



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**

2015

** For identification purpose only*

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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

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 2015,

- Revenue of the Company increased from approximately RMB30.82 million to approximately RMB38.94 million, representing an increase of approximately 26.35% when compared to the corresponding period in 2014;
- Net loss was approximately RMB3.09 million; and
- The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2015.

UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2015

The board of directors (the “Board” or the “Directors”) of 浙江永隆實業股份有限公司 (Zhejiang Yonglong Enterprises Co., Ltd.*) (the “Company”) is pleased to announce the unaudited results of the Company for the three months ended 31 March 2015 together with the comparative results for the corresponding period in 2014 as follows:

		Three months ended	
		31 March	
		2015	2014
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
Revenue	3	38,938	30,818
Cost of sales		(36,585)	(28,066)
Gross profit		2,353	2,752
Other income and gains	3	3,450	616
Selling and distribution costs		(530)	(264)
Administration expenses		(1,325)	(684)
Financial costs	4	(7,042)	(6,163)
Loss before taxation		(3,094)	(3,743)
Income tax expenses	5	-	-
Loss and total comprehensive expenses for the period	6	(3,094)	(3,743)
		RMB	<i>RMB</i>
Loss per share– basic and diluted	8	(0.29)cents	(0.35) cents

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY

	Paid-up capital	Share premium	Other reserve	Assets revaluation reserve	Statutory surplus reserve	Accumulated losses	Total
	RMB '000	RMB '000	RMB '000 (Note(a))	RMB '000	RMB '000 (Note (b))	RMB '000 (Note (c))	RMB '000
At 1 January 2014	106,350	69,637	124,950	21,222	12,496	(226,226)	108,429
Total comprehensive expenses for the period	-	-	-	-	-	(3,743)	(3,743)
Balance at 31 March 2014	<u>106,350</u>	<u>69,637</u>	<u>124,950</u>	<u>21,222</u>	<u>12,496</u>	<u>(229,969)</u>	<u>104,686</u>
At 1 January 2015	106,350	69,637	124,950	23,715	12,496	(233,540)	103,608
Total comprehensive expenses for the period	-	-	-	-	-	(3,094)	(3,094)
Balance at 31 March 2015	<u>106,350</u>	<u>69,637</u>	<u>124,950</u>	<u>23,715</u>	<u>12,496</u>	<u>(236,634)</u>	<u>100,514</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"), the Company is required to appropriate 10% of its after-tax profit (after offsetting prior years losses) to general reserve fund until the balance of the fund reaches 50% its registered capital and thereafter any further appropriation is optional. The general reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the general reserve fund shall be maintained at a minimum of 25% of the registered capital after such utilisation.
- (c) Profit appropriation is subject to the approval of the board of directors. In accordance with the Articles of Association of the Company, the reserve available for distribution is the lower of the amount determined under the generally accepted accounting principles in the PRC and the amount determined under Hong Kong Financial Reporting Standards. At 31 March 2015 and 2014, no reserves were available for distribution due to accumulated losses being noted.

Notes:

1. BASIS OF PREPARATION

The Company is a joint stock limited company established in the PRC and the H Shares of the Company are listed on the GEM of the Stock Exchange. Its immediate and ultimate holding company is 浙江永利實業集團有限公司 (Zhejiang Yongli Industry Group Co., Ltd.*) (“Zhejiang Yongli”), a company incorporated in the PRC.

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The financial statements have been prepared in accordance with new and revised HKFRSs (“new and revised HKFRSs”) issued by the HKICPA.

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

HKFRS 9 (2014)	Financial Instruments ³
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹

¹ Effective for annual periods beginning on or after 1 January 2016.

² Effective for annual periods beginning on or after 1 January 2017.

³ Effective for annual periods beginning on or after 1 January 2018.

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

3. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the net amounts received and receivable for goods sold and services rendered by the Company to outside customers, net of discounts and sales related taxes. An analysis of the Company's revenue and other income and gains for the period are as follows

	Three months ended	
	31 March	
	2015	2014
	RMB'000	RMB'000
Revenue		
Sales of woven fabrics	35,935	25,960
Subcontracting fee income	3,003	4,858
	38,938	30,818
Other operating income		
Interest income	1,197	10
Sundry income	231	106
Sales of scrap materials	41	500
Gain in disposal of old production machinery	1,981	-
	3,450	616

4. FINANCE COSTS

	Three months ended	
	31 March	
	2015	2014
	RMB'000	RMB'000
Imputed interest on non-current interest-free loan due to ultimate holding company	<u>7,042</u>	<u>6,163</u>

5. INCOME TAX EXPENSES

No provision for taxation has been made as the Company's income neither arises in, nor is derived from Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Company is 25% for both periods.

No provision for PRC Enterprise Income Tax was made for both periods ended 31 March 2015 and 2014 since the assessable profit was wholly absorbed by the tax losses brought forward.

6. LOSS FOR THE PERIOD

	Three months ended	
	31 March	
	2015	2014
	RMB'000	RMB'000
Loss for the period has been arrived at after charging:		
Depreciation and amortisation	<u>1,818</u>	<u>1,954</u>

7. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2015.

8. LOSS PER SHARE

The calculation of the basic loss per share for the three months ended 31 March 2015 is based on the loss for the period of approximately RMB3,094,000 (2014: loss of approximately RMB3,743,000) and the weighted average of 1,063,500,000 ordinary shares in issue during both periods.

