



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

2015

** For identification purpose only*

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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 2015,

- revenue of the Company decreased from approximately RMB89.64 million to approximately RMB82.70 million, representing a drop of approximately 7.74% when compared to the corresponding period in 2014;
- net loss for the six months ended 30 June 2015 was approximately RMB3.36 million; and
- the Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015.

UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 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 and six months ended 30 June 2015 as follows:

	Notes	Three months ended 30 June		Six months ended 30 June	
		2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	3	43,760	58,820	82,698	89,638
Cost of sales		(35,985)	(51,077)	(72,570)	(79,143)
Gross profit		7,775	7,743	10,128	10,495
Other income and gains	3	1,816	256	5,266	872
Selling and distribution costs		(416)	(225)	(946)	(489)
Administrative expenses		(2,394)	(1,878)	(3,719)	(2,562)
Finance costs	5	(7,043)	(6,164)	(14,085)	(12,327)
Loss before taxation		(262)	(268)	(3,356)	(4,011)
Income tax expenses	6	-	-	-	-
Loss and total comprehensive expenses for the period	7	<u>(262)</u>	<u>(268)</u>	<u>(3,356)</u>	<u>(4,011)</u>
		RMB	RMB	RMB	RMB
Loss per share					
– basic and diluted	9	<u>(0.02) cents</u>	<u>(0.03) cents</u>	<u>(0.32) cents</u>	<u>(0.38) cents</u>

UNAUDITED STATEMENT OF FINANCIAL POSITION*At 30 June 2015*

		As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	96,735	100,038
Prepaid lease payments		6,738	6,832
		103,473	106,870
CURRENT ASSETS			
Inventories		33,705	27,221
Trade and other receivables	11	38,604	40,284
Prepaid lease payments		188	188
Amount due from a fellow subsidiary	12	64	-
Financial assets at fair value through profit or loss		-	50,000
Bank balances and cash		180,779	127,865
		253,340	245,558
CURRENT LIABILITIES			
Trade and other payables	13	42,534	47,670
Amounts due to fellow subsidiary	14	611	1,819
		43,145	49,489
NET CURRENT ASSETS		210,195	196,069
TOTAL ASSETS LESS CURRENT LIABILITIES		313,668	302,939
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,803	1,803
Amount due to ultimate holding company	15	211,613	197,528
NET ASSETS		100,252	103,608
CAPITAL AND RESERVES			
Share capital		106,350	106,350
Reserves		(6,098)	(2,742)
		100,252	103,608

UNAUDITED CONDENSED CASH FLOW STATEMENT

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in) from operating activities	(314)	4,867
Net cash from (used in) investing activities	53,228	(223)
Net increase in cash and cash equivalents	52,914	4,644
Cash and cash equivalents at beginning of the period	127,865	168,883
Cash and cash equivalents at end of the period, representing bank balances and cash	180,779	173,527

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 <i>RMB '000</i>	Total <i>RMB '000</i>
Balance at 1 January 2014	106,350	69,637	124,950	21,222	12,496	(226,226)	108,429
Total comprehensive expenses for the period	-	-	-	-	-	(4,011)	(4,011)
Balance at 30 June 2014	<u>106,350</u>	<u>69,637</u>	<u>124,950</u>	<u>21,222</u>	<u>12,496</u>	<u>(230,237)</u>	<u>104,418</u>
Balance at 1 January 2015	106,350	69,637	124,950	23,715	12,496	(233,540)	103,608
Total comprehensive expenses for the period	-	-	-	-	-	(3,356)	(3,356)
Balance at 30 June 2015	<u>106,350</u>	<u>69,637</u>	<u>124,950</u>	<u>23,715</u>	<u>12,496</u>	<u>(236,896)</u>	<u>100,252</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 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 30 June 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 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 2014. The unaudited results are prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA and disclosure requirements 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 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.

