



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

**2016**

*\* 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 2016,*

- Revenue of the Company decreased from approximately RMB82.70 million to approximately RMB63.00 million, representing a drop of approximately 23.82% when compared to the corresponding period in 2015;
- Net loss for the six months ended 30 June 2016 was approximately RMB9.51 million; and
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016.

**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2016*

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 2016 as follows:

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	3	<b>35,325</b>	43,760	<b>62,999</b>	82,698
Cost of sales		<b>(32,155)</b>	(35,985)	<b>(58,623)</b>	(72,570)
Gross profit		<b>3,170</b>	7,775	<b>4,376</b>	10,128
Other income and gains	3	<b>554</b>	1,816	<b>850</b>	5,266
Selling and distribution costs		<b>(596)</b>	(416)	<b>(1,348)</b>	(946)
Administrative expenses		<b>(2,993)</b>	(2,394)	<b>(4,068)</b>	(3,719)
Finance costs	5	<b>(4,660)</b>	(7,043)	<b>(9,319)</b>	(14,085)
Loss before taxation		<b>(4,525)</b>	(262)	<b>(9,509)</b>	(3,356)
Income tax expense	6	-	-	-	-
Loss and total comprehensive expense for the period	7	<b><u>(4,525)</u></b>	<u>(262)</u>	<b><u>(9,509)</u></b>	<u>(3,356)</u>
		<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
Loss per share – basic and diluted	9	<b><u>(0.43) cents</u></b>	<u>(0.02) cents</u>	<b><u>(0.89) cents</u></b>	<u>(0.32) cents</u>

**UNAUDITED STATEMENT OF FINANCIAL POSITION***At 30 June 2016*

		<b>As at 30 June 2016 RMB'000 (Unaudited)</b>	As at 31 December 2015 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	<b>101,299</b>	104,799
Prepaid lease payments		<b>6,550</b>	6,644
		<b>107,849</b>	111,443
<b>CURRENT ASSETS</b>			
Inventories		<b>43,350</b>	26,836
Trade and other receivables	11	<b>44,848</b>	49,894
Prepaid lease payments		<b>188</b>	188
Bank balances and cash		<b>193,287</b>	195,260
		<b>281,673</b>	272,178
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	<b>56,307</b>	50,373
Amounts due to fellow subsidiaries	13	<b>2,615</b>	2,458
Amount due to ultimate holding company	14	<b>5,800</b>	5,800
		<b>64,722</b>	58,631
<b>NET CURRENT ASSETS</b>		<b>216,951</b>	213,547
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>324,800</b>	324,990
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>9,978</b>	9,978
Amount due to ultimate holding company	14	<b>229,216</b>	219,897
		<b>239,194</b>	229,875
<b>NET ASSETS</b>		<b>85,606</b>	95,115
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>106,350</b>	106,350
Reserves		<b>(20,744)</b>	(11,235)
		<b>85,606</b>	95,115

**UNAUDITED CONDENSED CASH FLOW STATEMENT**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Net cash used in operating activities	<b>(1,943)</b>	(314)
Net cash (used in) from investing activities	<b>(30)</b>	53,228
Net (decrease) increase in cash and cash equivalents	<b>(1,973)</b>	52,914
Cash and cash equivalents at beginning of the period	<b>195,260</b>	127,865
Cash and cash equivalents at end of the period, representing bank balances and cash	<b>193,287</b>	180,779

## 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 (Note b)	Statutory surplus reserve RMB '000 (Note c)	Accumulated losses RMB '000	Total RMB '000
Balance at 1 January 2015	106,350	69,637	124,950	23,715	12,496	(233,540)	103,608
Total comprehensive expense 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>
Balance at 1 January 2016	106,350	69,637	124,950	32,401	12,496	(250,719)	95,115
Total comprehensive expense for the period	-	-	-	-	-	(9,509)	(9,509)
Balance at 30 June 2016	<u>106,350</u>	<u>69,637</u>	<u>124,950</u>	<u>32,401</u>	<u>12,496</u>	<u>(260,228)</u>	<u>85,606</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 2016 and 2015, 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 2015. 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 <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective date not yet been determined.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that application of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. Regarding the Company's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that application of HKFRS 15 in the future may have significant impact on amounts reported and disclosures made in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of that effect of HKFRS 15 until the Company performs a detailed review.

Detail description of HKFRS 9 (2014) and HKFRS 15 were disclosed in note 2 to the notes to the financial statement of the annual report for the year ended 31 December 2015.