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

9. RELATED PARTY TRANSACTIONS

During the period for the three months ended 31 March 2015, the Company has the following related party transactions and continuing connected party transactions.

- (a) During the period for the three months ended 31 March 2015, the Company had paid approximately RMB1,301,000 (2014: RMB1,608,000) to 浙江永利熱電有限公司 (Zhejiang Yongli Thermal Electricity Company Limited*), a fellow subsidiary of the Company, for electricity and steam provided to the Company for the usage in the production.
- (b) During the period for the three months ended 31 March 2015, the Company had paid approximately RMB7,800 (2014: Nil) to 浙江紹興永利印染有限公司 (Zhejiang Shaoxing Yongli Printing & Dyeing Company Limited*), a fellow subsidiary of the Company, for providing dyeing services to the Company.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the three months ended 31 March 2015, the Company recorded a revenue of approximately RMB38.94 million, represents an increase of approximately 26.35% when compared with the same period in 2014. It was contributed from the revenue of sales of woven fabrics that increased sharply by approximately 38.42%. Compared with the corresponding period in 2014, the revenue of sale of woven fabrics increased substantially as sales to the local market increased sharply by approximately 67.67%. Gross profit margin dropped by approximately 14.5% mainly due to decrease of subcontracting fee income which has higher profit margin. The selling and distributed costs for three months ended 31 March 2015 increased by one time when compared with the corresponding period in 2014 mainly due to salary, sampling and exhibition fees increased which was in line with the Company's strategies of developing local and overseas markets. Administrative expenses increased sharply by approximately RMB641,000 which represents 93.75% mainly due to staff retirement benefits fund contribution overprovided in previously years and adjustment was made in 2014, except for that, there was no material different in other administrative expenses in both periods. Other income and gains increased by approximately RMB2.83 million for the three months ended 31 March 2015 when compared with the corresponding period in 2014 as there was gains on disposal of old production machinery and bank interests income increased by approximately RMB1.2 million. Except for the finance cost of approximately RMB7.04 million in respect of imputed interest in non-current interest-free loan due to ultimate holding company, there was profit of approximately RMB3.95 million for the three months ended 31 March 2015. The respective loss per share for the three months ended 31 March 2015 and 2014 were approximately RMB0.29 cents and RMB0.35 cents respectively.

Business and operation review

The Directors expect that the economies in Europe may not be recovered soon. Therefore, sales to these markets will continue be shrinking. On the other hand, high labour cost continues to impact the textile industry, therefore, the overall market sentiments were still poor. In order to minimise the market risk and maximise the interests of the shareholders, the Company will continue the strategies by placing sales effort in expanding the domestic market and diversifying the overseas market.

Product research and development

During the three months ended 31 March 2015, the Company continued to innovate and develop new product so as to meet the customers' need and enhance sales orders from customers.

Sales and marketing

During the three months ended 31 March 2015, the Company actively participated in various trade fairs held in PRC and overseas so as to gain exposure in the fabrics market and to popularise the Company's new products. Follow the marketing strategy in 2014, the Company will continue to place the sales effort in the market of the developing countries such as the Middle East and South America etc., and will continue to keep strong position in the domestic market.

Outlook

The Directors expect that the textile industry will continue be impacted by the high labour cost in year 2015 and therefore, the overall market sentiments are poor. In additions, it is expected that the worldwide economies such as the Europe will not be recovered in very soon, hence sales in these markets will continue be shrinking. However, the other local and overseas markets provide another business opportunities. The cash and bank balance of the Company as at 31 March 2015 was approximately RMB180.42 million and under the financial support from Zhejiang Yongli, the Directors expect that the Company has sufficient cash resources to meet its present and future cash flow requirements and is able to face with the challenge in 2015 and the near future.

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

As at 31 March 2015, Ms He Lianfeng, the executive Director and her spouse totally have approximately 0.039% of interest in Zhejiang Yongli, the ultimate holding company of the Company. Zhejiang Yongli is an associated corporation (within the meaning of Part XV of the SFO) by virtue of its being a holding company of the Company.

Save as disclosed above, as at 31 March 2015, none of the Directors, chief executives and supervisors of the Company had any interests 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); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2015, so far as it is known to the Directors, chief executives or supervisors of the Company, the persons (not being a director, chief executive or supervisor of the Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, or 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 (“Domestic Shares”)

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 94.25% 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 RMB 0.10 each of the Company (“H Shares”)

Name of shareholder	Capacity	Number of H Shares held	Approximate percentage of interests in H Shares	Approximate percentage of interests in total registered capital
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,540,000	43.86%	19.61%

Save as disclosed above, as at 31 March 2015, 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.

COMPETING INTERESTS

None of the Directors or the management shareholders (as defined under the GEM Listing Rules) of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Company during the period under review and up to date of this document.

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) in May 2002 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 Audit Committee has reviewed the first quarterly results of the Company for the three months ended 31 March 2015.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors and supervisors, all Directors and supervisors confirmed that they have complied with the required standard and the code of conduct regarding securities transactions by Directors and supervisors adopted by the Company.

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

The Company did not purchase, sell or redeem any of the Company's listed securities during the three months ended 31 March 2015.

By Order of the Board
Zhejiang Yonglong Enterprises Company Limited*
Wang Xinyi
Chairman

Zhejiang, the PRC, 15 May, 2015

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

** For identification purpose only*