永隆實業
ENTERPRISES
Yonglong

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

ANNUAL 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.

** English name is for identification only*

Executive directors
Mr. Jiang Ning *(Chairman)*
Mr. He Weifeng *(Deputy Chairman)*
Ms. He Liangfeng *(Chief Executive Officer)*
Mr. Hu Hua Jun

Non-executive directors
Mr. Chen Dong Chun
Mr. Tang Guo Ping

Independent non-executive directors
Mr. Xu Wei Dong
Ms. Zhang Li
Mr. Wang Weisong

Supervisors
Ms. Wang Ai Yu *(Chairman)*
Ms. Tong Jian Juan
Mr. Chen Wei

Independent supervisors
Mr. Pan Xing Biao
Mr. Hu Jin Huan

Company secretary and qualified accountant
Ms. Chen Yen Yung – *CPA (Aust.), CPA*

Audit committee
Mr. Xu Wei Dong *(Chairman)*
Ms. Zhang Li
Mr. Wang Weisong

Remuneration committee
Ms. Zhang Li *(Chairman)*
Mr. Mr. Xu Wei Dong
Mr. Wang Weisong
Mr. He Weifeng

Nomination committee
Mr. Wang Weisong *(Chairman)*
Mr. Xu Wei Dong
Ms. Zhang Li
Ms. He Lianfeng

Legal address
Yangxun Qiao Town
Keqiao Qu, Shaoxing,
Zhejiang Province, PRC

Head office and principal place of business in Hong Kong
Suites 3306-12, 33/F, Shui On Centre
6-8 Harbour Road, Wanchai, Hong Kong

Compliance officer
Mr. Hu Hua Jun

Authorised representatives
Ms Chen Yen Yung
Mr. Hu Hua Jun

Principal banker
China Construction Bank Corporation
Shaoxing Yanxun Qiao Branch
586 Yang Jiangxi Lu, Keqiao Qu,
Shaoxing City, Zhejiang
Province, PRC

International auditor
SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

Domestic auditor
浙江中興會計師事務所有限公司
(Zhejiang Zhongxing CPA Company Limited*)
Block 2, No. 36
Chengxi Shuxia Wang Road, Shaoxing City
Zhejiang Province, PRC

H Share share registrar and transfer office
Union Registrars Limited
Suites 3301-04, 33/F.,
Two Chinachem Exchange Square, 338 King's Road,
North Point, Hong Kong

Legal adviser
As to Hong Kong law
Tung & Co
Office 1601, 16/F., LHT Tower
31 Queen's Road, Central, Hong Kong

Stock code
8211

For the year ended 31 December 2016,

- Revenue of the Company decreased from approximately RMB191.97 million in year 2015 to approximately RMB165.79 million in year 2016, representing a decrease of approximately 13.64% when compared to the year ended 31 December 2015;

- loss for the year was approximately RMB7.21 million; and

- the Directors do not recommend the payment of a final dividend for the year ended 31 December 2016.

On behalf of 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"), I am pleased to present to our shareholders the annual report of the Company for the year ended 31 December 2016.

FINANCIAL PERFORMANCE

For the year ended 31 December 2016, the Company recorded a revenue of approximately RMB165.79 million, represents a decrease of approximately 13.64% when compared with the same period in 2015. It was mainly due to significant decrease in subcontracting fee income of approximately 53.13% as the Company has been concentrated in the business of manufacturing of woven fabrics. In additions, there was also a slight dropping in sales of woven fabrics from local market due to decrease of local demand. The gross profit margin decreased from approximately 11.96% to approximately 10.96% which was mainly due to the significant decrease in subcontracting fee income and the keen competition that led to slight adjustment of selling price.

The selling and distributed costs for the year ended 31 December 2016 increased by approximately 5.96% when compared with the corresponding period in 2015 was in line with increase of export sales. Administrative expenses increased by approximately 7.58% mainly due increase of staff salary, entertainment expenses and loss on disposal of scrap materials during the year ended 31 December 2016.

Other revenue decreased by approximately RMB1.93 million which represents approximately 28.31% when compared with the corresponding period in 2015 mainly due to decrease of government subsidies during the year ended 31 December 2016. Except for the finance cost of approximately RMB13.98 million in respect of imputed interest in non-current interest-free loan due to ultimate holding company, there was net profit before finance cost and before taxation of approximately RMB8.49 million for the year ended 31 December 2016. The respective loss per share for the years ended 31 December 2016 and 2015 were approximately RMB0.68 cents and RMB1.62 cents respectively.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016.

