



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

# INTERIM REPORT

# 2013



\* For identification purpose only

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

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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 six months ended 30 June 2013,*

- Turnover of the Company increase from approximately RMB64.44 million to approximately RMB75.02 million, representing an increase of approximately 16.43% when compared to the corresponding period in 2012;
- Net profit for the six months ended 30 June 2013 was approximately RMB35.73 million; and
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013.

**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 June 2013*

The board of directors (the “Board” or the “Directors”) of 浙江永隆實業股份有限公司 (Zhejiang Yonglong Enterprises Co., Ltd.\*) (the “Company”) is pleased to announce the unaudited results of the Company for the three months and six months ended 30 June 2013 as follows:

	Notes	Three months ended 30 June		Six months ended 30 June	
		2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Turnover	3	57,632	37,780	75,022	64,437
Cost of sales		(50,728)	(28,671)	(68,864)	(53,971)
Gross profit		6,904	9,109	6,158	10,466
Other income and gains	3	362	770	45,678	1,083
Selling and distribution costs		(71)	(25)	(246)	(62)
Administrative and expenses		(1,389)	(3,655)	(4,150)	(6,586)
Finance costs	5	(5,853)	(5,853)	(11,707)	(11,707)
Profit (loss) before taxation		(47)	346	35,733	(6,806)
Income tax expenses	6	-	-	-	-
Profit (loss) and total comprehensive income (expenses) for the period	7	<u>(47)</u>	<u>346</u>	<u>35,733</u>	<u>(6,806)</u>
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Earnings (loss) per share					
– basic and diluted	9	<u>(0.004) cents</u>	<u>0.03 cents</u>	<u>3.36 cents</u>	<u>(0.64) cents</u>

**UNAUDITED STATEMENT OF FINANCIAL POSITION***At 30 June 2013*

		<b>As at 30 June 2013 RMB'000 (Unaudited)</b>	As at 31 December 2012 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>10</i>	<b>104,042</b>	108,311
Prepaid lease payments		<u>7,114</u>	<u>7,208</u>
		<u><b>111,156</b></u>	<u>115,519</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>13,605</b>	10,753
Trade and other receivables	<i>11</i>	<b>41,920</b>	48,550
Prepaid lease payments		<b>188</b>	188
Financial assets at fair value through profit or loss		<b>-</b>	4,500
Bank balances and cash		<u><b>159,265</b></u>	<u>43,253</u>
		<b>214,978</b>	107,244
Assets classified as held for sale		<u>-</u>	<u>39,526</u>
		<u><b>214,978</b></u>	<u>146,770</u>
<b>CURRENT LIABILITIES</b>			
Amount due to a related company	<i>12</i>	<b>903</b>	948
Trade and other payables	<i>13</i>	<b>54,217</b>	37,767
Provision		<u><b>10,000</b></u>	<u>10,000</u>
		<u><b>65,120</b></u>	<u>48,715</u>
<b>NET CURRENT ASSETS</b>		<u><b>149,858</b></u>	<u>98,055</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>261,014</b>	213,574
<b>NON CURRENT LIABILITIES</b>			
Amount due to ultimate holding company	<i>14</i>	<u><b>163,006</b></u>	<u>151,299</u>
<b>NET ASSETS</b>		<u><b>98,008</b></u>	<u>62,275</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>106,350</b>	106,350
Reserves		<u><b>(8,342)</b></u>	<u>(44,075)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u><b>98,008</b></u>	<u>62,275</u>

**UNAUDITED CONDENSED CASH FLOW STATEMENT**

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Net cash from (used in) operating activities	<b>27,190</b>	(810)
Net cash from (used in) investing activities	<b>88,822</b>	(321)
Net cash from financing activities	-	-
Net increase (decrease) in cash and cash equivalents	<b>116,012</b>	(1,131)
Cash and cash equivalents at beginning of the period	<b>43,253</b>	31,269
Cash and cash equivalents at end of the period, representing bank balances and cash	<b><u>159,265</u></b>	<u>30,138</u>

## UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY

	Paid-up capital <i>RMB' 000</i>	Share premium <i>RMB' 000</i>	Other reserve <i>RMB' 000</i> <i>(Note a)</i>	Assets revaluation reserve <i>RMB' 000</i> <i>(Note b)</i>	Statutory surplus reserve <i>RMB' 000</i> <i>(Note c)</i>	Accumulated (losses) profits <i>RMB' 000</i>	Total <i>RMB' 000</i>
Balance at 1 January 2012	106,350	69,637	124,950	27,115	12,496	(263,408)	(77,140)
Total comprehensive income for the period	-	-	-	-	-	(6,806)	(6,806)
Balance at 30 June 2012	<u>106,350</u>	<u>69,637</u>	<u>124,950</u>	<u>27,115</u>	<u>12,496</u>	<u>(270,214)</u>	<u>70,334</u>
Balance at 1 January 2013	106,350	69,637	124,950	29,884	12,496	(281,042)	62,275
Transfer from assets revaluation reserve for revalued land and buildings disposed during the period	-	-	-	(11,115)	-	11,115	-
Total comprehensive income for the period	-	-	-	-	-	35,733	35,733
Balance at 30 June 2013	<u>106,350</u>	<u>69,637</u>	<u>124,950</u>	<u>18,769</u>	<u>12,496</u>	<u>(234,194)</u>	<u>98,008</u>

*Notes:*

- (a) Other reserve represents the dividends waived by the holders of domestic shares, net of tax effect and the deemed contribution arising from the discounting of the non-current interest-free loan from ultimate holding company of the Company.
- (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 30 June 2013 and 2012, no reserves were available for distribution due to accumulated losses being noted.

*Notes:*

## **1. BASIS OF PREPARATION**

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

The Company is principally engaged in 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 Company has prepared the condensed financial statements in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

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 2012. The unaudited results are prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards issued by the HKICPA and disclosure requirements 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 the new and revised HKFRSS ("new and revised HKFRSS") issued by the HKICPA.

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

Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>2</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015

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 INCOME AND GAINS

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 and other income and gains for the period is as follows :

	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Turnover				
Sales of woven fabrics	45,280	22,614	58,851	37,947
Sub-contracting fee income	12,352	15,166	16,171	26,490
	<u>57,632</u>	<u>37,780</u>	<u>75,022</u>	<u>64,437</u>
Other income and gains				
Gain on disposal of plant and machinery	-	-	-	56
Gain on disposal of assets held for sales (Note )	-	56	44,865	-
Interest income	-	4	23	22
Sundry income	-	-	-	14
Government grants	-	106	-	106
Sales of scrap materials	362	604	790	885
	<u>362</u>	<u>770</u>	<u>45,678</u>	<u>1,083</u>

Note:

The gain on disposal of assets held for sales represents disposal of certain buildings, investment properties and prepaid lease payments held by the Company in the PRC to the People's Government of Yang Xun Qiao Town, Shaoxing County “浙江省紹興縣楊汛橋鎮人民政府” (“Local Government”) under the assets transfer agreement and the supplementary assets transfer agreement as signed between the Company and the Local Government on 30 December 2011 and 25 December 2012 respectively.



#### 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 under HKFRS 8 are as follows:

Woven fabric - Research and development, manufacture and sale of woven fabrics

Sub-contracting services - Provision of sub-contracting services

##### (a) Segment revenues and results

The following is an analysis of the Company's revenue and results by reportable segment :

	For the six months ended 30 June					
	Woven fabric		Sub-contracting services		Total	
	2013	2012	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	<u>58,851</u>	<u>37,947</u>	<u>16,171</u>	<u>26,490</u>	<u>75,022</u>	<u>64,437</u>
Segment results	<u>(2,037)</u>	<u>2,648</u>	<u>5,842</u>	<u>7,061</u>	<u>3,805</u>	<u>9,709</u>
Unallocated corporate income (expenses)						
- gain on disposal of plant and machinery					-	56
- gain on disposal of assets held for sales					44,865	-
- interest income					23	22
- sundry income					-	14
- government grants					-	106
- legal and professional fees					(365)	(4,432)
- others					(888)	(574)
- finance costs					(11,707)	(11,707)
Profit (loss) before taxation					<u>35,733</u>	<u>(6,806)</u>

The accounting policies of the reportable segments are the same as the Company's accounting policies described in the annual financial statements of the Company for the year ended 31 December 2012. Segment results represents the results of each segment without allocation of gain on disposal of assets held for sales, interest income, legal and professional fees 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**

The Company's business is located in the PRC and its segment information is by geographical location of its customers who are principally located in the PRC and the Middle East. Segment information about these geographical markets is presented below:

	<b>Six months ended</b>			
	<b>30 June 2013</b>	<b>30 June 2013</b>	30 June 2012	30 June 2012
	<b>Revenue</b> <i>RMB'000</i>	<b>Results</b> <i>RMB'000</i>	Revenue <i>RMB'000</i>	Result <i>RMB'000</i>
PRC	44,771	4,952	64,437	9,709
The Middle East	<u>30,251</u>	<u>(1,147)</u>	-	-
	<u><u>75,022</u></u>	<u><u>3,805</u></u>	<u><u>64,437</u></u>	9,709
Unallocated other corporate income		44,888		198
Unallocated corporate expenses		(1,253)		(5,006)
Financial cost		<u>(11,707)</u>		<u>(11,707)</u>
Profit (loss) before taxation		<u><u>35,733</u></u>		<u><u>(6,806)</u></u>

**5. FINANCE COSTS**

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Imputed interest on non-current interest-free amount due to ultimate holding company	<u>5,853</u>	<u>5,853</u>	<u>11,707</u>	<u>11,707</u>

**6. INCOME TAX EXPENSES**

No provision for Hong Kong Profit Tax has been provided for the periods as the Company did not have any assessable profits subject to Hong Kong Profit Tax for the three and six months ended 30 June 2013 (three and six months ended 30 June 2012: Nil).

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.

The Company's tax losses brought forward from prior years exceed the estimated assessable profits for the three and six months ended 30 June 2013 and 2012, therefore, no provision for the PRC Enterprise Income Tax was made for the three and six months ended 30 June 2013 and 2012.

## 7. PROFIT (LOSS) FOR THE PERIOD

	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit (loss) for the period has been arrived at after charging:				
Depreciation and amortisation	<u>2,060</u>	<u>5,615</u>	<u>4,353</u>	<u>11,245</u>

## 8. DIVIDEND PAID

The Directors do not recommend the payment of an interim dividend for the three and six months ended 30 June 2013 and 2012.

## 9. EARNINGS (LOSS) PER SHARE

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

	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Earnings (loss) for the purpose of calculating basic earnings (loss) per share	<u>(47)</u>	<u>346</u>	<u>35,733</u>	<u>(6,806)</u>
Number of shares for the purpose of basic earnings (loss) per share ( <i>Note</i> )	<u>1,063,500,000</u>	<u>1,063,500,000</u>	<u>1,063,500,000</u>	<u>1,063,500,000</u>
Weighted average number of shares for the purpose of calculating earnings (loss) per share	<u>1,063,500,000</u>	<u>1,063,500,000</u>	<u>1,063,500,000</u>	<u>1,063,500,000</u>

*Note:*

No diluted earnings (loss) per share have been presented for the three months and six months ended 30 June 2013 and 2012, as there was no diluting events existed during these periods.

**10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT**

During the period for the six months ended 30 June 2013, the Company spent approximately RMB93,000 (31 December 2012: RMB1,180,000) on additions of property, plant and equipment.

**11. TRADE AND OTHER RECEIVABLES**

The Company allows an average credit period of 60 to 120 days to its trade customers. The aged analysis of trade receivables net of impairment losses at the respective balance sheet dates is as follows:

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
0 – 60 days	<b>29,653</b>	18,773
61 – 90 days	<b>4,964</b>	1,471
91 – 120 days	-	3,644
121 – 365 days	<b>2,240</b>	6,345
Over 365 days	<b>26</b>	17,986
	<b>36,883</b>	48,219
Prepayments, deposits and other receivables	<b>5,037</b>	331
Total trade and other receivables	<b>41,920</b>	48,550

**12. AMOUNT DUE DUE TO A RELATED COMPANY**

The amount is interest-free, unsecured and repayable on demand.

**13. TRADE AND OTHER PAYABLES**

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
Trade payables	<b>34,850</b>	23,350
Receipt in advance	<b>2,892</b>	2,110
Other tax payables	<b>1,838</b>	7,229
Accrued expenses and other payables	<b>14,637</b>	5,078
	<b>54,217</b>	37,767

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

	<b>30 June</b> <b>2013</b> <b>RMB' 000</b>	31 December 2012 RMB' 000
0 – 60 days	<b>13,338</b>	10,784
61 – 90 days	<b>8,182</b>	1,774
91 – 365 days	<b>5,812</b>	3,205
Over 365 days	<b>7,518</b>	7,587
	<b>34,850</b>	23,350

#### 14. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The Company and 浙江永利實業集團有限公司 (Zhejiang Yongli Industry Group Co., Ltd.)\* (“Zhejiang Yongli”) signed a debt restructuring agreement on 13 September 2011 with the following repayment terms:

- (1) The Company shall owe the sum of approximately RMB239,677,000 (before the effect of discounting) to Zhejiang Yongli, and Zhejiang Yongli shall permanently abandon any claim against the Company for the repayment of debt amounting to RMB187,090,000, which will be compensated by the Local Government by way of government subsidies;
- (2) The Company agreed to repay Zhejiang Yongli, commencing from the fifth anniversary after the signing of the debt restructuring agreement provided that the amount to be repaid shall not exceed 50% of the operating cash flow of the year on an annual basis until the full repayment of the debt;
- (3) Unless obtaining prior written agreement from both parties, Zhejiang Yongli shall not demand any early repayment of the debt notwithstanding the occurrence of one or a multiple of material adverse event(s) affecting Zhejiang Yongli’s repayment capability, such as, among other things, serious operation problems, deterioration in financial situation and material litigation;
- (4) No interest would be charged to the Company during the repayment period;
- (5) Zhejiang Yongli undertakes to assume all the contingent debts of the Company incurred at all times and permanently abandon any claim against the Company for the repayment of such contingent debts of the Company; and

- (6) The amount is unsecured, interest-free and will not be repayable until 12 September 2016. The carrying value of the amount due to ultimate holding company as at 31 December 2012 and 30 June 2013 were stated at discounted present value with an imputed interest rate of 14.35% per annum.

## 15. RELATED PARTY TRANSACTIONS

During the period for the six months ended 30 June 2013, the Company had paid approximately RMB4,025,000 (2012: RMB4,755,000) to 浙江永利熱電有限公司 (Zhejiang Yongli Thermal Electricity Company Limited\*), a subsidiary of Zhejiang Yongli, ultimately holding company of the Company for electricity and steam provided to the Company for usage in the production.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial review

For the six months ended 30 June 2013, the Company recorded a turnover of approximately RMB75.02 million, represents an increase of approximately 16.43% when compared with the same period in 2012. It is mainly because the turnover of sales of woven fabrics raised by approximately 55.09% as the Company has started the export sales since the second quarter of 2013. Gross profit margin for the six months ended 30 June 2013 and 2012 was approximately 8.21% and 16.24% respectively. Since the third quarter in 2012, the textile industry has been facing the impact of rising of raw material cost, labour cost. Therefore, the gross profit margin in 2013 dropped when compared with that in 2012. In addition, the gross profit margin mainly contributed from subcontracting fee income as the Company was not required to bear the cost of raw materials and therefore it was not affected by rose of raw materials cost. The selling expenses increased sharply in 2013 when compared with that in 2012 because the salary and sampling fee increased as a result of export business commenced since the second quarter of 2013. The administrative expenses for six months ended 30 June 2013 decreased by approximately 37% when compared with the corresponding period in 2012 mainly due to decrease of legal and professional fees. Other income and gains increased sharply by approximately RMB44 million when compared with the corresponding period in 2012 mainly contributed by the gain on disposal of old factory to the Local Government. Profit and loss per share for the six months ended 30 June 2013 and 2012 were approximately RMB3.36 cents and RMB0.64 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 market in the Middle-East provides another business opportunity to the Company, export sales to the Middle-East commenced in the second quarter of 2013. Since the third quarter in 2012, the local textile industry has been facing the impact of rising of raw materials cost, labour cost and therefore, the overall market sentiments were poor. In view of this, the Company commenced the export sales in the second quarter of 2013. In additions, although the market sentiments were poor in the PRC, the Company will continue to focus on the domestic market and certain sales efforts will also be placed in expanding domestic market shares.

**Production facilities**

During the six months ended 30 June 2013 under review, the Company spent approximately RMB93,000 in additions of office and factory equipment and updating of plant and machinery.

**Product research and development**

During the six months ended 30 June 2013, 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 six months ended 30 June 2013, the Company actively participated in various trade fairs held in PRC and overseas so as to gain exposure in the fabrics market and to popularize the Company's new products.

**OUTLOOK**

Since the third quarter in 2012, the textile industry has been facing the impact of rising of raw materials cost, labour cost and therefore, the overall market sentiments were poor. Hence, the impact was reflected since the year end of 2012 to early 2013 of the Company. In additions, the financial problems in the US and Europe, the worldwide economies will continue be affected, the textile industry will also continue be impacted in 2013. After disposal of the old factory of the Company in March 2013, the cash and bank balance as at 30 June 2013 was approximately RMB159.27 million and under the financial support from Zhejiang Yongli, the Company has sufficient cash resources to meet its present and future cash flow requirements. The board of directors expects that the Company is able to face with the challenge in 2013 and the near future.

**LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

During six months ended 30 June 2013, the Company financed its operations mainly by internally generated cash and financial support from ultimate holding company, Zhejiang Yongli.

