永隆實業
ENTERPRISES
Yonglong

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 2016

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 2016,

- Revenue of the Company decreased from approximately RMB191.97million in year 2015 to approximately RMB165.79 million in year 2016, representing a decrease of approximately 13.64% when compared to the year ended 31 December 2015;

- Loss for the year was approximately RMB7.21 million; and

- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

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 2016, together with the comparative results for the corresponding period in 2015 as follows:

	Notes	**2016** *RMB'000*	2015 *RMB'000*
Revenue	3	**165,785**	191,968
Cost of sales		**(147,688)**	(169,011)
Gross profit		**18,097**	22,957
Other income and gains	3	**4,896**	6,829
Selling and distribution costs		**(2,455)**	(2,317)
Administrative expenses		**(12,049)**	(11,200)
Finance costs	5	**(13,980)**	(28,169)
Loss before taxation		**(5,491)**	(11,900)
Income tax expense	6	**(1,722)**	(5,279)
Loss for the year	7	**(7,213)**	(17,179)
Other comprehensive income for the year			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of properties		**2,865**	11,582
Income tax relating to revaluation of properties		**(716)**	(2,896)
Other comprehensive income for the year, net of tax		**2,149**	8,686
Total comprehensive expense for the year		**(5,064)**	(8,493)
		RMB	*RMB*
Loss per share			
Basic and diluted	8	**(0.68) cents**	(1.62) cents

STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**104,387**	104,799
Prepaid lease payments		**6,456**	6,644
		110,843	111,443
Current assets			
Inventories		**38,826**	26,836
Trade and other receivables	*10*	**37,898**	49,894
Prepaid lease payments		**188**	188
Bank balances and cash		**203,551**	195,260
		280,463	272,178
Current liabilities			
Trade and other payables	*11*	**44,535**	50,373
Tax payables		**1,747**	-
Amounts due to fellow subsidiaries	*12*	**4,627**	2,458
Amount due to ultimate holding company	*13*	**-**	5,800
Amount due to immediate holding company	*14*	**3,776**	-
		54,685	58,631
Net current assets		**225,778**	213,547
Total assets less current liabilities		**336,621**	324,990
Non-current liabilities			
Deferred tax liabilities		**10,669**	9,978
Amount due to ultimate holding company	*13*	**-**	219,897
Amount due to immediate holding company	*14*	**16,948**	-
		27,617	229,875
Net assets		**309,004**	95,115
Capital and reserves			
Share capital		**106,350**	106,350
Reserves		**202,654**	(11,235)
		309,004	95,115

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserve	Asset revaluation reserve	Statutory surplus reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(note (a))		*(note (b))*	*(note (c))*	
At 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 (expenses) for the year	-	-	-	8,686	-	(17,179)	(8,493)
At 31 December 2015 and 1 January 2016	106,350	69,637	124,950	32,401	12,496	(250,719)	95,115
Loss for the year	-	-	-	-	-	(7,213)	(7,213)
Other comprehensive income for the year	-	-	-	2,149	-	-	2,149
Total comprehensive income (expenses) for the year	-	-	-	2,149	-	(7,213)	(5,064)
Deemed contribution from the immediate holding company of the Company *(Note 14)*	-	-	218,953	-	-	-	218,953
At 31 December 2016	106,350	69,637	343,903	34,550	12,496	(257,932)	309,004

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 (note 13) and immediate holding company of the Company (note 14).

(b) As stipulated by regulations in the People's Republic of China (the "PRC"), the Company is required to appropriate 10% of its after-tax profit (after offsetting prior year losses) to a general reserve fund until the balance of the fund reaches 50% of its registered capital and thereafter any further appropriation is optional. The general reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the general reserve fund shall be maintained at a minimum of 25% of the registered capital after such utilisation.

