



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)

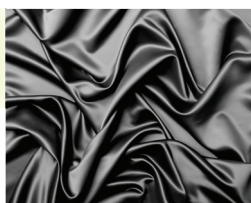
(Stock Code: 8211)

## FIRST QUARTERLY REPORT



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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

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*This document, for which the directors of Zhejiang Yonglong Enterprises Co., Ltd. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.*

**HIGHLIGHTS**

*For the three months ended 31 March 2012,*

- turnover of the Company increased from approximately RMB13.57 million to approximately RMB26.66 million, representing a sharp increase of approximately 96.5% when compared to the corresponding period in 2011;
- net loss was approximately RMB7.15 million; and
- the Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2012.

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**

*For the three months ended 31 March 2012*

The board of directors (the “Board” or the “Directors”) of 浙江永隆實業股份有限公司 (Zhejiang Yonglong Enterprises Co., Ltd.\*) (the “Company”) is pleased to announce the unaudited results of the Company for the three months ended 31 March 2012 together with the comparative results for the corresponding period in 2011 as follows:

	<i>Notes</i>	<b>Three months ended</b>	
		<b>2012</b>	2011
		<b>RMB'000</b>	<b>RMB'000</b>
Turnover	3	<b>26,657</b>	13,566
Cost of sales		<b>(25,300)</b>	(12,863)
Gross profit		<b>1,357</b>	703
Other operating income	3	<b>313</b>	6,459
Selling and distribution costs		<b>(37)</b>	(70)
Administrative expenses		<b>(1,293)</b>	(1,211)
Legal and professional fees	4	<b>(1,638)</b>	-
Finance costs	5	<b>(5,854)</b>	(3,083)
(Loss) profit before taxation		<b>(7,152)</b>	2,798
Income tax expense	6	<b>-</b>	-
(Loss) profit and total comprehensive (expenses) income for the period	7	<b>(7,152)</b>	2,798
(Loss) profit per share — basic and diluted	9	<b>RMB 0.67 cents</b>	RMB 0.26 cent

## UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY

	Paid-up capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note (a))	Assets revaluation reserve RMB'000	Statutory surplus reserve RMB'000 (Note (b))	Accumulated losses RMB'000 (Note (c))	Total RMB'000
At 1 January 2011	106,350	69,637	7,880	24,315	12,496	(660,975)	(440,297)
Total comprehensive income for the period	-	-	-	-	-	2,798	2,798
Balance at 31 March 2011	<u>106,350</u>	<u>69,637</u>	<u>7,880</u>	<u>24,315</u>	<u>12,496</u>	<u>(658,177)</u>	<u>(437,499)</u>
At 1 January 2012	106,350	69,637	124,950	27,115	12,496	(263,408)	77,140
Total comprehensive expense for the period	-	-	-	-	-	(7,152)	(7,152)
Balance at 31 March 2012	<u>106,350</u>	<u>69,637</u>	<u>124,950</u>	<u>27,115</u>	<u>12,496</u>	<u>(270,560)</u>	<u>69,988</u>

## Notes:

- (a) Other reserve represents dividends waived by the holders of domestic shares, net of tax effect and the deemed contribution arising from the discounting of the non-current interest-free loan from the immediate and ultimate holding company.
- (b) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), when distributing the net profit for each year, the Company (after conversion to a limited liability company) shall set aside 10% of its net profit after taxation (based on the Company's PRC statutory accounts) for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the Company's share capital). The reserve fund can only be used, upon approval by the board of directors and by the relevant authority, to offset against accumulated losses or increase the share capital.
- (c) Profit appropriation is subject to the approval of the board of directors. In accordance with the Articles of Association of the Company, the reserve available for distribution is the lower of the amount determined under the generally accepted accounting principles in the PRC and the amount determined under Hong Kong Financial Reporting Standards. At 31 March 2012 and 2011, no reserves were available for distribution due to accumulated losses being noted.

Notes:

## 1. BASIS OF PREPARATION

The Company is a joint stock limited company established in the PRC and the H Shares of the Company are listed on the GEM of the Stock Exchange.