The directors of the Company anticipate that, except as described above, the 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		Six months ended	
	30 June		30 June	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>				
Sales of woven fabrics	<b>33,930</b>	39,123	<b>59,753</b>	75,058
Subcontracting fee income	<b>1,395</b>	4,637	<b>3,246</b>	7,640
	<b><u>35,325</u></b>	<u>43,760</u>	<b><u>62,999</u></b>	<u>82,698</u>
<b>Other income and gains</b>				
Gain on disposal of old production machinery	-	-	-	1,981
Government subsidies ( <i>Note</i> )	-	1,234	-	1,234
Interest income	<b>19</b>	290	<b>51</b>	1,487
Sundry income	<b>1</b>	21	<b>102</b>	252
Sales of scrap materials	<b>534</b>	271	<b>697</b>	312
	<b><u>554</u></b>	<u>1,816</u>	<b><u>850</u></b>	<u>5,266</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	
	2016	2015	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	<u>59,753</u>	<u>75,058</u>	<u>3,246</u>	<u>7,640</u>	<u>62,999</u>	<u>82,698</u>
Segment profit	<u>158</u>	<u>4,826</u>	<u>255</u>	<u>1,602</u>	<u>413</u>	<u>6,428</u>
Unallocated corporate income					139	4,950
Unallocated corporate expenses					(742)	(649)
Finance costs					<u>(9,319)</u>	<u>(14,085)</u>
Loss before taxation					<u>(9,509)</u>	<u>(3,356)</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 2015. Segment profit represents the profit earned by 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 are as follows:

Revenue from external customers:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
PRC (country of domicile)	49,303	67,854
Europe	6,760	11,083
The Middle East	332	-
Other overseas	6,604	3,761
	<u>62,999</u>	<u>82,698</u>

**5. FINANCE COSTS**

	Three months ended		Six months ended	
	30 June 2016 RMB'000	2015 RMB'000	30 June 2016 RMB'000	2015 RMB'000
Imputed interest on non-current interest-free loan due to ultimate holding company	<u>4,660</u>	<u>7,043</u>	<u>9,319</u>	<u>14,085</u>

## 6. INCOME TAX EXPENSE

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 2016 and 2015.

## 7. LOSS FOR THE PERIOD

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<i><b>RMB'000</b></i>	<i>RMB'000</i>	<i><b>RMB'000</b></i>	<i>RMB'000</i>
Loss for the period has been arrived at after charging:				
Depreciation and amortisation	<u><b>1,838</b></u>	<u>1,818</u>	<u><b>3,675</b></u>	<u>3,636</u>

## 8. DIVIDEND PAID

The Directors do not recommend the payment of an interim dividend for the three and six months ended 30 June 2016 and 2015.

## 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	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Loss for the purpose of calculating basic loss per share	<u>4,525</u>	<u>262</u>	<u>9,509</u>	<u>3,356</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 2016 and 2015, 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 2016, the Company spent approximately RMB5,000 (31 December 2015: approximately RMB114,000) for additions of office and factory equipment and approximately RMB76,000 (31 December 2015: Nil) for additions of construction in progress.

**11. TRADE AND OTHER RECEIVABLES**

The Company allows an average credit period of 60 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:

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
0 – 60 days	27,472	40,521
61 – 90 days	2,044	537
91 – 120 days	1,615	1,882
121 – 365 days	12,243	3,987
Over 365 days	<u>30</u>	<u>710</u>
	<b>43,404</b>	47,637
Other receivables		
Prepayments to suppliers	1,200	1,217
Other prepayments	-	731
Other receivables	<u>244</u>	<u>309</u>
	<b>1,444</b>	2,257
Total trade and other receivables	<u><b>44,848</b></u>	<u>49,894</u>

**12. TRADE AND OTHER PAYABLES**

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Trade payables	30,520	28,755
Receipt in advance	15,323	7,369
Other tax payables	3,584	7,626
Accrued expenses and other payables	<u>6,880</u>	<u>6,623</u>
	<b>56,307</b>	50,373

- (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 2016 RMB'000</b>	31 December 2015 RMB'000
0 – 60 days	<b>18,176</b>	18,457
61 – 90 days	<b>1,206</b>	1,363
91 – 365 days	<b>7,793</b>	4,182
Over 365 days	<b>3,345</b>	4,753
	<b><u>30,520</u></b>	<u>28,755</u>

### 13. AMOUNTS DUE TO FELLOW SUBSIDIARIES

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

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
浙江永利熱電有限公司 (Zhejiang Yongli Thermal Electricity Company Limited*) ("Zhejiang Yongli Thermal Electricity")	<b>2,564</b>	2,407
浙江紹興永利印染有限公司 (Zhejiang Shaoxing Yongli Printing & Dyeing Co., Limited*) ("Zhejiang Yongli Printing & Dyeing")	<b>51</b>	51
	<b><u>2,615</u></b>	<u>2,458</u>

During the period ended 30 June 2016 and the year ended 31 December 2015, Zhejiang Yongli Thermal Electricity and Zhejiang Yongli Printing & Dyeing were subsidiaries of Zhejiang Yongli, the ultimate holding company of the Company.