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 materials 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 30 June		Six months ended 30 June	
	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Revenue				
Sales of woven fabrics	39,123	51,286	75,058	77,246
Subcontracting fee income	4,637	7,534	7,640	12,392
	<u>43,760</u>	<u>58,820</u>	<u>82,698</u>	<u>89,638</u>
Other income and gains				
Gain on disposal of old production machinery	-	-	1,981	-
Government subsidies (<i>Note</i>)	1,234	-	1,234	-
Interest income	290	6	1,487	16
Sundry income	21	-	252	106
Sales of scrap materials	271	250	312	750
	<u>1,816</u>	<u>256</u>	<u>5,266</u>	<u>872</u>

Note:

For the six months ended 30 June 2015, government subsidies of approximately RMB1,234,000 represents approximately RMB40,000 of tax waived for disposal of old production machinery during the period ended 30 June 2015; and approximately RMB44,000 and RMB1,150,000 awarded to the Company during the period ended 30 June 2015 for attending trade exhibition and disposal of low productivity machinery respectively. There is no unfulfilled condition or contingencies relating to these subsidies.

4. SEGMENTAL INFORMATION

Information reported to the Board 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 revenues and results

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

	For the six months ended 30 June					
	Woven fabric		Subcontracting services		Total	
	2015	2014	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	<u>75,058</u>	<u>77,246</u>	<u>7,640</u>	<u>12,392</u>	<u>82,698</u>	<u>89,638</u>
Segment results	<u>4,826</u>	<u>6,682</u>	<u>1,602</u>	<u>1,780</u>	<u>6,428</u>	<u>8,462</u>
Unallocated corporate income (expenses)						
- gain on disposal of old production machinery					1,981	-
- government subsidies					1,234	-
- interest income					1,487	16
- sundry income					248	106
- others					(649)	(268)
- finance costs					(14,085)	(12,327)
Loss before taxation					<u>(3,356)</u>	<u>(4,011)</u>

The accounting policies of the operating 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 2014. Segment results represents the results of each segment without allocation of gain on disposal of old production machinery, government subsidies, interest income, certain sundry income, 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. Segment information about these geographical markets is presented below:

	Six months ended			
	30 June 2015		30 June 2014	
	Revenue <i>RMB'000</i>	Results <i>RMB'000</i>	Revenue <i>RMB'000</i>	Result <i>RMB'000</i>
PRC (country of domicile)	67,854	4,038	53,567	7,137
Europe	11,083	1,909	-	-
The Middle East	-	-	19,146	(119)
Other overseas	3,761	481	16,925	1,444
	<u>82,698</u>	<u>6,428</u>	<u>89,638</u>	8,462
Unallocated other corporate income		4,950		122
Unallocated corporate expenses		(649)		(268)
Financial cost		<u>(14,085)</u>		<u>(12,327)</u>
Loss before taxation		<u>(3,356)</u>		<u>(4,011)</u>

5. FINANCE COSTS

	Three months ended		Six months ended	
	30 June		30 June	
	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Imputed interest on non-current interest-free loan due to ultimate holding company	<u>7,043</u>	<u>6,164</u>	<u>14,085</u>	<u>12,327</u>

6. 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 30 June 2015 and 2014 since the assessable profit was wholly absorbed by the tax losses brought forward.

7. LOSS FOR THE PERIOD

	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the period has been arrived at after charging:				
Depreciation and amortisation	<u>1,818</u>	<u>1,954</u>	<u>3,636</u>	<u>3,908</u>

8. DIVIDEND PAID

The Directors do not recommend the payment of an interim dividend for the three and six months ended 30 June 2015 and 2014.

9. LOSS PER SHARE

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

	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Loss for the purpose of calculating basic loss per share	<u>(262)</u>	<u>(268)</u>	<u>(3,356)</u>	<u>(4,011)</u>
Number of shares for the purpose of basic loss per share (<i>Note</i>)	<u>1,063,500,000</u>	1,063,500,000	<u>1,063,500,000</u>	1,063,500,000
Weighted average number of shares for the purpose of calculating 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 loss per share have been presented for the three months and six months ended 30 June 2015 and 2014, 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 2015, the Company spent approximately RMB240,000 (31 December 2014: RMB407,000) for additions of plant and machinery.