(c) Profit appropriation is subject to the approval of the board of directors. In accordance with the Articles of Association of the Company, the reserve available for distribution is the lower of the amount determined under the generally accepted accounting principles in the PRC and the amount determined under Hong Kong Financial Reporting Standards. At 31 December 2016 and 2015, 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 People's Republic of China (the "PRC") and the H shares of the Company are listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Before 16 November 2016, 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, was the immediate and ultimate holding company of the Company. On 16 November 2016, Zhejiang Yongli transferred 588,000,000 shares of the Company that it held to 貴州永安金融控股股份有限公司 (Guizhou Yongan Finance Holdings Company Ltd.*) ("Guizhou Yongan"), a company incorporated in the PRC, in an aggregate consideration of RMB164,640,000. Since then, Guizhou Yongan became the immediate holding company of the Company and Zhejiang Yongli remains its position as the ultimate holding company of the Company.

Pursuant to a special resolution that was passed at the extraordinary general meeting held on 28 February 2017, the English name of the Company will be changed from "Zhejiang Yonglong Enterprises Co., Ltd." to "Zhejiang Yongan Rongtong Holdings Co., Ltd." and the Chinese name of the Company will be changed from "浙江永隆實業股份有限公司" to "浙江永安融通控股股份有限公司". The change of name will be effective after all the necessary approval have obtained from the relevant PRC authorities for the proposed change of company name.

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants

** English name is for identification only*

Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of interests in Joint Operations

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 year and prior years and/or on the disclosures set out 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[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 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 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. 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 in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of that effect of HKFRS 9 (2014) 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 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. At this stage, the Company is in the process of assessing the impact of HKFRS 15 on the Company's financial statements.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related Interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019. HKFRS 16 will affect primarily the accounting for the Company's operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the statement of financial position.

The directors of the Company are in the process of assessing their impact on the financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Company performs a detailed review.

3. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the amounts received and receivable for goods sold and services rendered by the Company to external 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:

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Sales of woven fabrics	**159,389**	178,323
Subcontracting fee income	**6,396**	13,645
	165,785	191,968
Other income and gains		
Gain on disposal of property, plant and equipment	**217**	2,995
Government subsidies *(note)*	**20**	1,385
Interest income	**892**	1,218
Sales of scrap materials	**-**	517
Investment income	**-**	288
Foreign exchange gains	**37**	283
Reversal of impairment loss recognised in respect of property, plant and equipment	**3,489**	-
Reversal of impairment loss recognised in respect of trade receivables	**40**	-
Others	**201**	143
	4,896	6,829

Note: Government subsidies of RMB20,000 (2015: RMB1,385,000) was awarded to the Company during the year ended 31 December 2016 for encouraging the participation in exhibitions. (2015: for encouraging the usage of the higher productivity machinery.) There is no unfulfilled condition 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 and operating segment:

	For the year ended 31 December					
	Woven fabric		**Subcontracting services**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue	**159,389**	178,323	**6,396**	13,645	**165,785**	191,968
Segment profit	**16,460**	17,715	**1,495**	2,714	**17,955**	20,429
Unallocated corporate income					**1,367**	6,312
Unallocated corporate expenses					**(10,833)**	(10,472)
Finance costs					**(13,980)**	(28,169)
Loss before taxation					**(5,491)**	(11,900)

Segment profit represents the profit earned by each segment without allocation of gain on disposal of property, plant and equipment, interest income, government subsidies, 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	
	2016	2015
	RMB'000	*RMB'000*
The PRC (country of domicile)	**140,240**	166,992
Europe	**12,219**	16,959
South America	**8,039**	3,078
The Middle East	**349**	450
Other overseas	**4,938**	4,489
	165,785	191,968

5. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Imputed interest on non-current interest-free loan due to ultimate holding company *(note 13)*	**13,980**	28,169

6. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current taxation		
PRC Enterprise Income Tax	**1,747**	-
Deferred taxation		
- Current year	**(25)**	5,279
	1,722	5,279

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 year ended 31 December 2015.