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

Analysed for reporting purposes as:

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Current liability	<u><b>5,800</b></u>	<u>5,800</u>
Non-current liability	<u><b>229,216</b></u>	<u>219,897</u>

On 13 September 2011, the Company and Zhejiang Yongli signed a debt restructuring agreement. Pursuant to the debt restructuring agreement, the Company shall owe the sum of approximately RMB239,677,000 (before the effect of discounting) to Zhejiang Yongli, and Zhejiang Yongli shall permanently abandon any claim against the Company for the repayment of debt amounting to approximately RMB187,090,000, which will be compensated by the local government by way of government subsidies.

The amount is unsecured, interest-free and will not be repayable until 12 September 2016 in which the amount to be repaid shall not exceed 50% of the operating cash flow of the year on an annual basis until the full repayment of the debt. The carrying value of the amount due to ultimate holding company as at 30 June 2016 and 31 December 2015 was stated at discounted present value with an imputed interest rate of 14.35% per annum.

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

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
At the beginning of the period	<b>225,697</b>	197,528
Imputed interest charged to profit or loss ( <i>note 5</i> )	<u><b>9,319</b></u>	<u>28,169</u>
At the end of the period	<u><b>235,016</b></u>	<u>225,697</u>

## 15. 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 transaction during the periods:

- (a) The balances with fellow subsidiaries and ultimate holding company are set out in notes 13 and 14 respectively.
- (b) During the six months ended 30 June 2016, the Company had paid approximately RMB3,093,000 (2015: approximately RMB2,167,000) to Zhejiang Yongli Thermal Electricity for electricity and steam provided to the Company for the usage in the production.

The aforesaid transactions were conducted in accordance with the term of contract dated 11 May 2015 and were in the ordinary course of business of the Company.

- (c) During the six months ended 30 June 2016, the Company had paid approximately RMB11,000 (2015: approximately RMB57,000) to Zhejiang Yongli Printing & Dyeing for providing dyeing services to the Company.

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

- (d) During the six months ended 30 June 2015, the Company had sold woven fabrics to 浙江永利經編股份有限公司 (Zhejiang Yongli Warp Knitting Co., Ltd. \*), a fellow subsidiary of the Company, approximately amounting to RMB55,000.

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



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial review**

For the six months ended 30 June 2016, the Company recorded a revenue of approximately RMB63 million, represents a decrease of approximately 23.82% when compared with the same period in 2015. It was mainly due to dropping of revenue from both local and overseas markets as there was slight dropping of local demand and keen competition in overseas markets. Gross profit dropped by approximately 56.79% mainly due to decrease of revenue from local markets and increase of cost of raw materials and wages. The selling and distributed costs for the six months ended 30 June 2016 increased by approximately 42.49% when compared with the corresponding period in 2015 mainly due to increase of commission expense for development of new markets during the period. Administrative expenses increased by approximately 9.38% mainly due to increase of staff salary and research and development expenses. During the six months ended 30 June 2016, other income and gains decreased by approximately RMB4.42 million as there was gains on disposal of old production machinery, government subsidy which was awarded due to disposal of low productivity machinery and significant interest income in 2015. Finance cost of approximately RMB9.32 million for the six months ended 30 June 2016 represents imputed interest in non-current interest-free loan due to ultimate holding company. The respective loss per share for the six months ended 30 June 2016 and 2015 were approximately RMB0.89 cents and RMB0.32 cents respectively.

### **Business and operation review**

During the six months ended 30 June 2016, export sales to Europe decreased by approximately 39.01%, while on the other hand, export sales to other overseas countries increased by approximately 75.59%. The new developed overseas customers mainly located in America, Asia and Africa. The local market dropped by approximately 27.34% as most of the local customers are undergoing structure reorganisation and industry consolidation. The garment and textile industry is a labour intensive industry. Over the years, high labour cost being one of the major problem of the industry. In additions, since 2012, the working age population has been decreasing and most of the younger workers are not willing to join the industry. Therefore, employment of sufficient workers being another problem of the industry. In view of these problems, the fellow textile manufacturers and garment manufacturers are undergoing structure reorganisation and industry consolidation. The industry has been changed from concentration in mass production to quality and efficient production.

