



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 2015**

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

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**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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*\* For identification purpose only*

## HIGHLIGHTS

*For the year ended 31 December 2015,*

- Revenue of the Company increased from approximately RMB188.56 million in year 2014 to approximately RMB191.97 million in year 2015, representing a slight increase of approximately 1.81% when compared to the year ended 31 December 2014;
- Loss for the year was approximately RMB17.18 million; and
- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2015*

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 2015, together with the comparative results for the corresponding period in 2014 as follows:

	<i>Notes</i>	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Revenue	3	<b>191,968</b>	188,562
Cost of sales		<u><b>(169,011)</b></u>	<u>(165,945)</u>
Gross profit		<b>22,957</b>	22,617
Other income and gains	3	<b>6,829</b>	6,801
Selling and distribution costs		<b>(2,317)</b>	(1,233)
Administrative expenses		<b>(11,200)</b>	(9,874)
Finance costs	5	<u><b>(28,169)</b></u>	<u>(24,653)</u>
Loss before taxation		<b>(11,900)</b>	(6,342)
Income tax expense	6	<u><b>(5,279)</b></u>	<u>(972)</u>
Loss for the year	7	<u><b>(17,179)</b></u>	<u>(7,314)</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		<b>11,582</b>	3,324
Income tax relating to revaluation of properties		<u><b>(2,896)</b></u>	<u>(831)</u>
Other comprehensive income for the year, net of tax		<u><b>8,686</b></u>	<u>2,493</u>
Total comprehensive expense for the year		<u><b>(8,493)</b></u>	<u>(4,821)</u>
		<b>RMB</b>	<b>RMB</b>
Loss per share			
Basic and diluted	8	<u><b>(1.62) cents</b></u>	<u>(0.69) cents</u>

## STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	<i>Notes</i>	2015 <b>RMB'000</b>	2014 <b>RMB'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		104,799	100,038
Prepaid lease payments		6,644	6,832
		<u>111,443</u>	<u>106,870</u>
<b>Current assets</b>			
Inventories		26,836	27,221
Trade and other receivables	10	49,894	40,284
Prepaid lease payments		188	188
Financial assets at fair value through profit or loss	11	-	50,000
Bank balances and cash		195,260	127,865
		<u>272,178</u>	<u>245,558</u>
<b>Current liabilities</b>			
Trade and other payables	12	50,373	47,670
Amounts due to fellow subsidiaries	13	2,458	1,819
Amount due to ultimate holding company	14	5,800	-
		<u>58,631</u>	<u>49,489</u>
<b>Net current assets</b>		<u>213,547</u>	<u>196,069</u>
<b>Total assets less current liabilities</b>		<u>324,990</u>	<u>302,939</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		9,978	1,803
Amount due to ultimate holding company	14	219,897	197,528
		<u>229,875</u>	<u>199,331</u>
<b>Net assets</b>		<u><u>95,115</u></u>	<u><u>103,608</u></u>
<b>Capital and reserves</b>			
Share capital		106,350	106,350
Reserves		(11,235)	(2,742)
		<u><u>95,115</u></u>	<u><u>103,608</u></u>

## 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 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 (expenses) for the year	-	-	-	2,493	-	(7,314)	(4,821)
At 31 December 2014 and 1 January 2015	106,350	69,637	124,950	23,715	12,496	(233,540)	103,608
Loss for the year	-	-	-	-	-	(17,179)	(17,179)
Other comprehensive income for the year	-	-	-	8,686	-	-	8,686
Total comprehensive income (expense) for the year	-	-	-	8,686	-	(17,179)	(8,493)
At 31 December 2015	<u>106,350</u>	<u>69,637</u>	<u>124,950</u>	<u>32,401</u>	<u>12,496</u>	<u>(250,719)</u>	<u>95,115</u>

### Notes:

- 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 14).
- 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.
- 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 2015 and 2014, no reserves were available for distribution as the Company incurred accumulated losses.