7. LOSS FOR THE YEAR

	2016	2015
	RMB'000	*RMB'000*
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	**26,682**	33,268
Retirement benefit scheme contributions	**501**	535
Total staff costs	**27,183**	33,803
Allowance for inventories (included in cost of inventories recognised as an expense)	**321**	49
Amortisation of prepaid lease payments	**188**	188
Auditor's remuneration	**635**	588
Cost of inventories recognised as an expense	**147,398**	169,011
Depreciation of property, plant and equipment	**7,156**	7,078
Research and development costs recognised as an expense	**295**	142
Reversal of allowance for inventories (included in cost of inventories recognised as an expense)	**(31)**	(115)

8. LOSS PER SHARE

Basic loss per share for the year is calculated on the loss for the year of approximately RMB7,213,000 (2015: RMB17,179,000) and the weighted average of 1,063,500,000 (2015: 1,063,500,000) ordinary shares in issue during the year ended 31 December 2016.

For the years ended 31 December 2016 and 2015, 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 2016 and 2015 as there were no diluting events existed during both years.

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2016, nor has any dividend been proposed since the end of reporting period (2015: Nil).

10. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade and bills receivables	**56,871**	68,018
Less: Allowance for impairment of trade receivables	**(20,341)**	(20,381)
	36,530	47,637
Other receivables		
Prepayments to suppliers	**217**	1,217
Other prepayments	**573**	731
Other receivables	**578**	309
	1,368	2,257
Total trade and other receivables	**37,898**	49,894

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:

	2016	2015
	RMB'000	*RMB'000*
0 – 60 days	**29,953**	40,521
61 – 90 days	**3,761**	537
91 – 120 days	**1,472**	1,882
121– 360 days	**1,238**	3,987
Over 365 days	**106**	710
	36,530	47,637

11. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables *(notes i & ii)*	**30,272**	28,755
Receipt in advance	**3,180**	7,369
Other tax payables	**3,257**	7,626
Accrued expenses and other payables	**7,826**	6,623
	44,535	50,373

Notes:

(i) The Company normally receives credit periods from suppliers ranging from 30 days to 90 days (2015: 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:

	2016	2015
	RMB'000	*RMB'000*
0 – 60 days	**18,956**	18,457
61 – 90 days	**2,838**	1,363
91 – 365 days	**3,759**	4,182
Over 365 days	**4,719**	4,753
	30,272	28,755

12. AMOUNTS DUE TO FELLOW SUBSIDIARIES

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

	2016	2015
	RMB'000	*RMB'000*
浙江永利熱電有限公司 (Zhejiang Yongli Thermal Electricity Company Limited*) ("Zhejing Yongli Thermal Electricity")	**4,573**	2,407
浙江紹興永利印染有限公司 (Zhejiang Shaoxing Yongli Printing & Dyeing Co., Limited*) ("Zhejing Shaoxing Yongli Printing & Dyeing")	**54**	51
	4,627	2,458

During the years ended 31 December 2016 and 2015, Zhejiang Yongli Thermal Electricity and Zhejiang Shaoxing Yongli Printing & Dyeing were subsidiaries of Zhejiang Yongli, the ultimate holding company of the Company.

13. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

	2016	2015
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Current liability	**-**	5,800
Non-current liability	**-**	219,897

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.

* *English name is for identification only*

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 was stated at discounted present value with an imputed interest rate of 14.35% per annum.

On 23 December 2016, Zhejiang Yongli entered into an agreement of assignment of debt with Guizhou Yongan, pursuant to which, the debt of approximately RMB239,677,000 owed by the Company to Zhejiang Yongli was assigned to Guizhou Yongan and Guizhou Yongan committed to continue the obligations and commitments under the original debt agreement that was entered into between the Company and Zhejiang Yongli on 13 September 2011 (note 14).