The Company is principally engaged in the research and development, manufacture, and sale of woven fabrics.

The Company's books and records are maintained in Renminbi ("RMB"), which is the same as the functional currency of the Company.

The principal accounting policies used in the preparation of the unaudited results are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2011. The unaudited results of the Company are prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and disclosure requirement of the GEM Listing Rules.

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

The financial statements have been prepared in accordance with new and revised standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Company has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>2</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
Amendments to Hong Kong Accounting Standard ("HKAS") 1	Presentation of Items of Other Comprehensive Income <sup>4</sup>
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets <sup>3</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>1</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>1</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>5</sup>
HK(International Financial Reporting Interpretation Committee ("IFRIC"))	Stripping Costs in the Production Phase of a Surface Mine <sup>1</sup>
– Interpretation("Int") 20	

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2013.
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2015.
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2012.
- <sup>4</sup> Effective for annual periods beginning on or after 1 July 2012.
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2014.

## **HKFRS 9 Financial Instruments**

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

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

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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 recognised 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 attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

The directors of the Company are in the process of assessing the impact from application of the new standard on the results and the financial position of the Company.

## **HKFRS 13 Fair Value Measurement**

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Company's financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Other than disclosed above, the directors of the Company anticipate that application of the other new and revised standards and amendments will have no materials impact on the results and the financial position of the Company.

### 3. TURNOVER AND OTHER OPERATION INCOME

Turnover represents the net amounts received and receivable for goods sold by the Company to outside customers, net of sales related taxes.

An analysis of the Company's turnover for the period is as follows:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2012</b>	2011
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Turnover		
Sales of woven fabrics	<b>15,333</b>	9,379
Subcontracting fee income	<b>11,324</b>	4,187
	<b>26,657</b>	13,566
Other operating income		
Interest income	<b>18</b>	1
Sundry income	<b>14</b>	-
Sales of scrap materials	<b>281</b>	630
Gain on disposal of plant and machinery	-	323
Other debts waived by a creditor	-	5,505
	<b>313</b>	6,459
Total revenues	<b>26,970</b>	20,025

### 4. LEGAL AND PROFESSIONAL FEE

The legal and professional fees of approximately RMB1.68 million represents professional fees paid for (i) preparation of resumption of trading of shares of the Company on the GEM of the Stock Exchange which suspended since 24 October 2008 and resumed on 13 March 2012, details are set out in the announcement of the Company dated 8 March 2012, and (ii) preparation of the relevant documents for the very substantial disposal and continuing connected transaction as set out in the circular of the Company dated 24 February 2012.

**5. FINANCE COSTS**

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2012</b>	2011
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Interest on bank borrowings wholly repayable within five years	-	3,083
Imputed interest on non-current interest-free amount due to the immediate and ultimate holding company	<b>5,854</b>	-
	<b><u>5,854</u></b>	<u>3,083</u>

**6. INCOME TAX EXPENSES**

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% from 1 January 2008 onwards.

No provision for PRC Enterprise Income Tax has been provided for the period as the Company had no estimated assessable profit arising in or derived from the PRC during the three months ended 31 March 2012 (three months ended 31 March 2011: nil).

No Provision for Hong Kong Profits Tax has been provided for the period as the Company did not have any assessable profits subject to Hong Kong Profits Tax for the three months ended 31 March 2012 (three months ended 31 March 2011: nil).

**7. (LOSS) PROFIT FOR THE PERIOD**

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2012</b>	2011
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
(Loss) profit for the period has been arrived at after charging:		
Depreciation and amortisation	<b>5,630</b>	6,558
	<b><u>5,630</u></b>	<u>6,558</u>

**8. DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2012.

**9. (LOSS) PROFIT PER SHARE**

The calculation of the basic loss per share for the three months ended 31 March 2012 is based on the loss for the period of approximately RMB7,152,000 (2011: profit of approximately RMB2,798,000) and the weighted average of 1,063,500,000 ordinary shares in issue during the two periods.



No diluted (loss) profit per share have been presented for the two periods ended 31 March 2012 and 2011, as there was no diluting events existed during these periods.