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”) AND NEW HONG KONG COMPANIES ORDINANCE

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 (the “HKICPA”).

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

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.

### *Annual Improvements to HKFRSs 2010 – 2012 Cycle*

The Annual Improvements to HKFRSs 2010 – 2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of “vesting condition” and “market condition”; and (ii) add definitions for “performance condition” and “service condition” which were previously included within the definition of “vesting condition”. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company consider that the application of the amendments to HKFRSs 2010 – 2012 Cycle has had no impact on the disclosure and the amounts recognised in the financial statements.

### ***Annual Improvements to HKFRSs 2011 – 2013 Cycle***

The Annual Improvements to HKFRSs 2011 – 2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of HKAS 40; and
- (b) the transaction meets the definition of a business combination under HKFRS 3.

The amendments are applied prospectively. The directors of the Company consider that the application of the amendments to HKFRSs 2011 – 2013 Cycle has had no impact on the disclosures or the amounts recognised in the financial statements.

### ***Part 9 of Hong Kong Companies Ordinance (Cap. 622)***

In addition, the annual report requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the 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>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 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>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to HKFRS 11	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 2018.

<sup>3</sup> Effective date not yet been determined.

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 (2014) Financial Instruments***

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and 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. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an “expected credit loss” model for impairment assessments.



Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that to be 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. 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 (2014), 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 (2014) 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.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) 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 (2014) 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.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the application of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Company's financial assets and financial liabilities.

Regarding the Company's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

### ***HKFRS 15 Revenue from Contracts with Customers***

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- i) Identify the contract with the customer;
- ii) Identify the performance obligations in the contract;
- iii) Determine the transaction price;
- iv) Allocate the transaction price to the performance obligations; and
- v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Company performs a detailed review.

### ***Annual Improvement to HKFRSs 2012 – 2014 Cycle***

The Annual Improvements to HKFRSs 2012 – 2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements “if not disclosed elsewhere in the interim financial report”. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012 – 2014 Cycle will have a material effect on the Company’s financial statements.

***Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

- i) when the intangible asset is expressed as a measure of revenue;
- ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Company uses the straight-line method for depreciation of property, plant and equipment, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Company’s financial statements.

### *Amendments to HKAS 1 Disclosure Initiative*

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

- (i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and
- (ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Company's financial statements.

### 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:

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Revenue		
Sales of woven fabrics	<b>178,323</b>	162,435
Subcontracting fee income	<b>13,645</b>	26,127
	<u><b>191,968</b></u>	<u>188,562</u>
Other income and gains		
Gain on disposal of property, plant and equipment	<b>2,995</b>	-
Government subsidies ( <i>Note a</i> )	<b>1,385</b>	100
Interest income	<b>1,218</b>	2,559
Sales of scrap materials	<b>517</b>	1,135
Refund of land use tax and real estate tax	-	855
Investment income	<b>288</b>	-
Reversal of impairment loss recognised in respect of trade receivables	-	2,022
Others	<b>426</b>	130
	<u><b>6,829</b></u>	<u>6,801</u>

*Notes:*

- a) Government subsidies of approximately RMB1,385,000 (2014: approximately RMB100,000) was awarded to the Company during the year ended 31 December 2015 for disposal of low productivity machinery (2014: for encouraging the usage of the higher productivity machinery). There is no unfulfilled condition or contingencies relating to these subsidies.

#### 4. SEGMENT 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 and operating segment:

	For the year ended 31 December					
	Woven fabric		Subcontracting services		Total	
	2015	2014	2015	2014	2015	2014
	<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>178,323</u>	<u>162,435</u>	<u>13,645</u>	<u>26,127</u>	<u>191,968</u>	<u>188,562</u>
Segment profit	<u>17,715</u>	<u>18,596</u>	<u>2,714</u>	<u>5,269</u>	<u>20,429</u>	<u>23,865</u>
Unallocated corporate income					<u>6,312</u>	3,644
Unallocated corporate expenses					<u>(10,472)</u>	(9,198)
Finance costs					<u>(28,169)</u>	<u>(24,653)</u>
Loss before taxation					<u>(11,900)</u>	<u>(6,342)</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 gain on disposal of property, plant and equipment, interest income, government subsidies, refund of land use tax and real estate tax, investment income, 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.