11. TRADE AND OTHER RECEIVABLES

The Company allows an average credit period of 60 days to 180 days to its trade customers. The aged analysis of trade receivables, net of allowance for impairment of trade receivables and presented base on invoice date which approximates the respective recognition dates, at the end of the reporting period is as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
0 – 60 days	29,845	27,844
61 – 90 days	3,347	210
91 – 120 days	98	1,548
121 – 365 days	3,954	7,940
Over 365 days	126	-
	<u>37,370</u>	<u>37,542</u>
Prepayments, deposits and other receivables	1,234	2,742
	<u>38,604</u>	<u>40,284</u>
Total trade and other receivables	<u>38,604</u>	<u>40,284</u>

12. AMOUNT DUE FROM A FELLOW SUBSIDIARY

Details of amount due from a fellow subsidiary is as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Zhejiang Yongli Warp Knitting (<i>Note</i>)	<u>64</u>	<u>-</u>

Note:

At 30 June 2015, the amount of approximately RMB64,000 (2004: Nil) represents balance due by 浙江永利經編股份有限公司 (Zhejiang Yongli Warp Knitting Co., Ltd.*) (“Zhejiang Yongli Warp Knitting”), a fellow subsidiary of the Company. The amount is interest-free, unsecured and repayable on demand. The maximum balance outstanding during the period amounted to approximately RMB64,000 (31 December 2014: Nil).

13. TRADE AND OTHER PAYABLES

	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade payables	27,789	29,736
Receipt in advance	7,480	4,605
Other tax payables	4,151	6,561
Accrued expenses and other payables	3,114	6,768
	<u>42,534</u>	<u>47,670</u>

- (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:

	30 June 2015 RMB'000	31 December 2014 RMB'000
0 – 60 days	16,471	17,890
61 – 90 days	2,144	1,419
91 – 365 days	4,706	5,473
Over 365 days	4,468	4,954
	<u>27,789</u>	<u>29,736</u>

14. AMOUNTS DUE TO FELLOW SUBSIDIARIES

Amounts due to 浙江永利熱電有限公司 (Zhejiang Yongli Thermal Electricity Company Limited (“Zhejiang Yongli Thermal Electricity”)) and 浙江紹興永利印染有限公司 (Zhejiang Shaoxing Yongli Printing & Dyeing Co., Limited*) (“Zhejiang Yongli Printing & Dyeing”), fellow subsidiaries of the Company are interest-free, unsecured and repayable on demand.

15. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The Company and 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 2014 and 30 June 2015 was stated at discounted present value with an imputed interest rate of 14.3% per annum.

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

	30 June 2015	31 December 2014
	RMB'000	RMB'000
At the beginning of the period	197,528	172,875
Imputed interest charges to profit or loss (note 5)	14,085	24,653
	<u>211,613</u>	<u>197,528</u>

16. CONNECTED AND RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in this document, the Company had the following related party transactions and continuing connected party transactions during the periods:

- (a) The balances with fellow subsidiaries and ultimate holding company are set out in Notes 12, 14 and 15 respectively.
- (b) During the periods, the Company had the following significant transactions with the related parties:

Name of related company	Nature	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Zhejiang Yongli Thermal Electricity (<i>Note 1</i>)	Purchase of electricity and steam for usage in the production	2,167	3,796
Zhejiang Yongli Printing & Dyeing	Purchase of dyeing services for usage in the production	57	70
Zhejiang Yongli Warp Knitting	Sales of woven fabrics	55	-

Note:

- The transactions of purchase of electricity and steam for the six months ended 30 June 2014 were conducted in accordance with the terms of contract dated 30 December 2011 and were in the ordinary course of business of the Company.
- The aforesaid transactions were conducted in accordance with the term as agreed with both parties 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 2015, the Company recorded a revenue of approximately RMB82.70 million, represents a drop of approximately 7.74% when compared with the same period in 2014. It was mainly due to significant decrease in subcontracting fee income of approximately 38.35% as the Company concentrated in the business of manufacturing and sales of woven fabrics. Compared with the corresponding period in 2014, revenue from the local market increased by approximately 21.06% and export to Europe also increased by approximately 100% as the Company re-entered the European market. Gross profit dropped by approximately 3.50% when compared with the same period in 2014 mainly due to decrease of subcontracting fee income. The gross profit margin increased from approximately 11.71% to 12.25% was the result of effective cost control and sales of higher value-added products which in return have better profit margin. The selling and distributed costs for the six months ended 30 June 2015 increased by approximately 93.41% when compared with the corresponding period in 2014 mainly due to salary, sampling and exhibition fees increased in line with the Company's strategies of developing local and overseas markets. Administrative expenses increased sharply by approximately RMB1,157,000, represents 45.15% 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 changes in other administrative expenses in both periods. Other income and gains increased by approximately RMB4.39 million for the six months ended 30 June 2015 when compared with the corresponding period in 2014 as there was significant gains on disposal of old production machinery, government subsidies and bank interests income during the periods in 2015. Except for the finance cost of approximately RMB14.09 million in respect of imputed interest in non-current interest-free loan due to ultimate holding company, there was profit of approximately RMB10.73 million for the six months ended 30 June 2015. The respective loss per share for the six months ended 30 June 2015 and 2014 were approximately RMB0.32 cents and RMB0.38 cents respectively.

Business and operation review

The Company re-entered the European market during the six months ended 30 June 2015 as it's one of the market that used to demand for high value-added products and willing to pay for better price. During the six months ended 30 June 2015, sales of woven fabrics to the domestic markets increased by approximately 46.24% mainly due to increase of local demand. The Directors expect that the global economic environment is expected to recover gradually in the next few years, the Company will continue to place efforts in expanding the domestic market and diversifying the overseas market. In addition, over time, China has shifted from low-end products to focus on high value-added products. As such, the Directors see greater potential in the luxury fashion wear market in the PRC and overseas and expect going forward, the Company will concentrated in production of high value-added products.

Product research and development

During the six months ended 30 June 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 six months ended 30 June 2015, the Company actively participated in various trade fairs held in PRC and overseas so as to gain exposure in the fabrics market and to popularise the Company's new products.

OUTLOOK

The Directors expect that the textile industry will continue be impacted by the high labour cost in year 2015. For the purpose of increasing the production output and to meet the future market demands, the Company intends to replace production machines with lower efficiencies by end of 2015 with new and advanced production machines. In addition, in order to (i) enhance a stable supply of electricity and steam for the production of the Company, (ii) insulate the Company from the potential increase and fluctuation in the market of electricity and steam, and (iii) enable to the Company to stay competitive in the fabric industry, the Company and Zhejiang Yongli Thermal Electricity entered into another electricity and steam supply agreement on 11 May 2015 ("2015 Agreement"). The 2015 Agreement was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 31 July 2015.

In recent years, the increase of household income in China results in the boost in domestic consumption of consumer goods. Along with the increase in consumption power, the end-customers become more quality and price sensitive, in particular with respect to apparel. In addition, the global economic environment is expected to recover gradually in the next few years. During the six months ended 30 June 2015, the Company re-entered the European market where high value-added products are demanded and in return better price is willing to pay. As such, the Directors see greater potential in the luxury fashion wear market in the PRC and overseas. The Company will continue to place sales efforts in expanding the domestic markets and diversifying and exploring other overseas markets. Also, the Company will place resources in production of high value-added products. The cash and bank balance of the Company as at 30 June 2015 was approximately RMB180.78 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During six months ended 30 June 2015, the Company financed its operations mainly by internally generated cash and financial support from ultimate holding company, Zhejiang Yongli.

As at 30 June 2015, the Company's current assets and net current assets were approximately RMB253.34 million (31 December 2014: approximately RMB245.56 million) and approximately RMB100.25 million (31 December 2014: approximately RMB103.61 million) respectively. The liquidity ratio of the Company, represented by the ratio of current assets over current liabilities, was approximately 5.87 (31 December 2014: 4.96).