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

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**225,697**	197,528
Imputed interest charged to profit or loss *(note 5)*	**13,980**	28,169
Assigned to immediate holding company *(note 14)*	**(239,677)**	-
At 31 December	**-**	225,697

14. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

	2016	2015
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Current liability	**3,776**	-
Non-current liability	**16,948**	-

Referring to the principal advances of approximately RMB239,677,000 in relation to the assignment of debt agreement entered into on 23 December 2016 (note 13), it had been initially reduced to its present value of RMB20,724,000 (2015: nil) based on the managements' estimates of future cash payments with a corresponding adjustment of RMB218,953,000 (2015: nil) which was deemed as a contribution from the immediate holding company during the year ended 31 December 2016. The effective interest rate adopted for measurement at fair value at initial recognition of the advances from immediate holding company for the year was determined with reference to the prevailing market rates of interest for similar instruments with similar credit ratings and with reference to the timing and repayment based on the cashflow in current year of the Company.

The carrying value of the amount due to immediate holding company as at 31 December 2016 was stated at discount present value with an imputed interest rate of 18.22% per annum.

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

	2016
	RMB'000
At 1 January	**-**
Assigned from ultimate holding company *(note 13)*	**239,677**
Deemed contribution arising from the discounting of the non-current interest-free loan	**(218,953)**
At 31 December	**20,724**

15. RELATED PARTY TRANSACTIONS

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

(a) The balances with fellow subsidiaries, immediate and ultimate holding companies are set out in notes 12, 13 and 14 respectively.

(b) During the year ended 31 December 2016, the Company had paid approximately RMB7,749,000 (2015: RMB6,230,000) 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 11 May 2015 and were in the ordinary course of business of the Company.

(c) During the year ended 31 December 2016, the Company had paid approximately RMB17,000 (2015: RMB57,000) to Zhejiang Shaoxing Yongli Printing & Dyeing for providing dyeing services to the Company for the usage in the production.

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 amounting RMB55,000 (2016: 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 to 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.

** English name is for identification only*

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the year ended 31 December 2016, the Company recorded revenue of approximately RMB165.79 million, represents a decrease of approximately 13.64% when compared with the same period in 2015. It was mainly due to significant decrease in subcontracting fee income of approximately 53.13% as the Company has been concentrated in the business of manufacturing of woven fabrics. In additions, there was also a slight dropping in sales of woven fabrics from local market due to decrease of local demand. The gross profit margin decreased from approximately 11.96% to approximately 10.96% which was mainly due to the significant decrease in subcontracting fee income and the keen competition that led to slight adjustment of selling price.

The selling and distributed costs for the year ended 31 December 2016 increased by approximately 5.96% when compared with the corresponding period in 2015 was in line with increase of export sales. Administrative expenses increased by approximately 7.58% mainly due increase of staff salary, entertainment expenses and loss on disposal of scrap materials during the year ended 31 December 2016.

Other revenue decreased by approximately RMB1.93 million which represents approximately 28.31% when compared with the corresponding period in 2015 mainly due to decrease of government subsidies during the year ended 31 December 2016. Except for the finance cost of approximately RMB13.98 million in respect of imputed interest in non-current interest-free loan due to ultimate holding company, there was net profit before finance cost and before taxation of approximately RMB8.49 million for the year ended 31 December 2016. The respective loss per share for the years ended 31 December 2016 and 2015 were approximately RMB0.68 cents and RMB1.62 cents respectively.

Business and operation review

During the year ended 31 December 2016, export sales to Europe decreased by approximately 27.95%, while on the other hand, export sales to other overseas countries increased by approximately 66.22%. The new developed overseas customers mainly located in South America and Asia. The local market of sales of woven fabrics dropped by approximately 12.72% as most of the local customers are undergoing structure reorganisation and industry consolidation. The garment and textile industry is a labour intensive industry. Over the years, high labour cost being one of the major problem of the industry. In additions, since 2012, the working age population has been decreasing and most of the younger workers are not willing to join the industry. Therefore, employment of sufficient workers being another problem of the industry. In view of these problems, the fellow textile manufacturers and garment manufacturers are undergoing structure reorganisation and industry consolidation. The industry has been changed from concentration in mass production to quality and efficient production.