	Revenue from	
	External customers	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
The PRC (country of domicile)	<b>166,992</b>	135,640
Europe	<b>16,959</b>	9,902
Middle East	<b>450</b>	27,282
Other overseas	<b>7,567</b>	15,738
	<b><u>191,968</u></b>	<b><u>188,562</u></b>

5. FINANCE COSTS

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Imputed interest on non-current interest-free loan due to ultimate holding company ( <i>Note 14</i> )	<b><u>28,169</u></b>	<b><u>24,653</u></b>

6. INCOME TAX EXPENSE

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Deferred taxation - Current year	<b><u>5,279</u></b>	<b><u>972</u></b>

No provision for taxation has been made for 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 2015 and 2014.



## 7. LOSS FOR THE YEAR

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Loss for the year has been arrived at after charging (crediting):		
Staff cost (including supervisors', directors' and chief executive's emoluments):		
Salaries, wages and other benefits in kind	33,268	23,748
Retirement benefit scheme contributions	535	436
	<hr/>	<hr/>
Total staff costs	33,803	24,184
	<hr/>	<hr/>
Allowance for inventories (included in cost of inventories recognised as an expense)	49	114
Amortisation of prepaid lease payments	188	188
Auditor's remuneration	588	560
Cost of inventories recognised as an expense	169,011	165,945
Depreciation of property, plant and equipment	7,078	7,476
Exchange loss	-	41
Provision for litigation (included in administrative expenses)	-	1,000
Research and development costs recognised as an expense	142	102
Reversal of allowance for inventories (included in cost of inventories recognised as an expense)	(115)	(102)
	<hr/> <hr/>	<hr/> <hr/>

## 8. LOSS PER SHARE

Basic loss per share for the year is calculated on the loss for the year of approximately RMB17,179,000 (2014: approximately RMB7,314,000) and the weighted average of 1,063,500,000 (2014: 1,063,500,000) ordinary shares in issue during the year ended 31 December 2015.

For the years ended 31 December 2015 and 2014, the diluted loss per share is the same as the basic loss per share.

No diluted loss per share have been presented for the years ended 31 December 2015 and 2014 as there were no diluting events existed during both years.

## 9. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (2014: Nil).

## 10. TRADE AND OTHER RECEIVABLES

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade and bills receivables	<b>68,018</b>	57,923
Less: Allowance for impairment of trade receivables	<b>(20,381)</b>	(20,381)
	<b>47,637</b>	37,542
Other receivables		
Prepayments to suppliers	<b>1,217</b>	2,304
Other prepayments	<b>731</b>	234
Other receivables	<b>309</b>	204
	<b>2,257</b>	2,742
Total trade and other receivables	<b>49,894</b>	40,284

The Company allows an average credit period of 60 days to 180 days (2014: 60 days to 180 days) to its trade customers. For the year ended 31 December 2014, 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 and bills receivables, net of allowance for impairment of trade receivables and presented based on invoice date which approximates the respective revenue recognition dates, at the end of the reporting period is as follows:

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
0 – 60 days	<b>40,521</b>	27,844
61 – 90 days	<b>537</b>	210
91 – 120 days	<b>1,882</b>	1,548
121– 360 days	<b>3,987</b>	7,940
Over 365 days	<b>710</b>	-
	<b>47,637</b>	37,542

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

The structured deposit was placed with a bank and contains embedded derivatives. The structured deposit was structured investment products and principal protected deposits with maturity less than one year. The counterparty bank guaranteed 100% of the invested capital and the returns of which were determined by reference to the change in London Interbank Offered Rate (“LIBOR”). The structured deposit was designated as financial assets at FVTPL on initial recognition.