OUR STRATEGIES GOING FORWARD

Looking back 2016, the fellow textile manufacturers were experienced another harsh environment. Following the 2008 financial crisis, the worldwide economy once again entered into a depth of adjustment period. The global economic downturn, the rise of textile manufacturers in the neighboring countries, a serious excess of production capacity led to keen competition and coupled with rising of labour costs, the fellow textile manufacturers had to struggle for survive. After assessments of the situation in 2016, the Company underwent a series of actions to overcome the problems in 2016. Those activities including adjustment of the business strategies, cutting of cost, underwent cost saving activities and explored more new markets such as the South America.

As a traditional labour-intensive textile manufacturer, in addition to further enhance the competitiveness of enterprises and product value-added, enhance the corporate image, the Directors consider to implement the following plans:

(A) ENVIRONMENTAL PROTECTION AND ENHANCE PRODUCTION EFFICIENCY

The Company will actively follow the local government policies in respect of energy-saving emission reduction so as to protect the environment and eliminate backward production capacity so as to enhance the production efficiency. In 2015 and 2016, the Company had sold certain aged and lower efficiency production machines. Hence, the Board plans to install some new and advanced production machines in 2017 and the near future gradually.

(B) STREAMLINING OPERATIONS, SAVING COST

The Company will continue to streamline operations, optimise personnel in order to enhance cost control and achieve cost saving.

(C) ADJUSTMENT TO THE ENTERPRISE MARKETING MODEL

The Directors plan to adjust the enterprise marketing model of the Company and accelerate the pace of transformation and upgrading so as to enhance the shareholders' interest.

(D) ADJUSTMENT TO THE CORPORATE BRAND STRATEGY

The Directors believe that proper and strong corporate brand strategy is one of the key factors for achieving business efficiency. Therefore, the Company plans to place certain resources for adjusting the current corporate brand strategy.

(E) DIVERSIFICATION OF BUSINESS RISK

The Company plans to establish an internet information strategy and gradually introduce the financial strategy system platform so as to diversify the business risk.

PROSPECTS

The Directors expect that all kinds of uncertainty will bring a very serious challenge to various industries around the world in year 2017. The economy in China with the accelerated pace of transformation and upgrading, and gradually into the paid cycle, the slowdown in growth, is entering into a new normal; the direction of development also be driven by investment gradually driven into consumption-driven; with the economic structure of change, technology and innovation will become the key future economic development.

Under the leadership of the energetic management team, the Board believe that the Company is able to tackle the problems ahead in 2017 and therefore bring the interests to the shareholders. In additions, the cash and bank balance of the Company as at 31 December 2016 was approximately RMB203.55 million and under the financial support from the immediate holding company Guizhou Yongan Finance Holdings Company Ltd.* (貴州永安金融控股股份有限公司) ("Guizhou Yongan"), 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 2017 and the near future.

APPRECIATION

On behalf of the Board, I wish to extend our appreciation to our customers, vendors, banks and shareholders for their enthusiasm and support, and to every employee for their hard work and dedication throughout the year.

Jiang Ning
Chairman

Zhejiang, the PRC, 10 March 2017

BUSINESS AND OPERATION REVIEW

During the year ended 31 December 2016, export sales to Europe decreased by approximately 27.95%, while on the other hand, export sales to other overseas countries increased by approximately 66.22%. The new developed overseas customers mainly located in South America and Asia. The local market of sales of woven fabrics dropped by approximately 12.72% 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.

Production facilities

During the year ended 31 December 2016 under review, the Company spent approximately RMB312,000 in additions of furniture, fixtures and equipment and approximately RMB78,000 in renovation of the factory buildings.

Product research and development

During the year ended 31 December 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 year ended 31 December 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year ended 31 December 2016, the Company financed its operations mainly by internally generated cash and financial support from the ultimate holding company, Zhejiang Yongli Industry Group Co., Ltd.* (浙江永利實業集團有限公司) ("Zhejiang Yongli") and the immediate holding company, Guizhou Yongan.

As at 31 December 2016, the Company's current assets and net current assets were approximately RMB280.46 million (31 December 2015: approximately RMB272.18 million) and approximately RMB225.78 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 5.13 (31 December 2015: approximately 4.64).

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

As at 31 December 2016 and 2015, the Company did not have any commitments for capital expenditure.

MATERIAL DISPOSALS

The Company did not have any material disposals during the years ended 31 December 2016 and 2015.

SEGMENT INFORMATION

Segment information of the Company is set out in note 9.

CONTINGENT LIABILITIES

As at 31 December 2016 and 2015, the Company did not have any material contingent liabilities.

CHARGES ON COMPANY ASSETS

As at 31 December 2016 and 2015, the Company did not have any charges on company assets.