Production facilities

During the year ended 31 December 2016 under review, the Company spent approximately RMB312,000 in additions of furniture, fixtures and equipment and approximately RMB78,000 in renovation of the factory buildings.

Product research and development

During the year ended 31 December 2016, 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 2016, 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 all kinds of uncertainty will bring a very serious challenge to various industries around the world in year 2017. The economy in China with the accelerated pace of transformation and upgrading, and gradually into the paid cycle, the slowdown in growth, is entering into a new normal; the direction of development also be driven by investment gradually driven into consumption-driven; with the economic structure of change, technology and innovation will become the key future economic development.

Under the leadership of the energetic management team, the Board believe that the Company is able to tackle the problems ahead in 2017 and therefore bring the interests to the shareholders. In additions, the cash and bank balance of the Company as at 31 December 2016 was approximately RMB203.55 million and under the financial support from the immediate holding company Guizhou Yongan, 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 2017 and the near future.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year ended 31 December 2016, the Company financed its operations mainly by internally generated cash and financial support from the ultimate holding company, Zhejiang Yongli and the immediate holding company, Guizhou Yongan.

As at 31 December 2016, the Company's current assets and net current assets were approximately RMB280.46 million (31 December 2015: approximately RMB272.18 million) and approximately RMB225.78 million (31 December 2015: approximately RMB213.55 million) respectively. The liquidity ratio of the Company, represented by the ratio of current assets over current liabilities, was approximately 5.13 (31 December 2015: approximately 4.64).

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

As at 31 December 2016 and 2015, the Company did not have any commitments for capital expenditure.

MATERIAL DISPOSALS

The Company did not have any material disposals during the years ended 31 December 2016 and 2015.

SEGMENT INFORMATION

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

CONTINGENT LIABILITIES

As at 31 December 2016 and 2015, the Company did not have any material contingent liabilities.

CHARGES ON COMPANY ASSETS

As at 31 December 2016 and 2015, the Company did not have any charges on company assets.

EMPLOYEE AND EMOLUMENT POLICIES

As at 31 December 2016, the Company had 436 employees (31 December 2015: 464), comprising 2 (31 December 2015: 3) in research and development, 16 (31 December 2015: 15) in sales and marketing, 364 (31 December 2015: 390) in production, 42 (31 December 2015: 42) in quality control, 6 (31 December 2015: 6) in management, and 6 (31 December 2015: 8) 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 2016 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 2016 as set out in the Preliminary Announcement have been agreed by the Company's auditor, 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 2016, 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.

According to Appendix 20 of the GEM Listing Rules,"an issuer must disclose Environmental, Social and Governance Reporting Guide ("ESG") information on an annual basis and regarding the same period covered in its annual report. An ESG report may be presented as information in the issuer's annual report, in a separate report, or on the issuer's website. Regardless of the format adopted, the ESG report should be published on the Exchange's website and the issuer's website. Where not presented in the issuer's annual report, the issuer should publish this information as close as possible to, and in any event no later than three months after, the publication of the issuer's annual report". The Company has appointed a professional party to assist it to prepare for a separate ESG report. As this is the first ESG report of the Company, the Company need more time to prepare. The ESG report is expected to be published on the Exchange's website and the Company's website no later than three months after the annual report has been published.

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 2016.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") of the Company for the year 2016 will be held on 18 May 2017. A notice convening the AGM will be published in due course.

CLOSURE OF H SHARE REGISTER

The H Share register of shareholders of the Company will be closed from Tuesday, 18 April 2017 to Thursday, 18 May 2017 (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 Thursday, 13 April 2017 will be entitled to attend and vote at the AGM.

By Order of the Board
Zhejiang Yonglong Enterprises Co., Ltd.*
Jiang Ning
Chairman

Zhejiang, the PRC, 10 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. Jiang Ning (Chairman), Mr. He Weifeng (Deputy Chairman), Ms. He Lianfeng (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 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.