to each of the aforesaid transactions, the consideration per share was RMB0.20 (equivalent to approximately HK\$0.25). The two transactions represent in aggregate of 11,760,000 Domestic Shares which was approximately 1.10% of the existing issued share capital of the Company. The Share Transfer Agreements will be effective and completed after the Company has completed the registration with the relevant government department in the PRC. After the registration and as a result of the acquisition, Zhejiang Yongli will hold 576,240,000 Domestic Shares in the Company, representing approximately 54.18% of the issued share capital of the Company. Details were disclosed in the announcement dated 10 July 2015 as published by the Company.

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

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of H Shares held</b>	<b>Approximate percentage of interests in H Shares in issue at 30 September 2015</b>	<b>Approximate percentage of interests in total issued share capital 30 September 2015</b>
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,540,000	43.86%	19.60%

At 30 September 2015, save as disclosed above, 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) had an interest or short position in the shares or underlying shares which would fall to be disclosed under Division 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 Company during 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 with written terms of reference, which have been updated in accordance with the provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules. 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, Ms. Zhang Li and Mr. Wang Weisong. Mr. Xu Wei Dong is the chairman of the Audit Committee.

The Audit Committee has reviewed the third quarterly results of the Company for the nine months ended 30 September 2015.

## **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 confirmed that they have complied with the required standard and the code of conduct regarding securities transactions by directors and supervisors adopted by the Company.

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

The Company did not purchase, sell or redeem any of the Company's listed securities during the nine months ended 30 September 2015.

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

Zhejiang, the PRC, 13 November 2015

*As at the date of this document, the executive directors of the Company are Mr. Wang Xinyi (Chairman), Ms. He Lianfeng (Deputy Chairman and Chief Executive Officer) and Mr. Hu Hua Jun; the non-executive directors of the Company are Mr. Chen Dong Chun and Mr. Tang Guo Ping; the independent non-executive directors of the Company are Mr. Xu Wei Dong, Ms. Zhang Li and Mr. Wang Weisong.*

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