### **Product research and development**

During the six months ended 30 June 2016, the Company continued to innovate and develop new product so as to meet the customers' need and enhance sales orders from customers.

## **Sales and marketing**

During the six months ended 30 June 2016, the Company actively participated in various trade fairs held in PRC and overseas so as to gain exposure in the fabrics market and to popularise the Company's new products.

## **OUTLOOK**

The Directors expect that the textile industry will continue to be impacted by the high labour cost in year 2016. The increase of household income in China in recent years 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. Therefore, the fellow textile manufacturers and garment manufacturers are undergoing structure reorganisation and industry consolidation. The industry has been changed from concentration in mass production to quality and efficient production. The Company is also planning to replace in high technology and efficiency production machinery and will place more efforts in product innovation. In addition, the global economic environment is expected to recover gradually in the next few years. Along with opening up of new markets and re-entering of the European market, the Directors see greater potential in the luxury fashion wear market in the PRC and overseas. The Company will place resources in production of high value-added products and continue the strategies of developing the domestic markets and overseas markets. The cash and bank balance of the Company as at 30 June 2016 was approximately RMB193.29 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 2016 and the near future.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

During six months ended 30 June 2016, the Company financed its operations mainly by internally generated cash and financial support from ultimate holding company, Zhejiang Yongli.

As at 30 June 2016, the Company's current assets and net current assets were approximately RMB281.67 million (31 December 2015: approximately RMB272.18 million) and approximately RMB216.95 million (31 December 2015: approximately RMB213.55 million) respectively. The liquidity ratio of the Company, represented by the ratio of current assets over current liabilities, was approximately 4.35 (31 December 2015: 4.64).

## **CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS**

As at 30 June 2016, the Company had no commitments (31 December 2015: Nil) for capital expenditure and significant investments held (31 December 2015: Nil).

## **CONTINGENT LIABILITIES**

As at 30 June 2016, the Company did not have any significant contingent liabilities (31 December 2015: Nil).

## **CHARGES ON COMPANY ASSETS**

As at 30 June 2016, the Company has no charges on company assets (31 December 2015: Nil).

## **MATERIAL ACQUISITIONS/DISPOSALS**

During the six months ended 30 June 2016, 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 2016, the Company had 454 employees (31 December 2015: 464), comprising 3 (31 December 2015: 3) in research and development, 15 (31 December 2015: 15) in sales and marketing, 381 (31 December 2015: 390) in production, 42 (31 December 2015: 42) in quality control, 6 (31 December 2015: 6) in management, and 7 (31 December 2015: 8) in finance and administration. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Discretionary bonuses on individual performance will be paid to employees as recognition of and reward for their contribution. Other benefits include contributions to retirement scheme and medical scheme.

## **FOREIGN EXCHANGE EXPOSURE**

The Company operates in the PRC with most of the transactions denominated and settled in 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 2016, Ms. He Lianfeng, an 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 being a holding company of the Company.

Save as disclosed above, as at 30 June 2016, none of the Directors, chief executives or supervisors of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are require (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 2016, 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”)*

<b>Name of shareholders</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 total registered capital</b>
Zhejiang Yongli	Beneficial owner	588,000,000	100%	55.29%
Mr. Zhou Yongli	Interest in controlled corporation <i>(Note 1)</i>	588,000,000	100%	55.29%
Ms. Xia Wanmei	Interest of spouse <i>(Note 2)</i>	588,000,000	100%	55.29%

*Notes:*

1. Zhejiang Yongli directly held 588,000,000 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 588,000,000 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 588,000,000 Domestic Shares held by Zhejiang Yongli.

*H shares of RMB0.1 each of the Company (“H Shares”)*

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of H Shares held</b>	<b>Approximate percentage of interests in H Shares in issue at 30 June 2016</b>	<b>Approximate percentage of interests in total issued share capital 30 June 2016</b>
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,540,000	43.86%	19.61%

Saved as disclosed above, at 30 June 2016, 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 2016.

## **CORPORATE GOVERNANCE PRACTICES**

During the six months ended 30 June 2016, 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 2016.

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

Zhejiang, the PRC, 12 August, 2016

*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*