## 10. RELATED PARTY TRANSACTIONS

During the three months ended 31 March 2012, the Company had the following significant transactions with the related parties:

Name of related company	Nature	Three months ended	
		31 March	
		2012	2011
		RMB'000	RMB'000
Zhejiang Yongli	Electricity	2,026	512
Thermal (Note i)	Steam	<u>88</u>	<u>126</u>

Note :

- (i) 浙江永利熱電有限公司 (Zhejiang Yongli Thermal Electricity Company Limited\*) (“Zhejiang Yongli Thermal”) is a subsidiary of 浙江永利實業集團有限公司 (Zhejiang Yongli Industry Group Limited\*) (“Zhejiang Yongli”) and Mr. Xia Xian Fu is a common director of the Company and it.
- (ii) The aforesaid transactions were in the ordinary course of business of the Company and on normal commercial terms.

## 11. EVENTS AFTER THE REPORTING PERIOD

On 19 December 2011, there is a court judgment ruled out that 240,000,000 domestic shares of the Company (“Domestic Shares”) held by Mr. Sun Li Yong and Ms. Fang Xiao Jian be transferred to Zhejiang Yongli. Upon completion of such share transfer and share registration, Zhejiang Yongli will hold in aggregate of 550,000,000 Domestic Shares (representing approximately 51.72% of total issued shares of the Company). Pursuant to rule 26.1 of the Hong Kong Code on Takeovers and Mergers, a mandatory general offer in cash or with a cash alternative shall be made for all the outstanding shares other than those already owned or agreed to be acquired by Zhejiang Yongli. On 9 March 2012, the share transfer and registration have been completed and Zhejiang Yongli became the Company’s immediate and ultimate holding company. Further details are set out in the announcement of the Company dated 12 March 2012 and the composite document dated 25 April 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial review

For the three months ended 31 March 2012, the Company recorded a turnover of approximately RMB26.66 million, represents a sharp increase of approximately 96.5% when compared with the same period in 2011. It is mainly because both of the turnovers of sales of woven fabrics and subcontracting fee income increased by approximately 63.48% and 170.45% respectively. Since 24 December 2010, Zhejiang Yongli became a substantial shareholder of the Company, under the financial support of Zhejiang Yongli, the Company has been gradually returned to the normal operation status before the financial crisis incurred in 2008. There is no material change in gross profit margin, selling expenses and administrative expenses for both periods ended 31 March 2012 and 2011. Net loss of approximately RMB7.15 million incurred during the three months ended 31 March 2012 mainly due to finance cost of approximately RMB5.85 million was estimated in respect of imputed interest on non-current interest-free amount due to the immediate and ultimate holding company, Zhejiang Yongli and legal and professional fees of approximately RMB1.68 million paid for (i) preparation of resumption of trading of shares of the Company on the GEM of the Stock Exchange which suspended since 24 October 2008 and resumed on 13 March 2012, details are set out in the announcement of the Company dated 8 March 2012, and (ii) preparation of the relevant documents for the very substantial disposal and continuing connected transaction as set out in the circular of the Company dated 24 February 2012. The aggregate amount of the above finance cost and legal and professional fees was approximately RMB7.53 million. Despite of the net loss for the three months ended 31 March 2012 of approximately RMB7.15 million, the Board considers that the Company's overall financial positions are healthy and the Board remains positive on the prospects of the Company. The Board would like to emphasis that the Company's financial position remains stable and has sufficient cash resources to meet its present and future cash flow requirements. As at 31 March 2012, the bank balance and cash of the Company was approximately RMB29.72 million. Other operating income for the three months ended 31 March 2012 dropped by approximately RMB6.46 million when compared with the corresponding period in 2011 mainly because there were gain on disposal of plant and machinery of approximately RMB0.3 million and other debts waived by a creditor of approximately RMB5.5 million in 2011. Loss and profit per share for the three months ended 31 March 2012 and 2011 were approximately RMB0.67 cents and RMB0.26 cents respectively.