Structured deposit as at 31 December 2014 was as follows:

### At 31 December 2014

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

Note: The annual coupon rate was 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 31 December 2014, the structured deposit was stated at fair value. The fair value was determined by reference to the LIBOR as provided by the counterparty bank. No such structured deposit is placed as at 31 December 2015.

## 12. TRADE AND OTHER PAYABLES

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade payables ( <i>Note i &amp; ii</i> )	<b>28,755</b>	29,736
Receipt in advance	<b>7,369</b>	4,605
Other tax payables	<b>7,626</b>	6,561
Accrued expenses and other payables	<b>6,623</b>	6,768
	<hr/> <b>50,373</b> <hr/>	<hr/> 47,670 <hr/>

### *Notes:*

- (i) The Company normally receives credit periods from suppliers ranging from 30 days to 90 days (2014: 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 aged analysis of the trade payables at the end of the reporting period based on invoice date is as follows:

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
0 – 60 days	<b>18,457</b>	17,890
61 – 90 days	<b>1,363</b>	1,419
91 – 365 days	<b>4,182</b>	5,473
Over 365 days	<b>4,753</b>	4,954
	<hr/> <b>28,755</b> <hr/>	<hr/> 29,736 <hr/>

### 13. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due to fellow subsidiaries are unsecured, non-interest bearing and repayable on demand.

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
浙江永利熱電有限公司 (Zhejiang Yongli Thermal Electricity Company Limited*) ("Zhejiang Yongli Thermal Electricity")	2,407	1,819
浙江紹興永利印染有限公司 (Zhejiang Shaoxing Yongli Printing & Dyeing Co., Limited*) ("Zhejiang Shaoxing Yongli Printing & Dyeing")	51	-
	<u>2,458</u>	<u>1,819</u>

During the years ended 31 December 2015 and 2014, Zhejiang Yongli Thermal Electricity and Zhejiang Shaoxing Yongli Printing & Dyeing were subsidiaries of Zhejiang Yongli, the ultimate holding company of the Company.

### 14. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Analysed for reporting purposes as:		
Current liability	<u>5,800</u>	<u>-</u>
Non-current liability	<u>219,897</u>	<u>197,528</u>

On 13 September 2011, the Company and Zhejiang Yongli signed a debt restructuring agreement. Pursuant to the debt restructuring agreement, 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.

The amount is unsecured, interest-free and will not be repayable until 12 September 2016 in which 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. The carrying value of the amount due to ultimate holding company as at 31 December 2015 and 2014 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>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
At 1 January	<b>197,528</b>	172,875
Imputed interest charged to profit or loss ( <i>note 5</i> )	<b>28,169</b>	24,653
At 31 December	<b><u>225,697</u></b>	<b><u>197,528</u></b>

## 15. RELATED PARTY TRANSACTIONS

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

- (a) The balances with fellow subsidiaries and ultimate holding company are set out in notes 13 and 14 respectively.
- (b) During the year ended 31 December 2015, the Company had paid approximately RMB6,230,000 (2014: approximately RMB7,874,000) to Zhejiang Yongli Thermal Electricity for electricity and steam provided to the Company for the usage in the production.

The aforesaid transactions were conducted in accordance with the term of contract dated 30 December 2011 and 11 May 2015 and were in the ordinary course of business of the Company.

- (c) During the year ended 31 December 2015, the Company had paid approximately RMB57,000 (2014: approximately RMB73,000) to Zhejiang Shaoxing Yongli Printing & Dyeing for providing dyeing services for the production to the Company.

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

- (d) During the year ended 31 December 2015, the Company had sold woven fabrics to 浙江永利經編股份有限公司 (Zhejiang Yongli Warp Knitting Co., Ltd.\*), a fellow subsidiary of the Company, approximately amounting to RMB55,000 (2014: nil).

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

- (e) 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.