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

As at 30 June 2015, the Company had no commitments (31 December 2014: Nil) for capital expenditure and significant investments held (31 December 2014: Nil).

CONTINGENT LIABILITIES

As at 30 June 2015, the Company did not have any significant contingent liabilities (31 December 2014: Nil).

CHARGES ON COMPANY ASSETS

As at 30 June 2015, the Company has no charges on company assets (31 December 2014: Nil).

MATERIAL ACQUISITIONS/DISPOSALS

During the six months ended 30 June 2015, 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 2015, the Company had 485 employees (31 December 2014: 557), comprising 4 (31 December 2014: 4) in research and development, 16 (31 December 2014: 16) in sales and marketing, 408 (31 December 2014: 478) in production, 45 (31 December 2014: 47) in quality control, 6 (31 December 2014: 6) in management, and 6 (31 December 2014: 6) in finance and administration. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Discretionary bonuses on individual performance will be paid to employees as recognition of and reward for their contribution. Other benefits include contributions to retirement scheme and medical scheme.

FOREIGN EXCHANGE EXPOSURE

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

DIRECTORS’ CHIEF EXECUTIVES’ AND SUPERVISORS’ INTERESTS IN SHARES OF THE COMPANY

As at 30 June 2015, the interests and short positions of the Directors, chief executives or supervisors of the Company in the shares, underlying shares and debentures of the Company or any of 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 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange are as follows:

As at 30 June 2015, Ms. He Lianfeng, an executive Director and her spouse are interested in approximately 0.039% in Zhejiang Yongli, the ultimate holding company of the Company, of which, Ms. He Lianfeng and her spouse have contributed RMB43,500 and RMB190,000, representing approximately 0.007% and 0.032% of the total registered capital of Zhejiang Yongli, respectively. Zhejiang Yongli is an associated corporation (within the meaning of Part XV of the SFO) by virtue of being a holding company of the Company.

Save as disclosed above, as at 30 June 2015, none of the Directors, chief executives or supervisors of the Company had interest or short position 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 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2015, so far as it was known to the Directors, chief executives and supervisors of the Company, the interests and short positions of the persons other than the interests of the Directors, chief executives or supervisors of the Company in the shares and underlying shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to section 336 of the SFO, or otherwise notified to the Company are 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 94.25% equity interests 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.
3. On 10 July 2015, each of Mr. Sun Jian Feng (“Mr. Sun”) and Mr. Xia Xue Nian (“Mr. Xia”) entered into a share transfer agreement (“Share Transfer Agreement”) with Zhejiang Yongli individually in order to dispose of 5,880,000 Domestic Shares (representing approximately 0.55% of the existing issued share capital of the Company) currently held by each of Mr. Sun and Mr. Xia respectively to Zhejiang Yongli in the consideration of RMB1,176,000 (equivalent to approximately HK\$1,493,520) of each of the transaction, representing RMB0.20 (equivalent to approximately HK\$0.25) per share. The two transactions represent in aggregate of 11,760,000 Domestic Shares which represents approximately 1.10% of the existing issued share capital of the Company. The Share Transfer Agreements entered into between Zhejiang Yongli with each of Mr. Sun and Mr. Xia individually will be effective and completed after the Company has completed the registration with the relevant government department in the PRC. As a result of the acquisition, Zhejiang Yongli will hold 576,240,000 Domestic Shares in the Company, representing approximately 54.18% of the issued share capital of the Company. Details were disclosed in the announcement published by the Company on 10 July 2015.

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 2015	Approximate percentage of interests in total issued share capital 30 June 2015
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,540,000	43.86%	19.60%

Save as disclosed above, at 30 June 2015, so far as was known to the Directors, chief executives and supervisors of the Company, no other person (other than the Directors, chief executives or supervisors of the Company) 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.

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, Ms. Zhang Li and Mr. Wang Weisong. 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 2015.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2015, 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 2015.

By Order of the Board
Zhejiang Yonglong Enterprises Co., Ltd.
Wang Xinyi
Chairman

Zhejiang, the PRC, 10 August 2015

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

** For identification purpose only*