As at 30 June 2013, the Company's current assets and net current assets were approximately RMB214.98 million (31 December 2012: approximately RMB146.77 million) and approximately RMB149.86 million (31 December 2012: approximately RMB98.06 million) respectively. The liquidity ratio of the Company, represented by the ratio of current assets over current liabilities, was approximately 3.3 (31 December 2012: 3.01).



## **CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS**

As at 30 June 2013, the Company had no commitments (31 December 2012: Nil) for capital expenditure and significant investments (31 December 2012: Nil).

## **MATERIAL ACQUISITIONS / DISPOSALS**

During the six months ended 30 June 2013, the Company did not have any material acquisitions/disposals .

## **SEGMENTAL INFORMATION**

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

## **EMPLOYEE AND EMOLUMENT POLICIES**

As at 30 June 2013, the Company had 657 employees (31 December 2012: 459), comprising 3 (31 December 2012: 2) in research and development, 14 (31 December 2012: 3) in sales and marketing, 579 (31 December 2012: 421) in production, 50 (31 December 2012: 16) in quality control, 5 (31 December 2012: 6) in management, and 6 (31 December 2012: 5) in finance and administration. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Discretionary bonuses on individual performance will be paid to employees as recognition of and reward for their contribution. Other benefits include contributions to retirement scheme and medical scheme.

## **FOREIGN EXCHANGE EXPOSURE**

The Company operates in the PRC with most of the transactions denominated and settled in Renminbi (“RMB”). However, foreign currencies, mainly United States Dollars, Euro and Hong Kong Dollars, are required to settle the Company’s expenses and additions on plant and equipment. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. The Company has used forward contracts, foreign currency borrowings or other means to hedge its foreign currency exposure. The Company considers it has no material foreign exchange risk.

## CONTINGENT LIABILITIES

As at 30 June 2013, the Company did not have any significant contingent liabilities.

## DIRECTORS' CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY

As at 30 June 2013, none of the directors, chief executives or supervisors for the Company had any interests and short positions in the shares, underlying shares or 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 relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS

At 30 June 2013, 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	564,480,000	96.00%	53.08%
Mr. Zhou Yongli	Interest in controlled corporation ( <i>Note 1</i> )	564,480,000	96.00%	53.08%
Ms. Xia Wanmei	Interest of spouse ( <i>Note 2</i> )	564,480,000	96.00%	53.08%

*Notes:*

1. Zhejiang Yongli directly held 564,480,000 Domestic Shares. Mr. Zhou Yongli (“Mr. Zhou”) is holding approximately 88.40% of the shares in Zhejiang Yongli. By virtue of the SFO, Mr. Zhou is deemed to be interested in the 564,480,000 Domestic Shares held by Zhejiang Yongli.
2. Ms. Xia Wanmei (“Ms. Xia”) is the spouse of Mr. Zhou. By virtue of the SFO, Ms. Xia is deemed to be interested in the 564,480,000 Domestic Shares held by Zhejiang Yongli.

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

Name of shareholder	Capacity	Number of H shares held	Approximate percentage of interests in H shares in issue at 30 June 2013	Approximate percentage of interests in total issued share capital 30 June 2013
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,540,000	43.86%	19.60%

At 30 June 2013, save as disclosed above, 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 Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO 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 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 with written terms of reference, which have been updated in accordance with the provisions of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company and provide advice and comments to the Board. The Audit Committee has three members comprising the three Independent Non-Executive Directors, Mr. Xu Wei Dong, Mr. Li Hui Peng and Mr. Qin Fu. Mr. Xu Wei Dong is the chairman of the Audit Committee.

The Audit Committee has reviewed the interim results of the Company for the six months ended 30 June 2013.

## **CORPORATE GOVERNANCE PRACTICES**

During the six months ended 30 June 2013, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the “Code Provision”) as set out in Appendix 15 of the GEM Listing Rules.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS**

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.

**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 six months ended 30 June 2013.

By Order of the Board  
**Zhejiang Yonglong Enterprises Co., Ltd.**  
**Ru Guan Jun**  
*Chairman*

Zhejiang, the PRC, 14 August, 2013

*As at the date of this document, the executive directors of the Company are Mr. Ru Guan Jun, Mr. Xia Xian Fu, Mr. Hu Hua Jun and Mr. Chen Jian Jiang; the non-executive director is Mr. Chen Dong Chun; the independent non-executive directors are Mr. Xu Wei Dong, Mr. Li Hui Peng and Mr. Qin Fu.*

*\* For identification purpose only*