- (f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial review

For the year ended 31 December 2015, the Company recorded a revenue of approximately RMB191.97 million, represents a slight growth of approximately 1.81% when compared with the same period in 2014. It was mainly due to sales of woven fabrics increased by approximately 9.78% and subcontracting fee income decreased sharply by approximately 47.78% 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 23.11% and export to Europe also increased substantially by approximately 71.27% as the Company re-entered the Europe market. The overall gross profit margin was approximately 11.96% and was stable when compared with that for the year ended 31 December 2014.

The selling and distribution costs increased sharply of approximately 87.92% in 2015 when compared with that in 2014 mainly due to increase of salary, transportation expenses and sampling etc. which was in line with the increase of sales of woven fabrics. The administrative expenses increased by approximately 13.43% when compared with that in 2014 mainly due to increase of salary and staff benefit for the year. There was no material changes of other income and gains for year ended 31 December 2015. Disregard of the finance cost of approximately RMB28.17 million in respect of imputed interest in non-current interest-free loan from ultimate holding company, the profits after taxation was approximately RMB10.99 million for the year ended 31 December 2015. The respective loss per share for the year ended 31 December 2015 and 2014 were approximately RMB1.62 cents and RMB0.69 cents respectively.

### Business and operation review

Export to Europe increased substantially by approximately 71.27% as the Company re-entered the European market during the year ended 31 December 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 year ended 31 December 2015, sales of woven fabrics to the domestic markets increased by approximately 23.11% 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 concentrate in production of high value-added products.



## **Production facilities**

During the year ended 31 December 2015 under review, the Company spent approximately RMB114,000 in additions of office and factory equipment and approximately RMB143,000 in upgrading of plant and machinery.

## **Product research and development**

During the year ended 31 December 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 year ended 31 December 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 2016. 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 year ended 31 December 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 31 December 2015 was approximately RMB195.26 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 2016 and the near future.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

During the year ended 31 December 2015, the Company financed its operations mainly by internally generated cash and financial support from the ultimate holding Company, Zhejiang Yongli.

As at 31 December 2015, the Company's current assets and net current assets were approximately RMB272.18 million (31 December 2014: approximately RMB 245.56 million) and approximately RMB213.55 million (31 December 2014: approximately RMB 196.07 million) respectively. The liquidity ratio of the Company, represented by the ratio of current assets over current liabilities, was approximately 4.64 (31 December 2014: approximately 4.96).

## **CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS**

As at 31 December 2015, the Company had no commitments (2014: Nil) for capital expenditure.

## **MATERIAL DISPOSALS**

The Company had no material disposals during the years ended 31 December 2015 and 2014.

## **SEGMENT INFORMATION**

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

## **CONTINGENT LIABILITIES**

As at 31 December 2015, the Company did not have any material contingent liabilities (2014: Nil).

## **CHARGES ON COMPANY ASSETS**

As at 31 December 2015, the Company has no charges on company assets (2014: Nil).

## **EMPLOYEE AND EMOLUMENT POLICIES**

As at 31 December 2015, the Company had 464 employees (31 December 2014: 557), comprising 3 (31 December 2014: 4) in research and development, 15 (31 December 2014: 16) in sales and marketing, 390 (31 December 2014: 478) in production, 42 (31 December 2014: 47) in quality control, 6 (31 December 2014: 6) in management, and 8 (31 December 2014: 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, Ms Zhang Li and Mr. Wang Weisong. Mr. Xu Wei Dong is the chairman of the Audit Committee.

The annual results of the Company for the year ended 31 December 2015 of the Company have been reviewed by the Audit Committee.

## **SCOPE OF WORK OF 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 2015 as set out in the Preliminary Announcement have been agreed by the Company’s auditors, SHINEWING (HK) CPA Limited, to the amounts set out in the Company’s audited financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

## **CORPORATE GOVERNANCE PRACTICES**

During the year ended 31 December 2015, 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 2015.

## **ANNUAL GENERAL MEETING**

The annual general meeting (“AGM”) of the Company for the year 2015 will be held on 18 May 2016. 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 18 April 2016 to 18 May 2016 (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, 15 April 2016 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, 10 March 2016

*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) 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.*

*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> .*