### Business and operation review

In view of the financial problem in Europe and U.S., the foreign markets have been shrinking. However, the local demand has been increasing. The Company will focus on the domestic market and sales efforts will be placed in expanding domestic market shares and continuing to consolidate the military fabric production. During the three months ended 31 March 2012, the Company has not commenced the export business. The sales turnover to the PRC government for manufacturing uniform of the military was approximately RMB5.35 million during the three months ended 31 March 2012, which represents approximately 20.07% on the total turnover.

### **Production facilities**

During the three months ended 31 March 2012, the Company spent approximately RMB3,000 in upgrade of office and factory equipment and approximately RMB317,000 in replacement of plant and machinery.

### **Product research and development**

During the three months ended 31 March 2012, the Company continued to innovate and develop new products so as to meet the customers' needs and enhance sales orders from customers.

### **Outlook**

Since 24 December 2010, Zhejiang Yongli became a substantial shareholder of the Company, a number of reorganisation activities, as set out in the announcement of the Company dated 29 December 2010, started to activate, such as the transfer of the installed machinery and equipment from the Company's production plant at Sunjia Qiao to the Company's existing production plant at Jianwu Village, the disposal of the old factory of the Company as located at Sunjia Qiao and entered into a three-year agreement with Zhejiang Yongli Thermal for supplying electricity and steam to the Company. Further details are set out in the circular of the Company dated 24 February 2012. The above activities (i) ensure that the Company will have additional working capital for operation in the near future, (ii) enable the Company to have sufficient supply of electricity and steam over the next three years, (iii) insulate the Company from the potential increase and fluctuation in the market rate and therefore (iv) enable the Company to stay competitive in the competitive fabric industry. As at the date of this document, the Company has completed all the reorganization activities. In view of the financial problems in the US and Europe, the worldwide economies will continue be affected, hence it will be a challenge to the industry of the textile in 2012. The directors believe that base on the above reorganisation activities, the experience of the management and the well established infrastructure of the Company, the Company is well equipped to face with the challenge.

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

As at 31 March 2012, the interests and short positions of the directors, chief executives and supervisors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

**Long positions in the shares of the Company**

<b>Name of Directors</b>	<b>Type of interests</b>	<b>Capacity</b>	<b>Number of domestic shares held</b>	<b>Approximate percentage of interests in domestic shares</b>	<b>Approximate percentage of interests in the total registered capital</b>
Mr. Sun Jian Feng	Personal	Beneficial owner	5,880,000	1%	0.55%
		Interest of spouse ( <i>Note 1</i> )	550,000,000	93.54%	51.72%
Mr. Xia Xue Nian	Personal	Beneficial owner	5,880,000	1%	0.55%

Note:

- Mr. Sun Jian Feng is the spouse of Ms. Chen Yen Yung ('Ms. Chen'). By virtue of the SFO, Mr. Sun Jian Feng is therefore deemed to be interested in the 550,000,000 domestic shares that Ms. Chen is deemed to be interested under the agreement dated 8 March 2012 entered into between Zhejiang Yongli, Ms. Chen and Goldfame Investment Holdings Limited ("Goldfame Investment"), a company incorporated in the BVI with limited liability on 11 November 2011, and beneficially owned by Ms. Chen to form a consortium (the 'Agreement'). Further details are set out in the circular of the Company dated 25 April 2012.

Save as disclosed above, as at 31 March 2012, none of the directors, chief executives or supervisors of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by directors to be notified to be Company and the Stock Exchange.

**SUBSTANTIAL SHAREHOLDERS**

At 31 March 2012, so far as it is known to the directors, chief executives or supervisors of the Company, the persons (not being a director, chief executive or supervisor of the Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, or who is interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Company were as follows:

**Long positions in the shares of the Company***Domestic shares of the Company*

Name of shareholders	Capacity	Number of Domestic Shares held	Approximate percentage of interests in Domestic shares	Approximate percentage of interests in total registered capital
Zhejiang Yongli	Beneficial owner	550,000,000	93.54%	51.72%
	Interest of a party to an agreement to acquire interests in the Company required to be disclosed under section 317(1)(a) and section 318 of the SFO ( <i>Note 1</i> )	5,880,000	1%	0.55%
Mr. Zhou	Interest in controlled corporation ( <i>Note 2</i> )	550,000,000	93.54%	51.72%
	Interest of a party to an agreement to acquire interests in the Company required to be disclosed under section 317(1)(a) and section 318 of the SFO ( <i>Note 1</i> )	5,880,000	1%	0.55%
Ms. Xia Wanmei	Interest of spouse ( <i>Note 3</i> )	550,000,000	93.54%	51.72%
	Interest of a party to an agreement to acquire interests in the Company required to be disclosed under section 317(1)(a) and section 318 of the SFO ( <i>Note 1</i> )	5,880,000	1%	0.55%
Ms. Chen	Interest of a party to an agreement to acquire interests in the Company required to be disclosed under section 317(1)(a) and section 318 of the SFO ( <i>Note 1</i> )	550,000,000	93.54%	51.72%
	Interest of spouse ( <i>Note 4</i> )	5,880,000	1%	0.55%
Goldframe Investment	Interest of a party to an agreement to acquire interests in the Company required to be disclosed under section 317(1)(a) and section 318 of the SFO ( <i>Note 1</i> )	555,880,000	94.54%	52.27%

## Notes:

- Under Section 317 of the SFO, Zhejiang Yongli, Ms. Chen and Goldfame Investment entered into an agreement dated 8 March 2012 to form a consortium, pursuant to which each of Ms. Chen and Goldfame Investment becomes a party acting in concert with Zhejiang Yongli, and Goldfame Investment will make the H Share Offer on behalf of Zhejiang Yongli. And given Mr. Sun Jian Feng, a Director, is the spouse of Ms. Chen, Mr. Sun Jian Feng, who is interested in 5,880,000 Domestic Shares, is deemed to be a party acting in concert with Zhejiang Yongli.
- Zhejiang Yongli directly held 550,000,000 Domestic Shares. Mr. Zhou is holding approximately 88.40% of the shares in Zhejiang Yongli. By virtue of the SFO, Mr. Zhou is deemed to be interested in the 550,000,000 Domestic Shares held by Zhejiang Yongli.
- Ms. Xia Wanmei is the spouse of Mr. Zhou. By virtue of the SFO, Ms. Xia is deemed to be interested in the 550,000,000 Domestic Shares held by Zhejiang Yongli.
- Ms. Chen is the spouse of Mr. Sun Jian Feng. By virtue of the SFO, Ms. Chen is therefore deemed to be interested in the 5,880,000 Domestic Shares held by Mr. Sun Jian Feng.

*H shares of RMB0.1 each of the Company*

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of H shares held</b>	<b>Approximate percentage of interests in H shares</b>	<b>Approximate percentage of interests in total registered capital</b>
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,540,000	43.86%	19.60%

Save as disclosed above, as at 31 March 2012, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO or who is interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of 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 for the period under review and up to the date of this document.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the “Audit Committee”) in May 2002 with written terms of reference, which have been updated in accordance with the provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company and provide advice and comments to the Board. The Audit Committee has three members comprising the three independent non-executive Directors, Mr. Zong Pei Min, Mr. Lu Guo Qing and Mr. Zhu Yu Lin. Mr. Lu Guo Qing is the chairman of the Audit Committee.

The Audit Committee has reviewed the first quarterly results and the first quarterly report for the three months ended 31 March 2012.

## **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 Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors and supervisors, all directors and supervisors confirmed that they have complied with the required standard and the code of conduct regarding securities transactions by directors and supervisors adopted by the Company.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the three months ended 31 March 2012.

By Order of the Board  
**Ru Guan Jun**  
*Chairman*

Zhejiang, the PRC, 15 May 2012

*As at the date of this document, the executive directors of the Company are Mr. Ru Guan Jun, Mr. Xia Xian Fu, Mr. Sun Jian Feng and Mr. Xia Xue Nian; and the independent non-executive directors are Mr. Zong Pei Min, Mr. Lu Guo Qing and Mr. Zhu Yu Lin.*

*\* For identification purpose only*