EMPLOYEE AND EMOLUMENT POLICIES

As at 31 December 2016, the Company had 436 employees (31 December 2015: 464), comprising 2 (31 December 2015: 3) in research and development, 16 (31 December 2015: 15) in sales and marketing, 364 (31 December 2015: 390) in production, 42 (31 December 2015: 42) in quality control, 6 (31 December 2015: 6) in management, and 6 (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 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 and other means to hedge its foreign currency exposure. The Company considers it has no material foreign exchange risk to the Company.

EXECUTIVE DIRECTORS

Mr. Jiang Ning (蔣寧先生), aged 45, is currently the Chairman and executive Director of the Company and is responsible for the strategic planning and corporate investment of the Company. Mr. Jiang is also a vice general manager of Guizhou Yongan, which has been the immediate holding company of the Company since 14 November 2016. Since October 2015, Mr. Jiang has taken up various posts concurrently in four subsidiaries of Guizhou Yongan, including the posts of director and legal representative of Guiyang Yongan Internet Financial Investments Services Limited* (貴陽永安互聯網金融投資服務有限公司), Shenzhen Yongan Chengxiang Investment Management Co., Ltd.* (深圳市永安呈祥投資管理有限責任公司) and Guiyang Qingqing Internet Technology Co., Ltd* (貴陽青青互聯網科技有限公司), and also a director of Hong Kong Liren Holding Limited (香港利仁控股有限公司). He is also a general manager of Shenzhen Blockchain Financial Services Limited* (深圳區塊鏈金融服務有限公司). Mr. Jiang has over 19 years of experience in banking industry. Mr. Jiang has worked for various banks, including Agricultural Bank of China from July 1993 to September 1997 and China Everbright Bank from October 1997 to February 2003, mainly engaged in credit management and international settlement business work. Upon the completion of his master degree in the United Kingdom in 2005, Mr. Jiang joined Shenzhen Development Bank and acted as an assistant general manager in Internal Audit Department (稽核部) of the head office from September 2005 to March 2007. From April 2007 to November 2014, Mr. Jiang has served as a general manager of various departments in Ping An Bank, including the Small and Medium Enterprise Department (中小企業部), the Trade Finance Department (貿易融資部) and the International Business Department (國際業務部) of the head office and the Corporate Department (公司部) of the Western District. In November 2014, Mr. Jiang joined Webank and acted as a general manager of the Small-micro-scale Enterprise Business Department (小微企業事業部) until September 2015, mainly engaged in the promotion of a small micro- platform financial model (小微平臺金融模式) planning and implementation. From January 2017 to now, Mr. Jiang is an independent non-executive director of Jilin Jiutai Rural Commercial Bank Limited* (吉林九台農村商業銀行股份有限公司) (stock code 6122), a company listed on the main board of the Stock Exchange of Hong Kong. Mr. Jiang graduated from Huazhong University of Science and Technology, Hankou Branch* (華中理工大學漢口分校 now known as Jianghan University* (江漢大學)) in 1993 with a bachelor degree in Engineering. He also obtained a master degree in Business Administration in the University of Birmingham in 2005. Mr. Jiang has been appointed as an executive Director of the Company at the extraordinary general meeting ("EGM") held on 28 February 2017 and elected as a Chairman of the Board on the same day.

Mr. He Weifeng (何偉楓), aged 36, is currently a deputy Chairman and an executive Director of the Company and is responsible for the strategic and overall management of the Company. Mr. He is the son-in-law of Mr. Zhou Yongli ("Mr. Zhou"). Mr. Zhou is the controlling shareholder of Zhejiang Yongli. Mr. He joined Zhejiang Yongli in June 2005. Mr. He had held the positions of vice general manager and general manager in Wuxi Huaqiang Properties Development Co., Ltd.* (無錫華強房地產開發有限公司), a subsidiary of Zhejiang Yongli. Mr. He formed Yongli Properties Group* (永利地產集團) which is a company with Grade I qualification in the PRC, where he acted as the chief executive officer. While working in Yongli Properties Group* (永利地產集團), he led a number of large-scale commercial real estate projects, in which he accumulated extensive experience in the acquisition and development of real estate, as well as engineering, cost control and corporate structure management. Mr. He's leadership and managerial experience was demonstrated by his vast contribution to the development of Yongli Properties Group* (永利地產集團) from a single industry company to an integrated industries company, which involved sole development, equity cooperation and debenture cooperation in the development of real estate, commercial buildings and hotel operation. Currently, Mr. He acts as vice-chairman of Zhejiang Yongli where he focuses on the group's strategic planning. Mr. He concurrently acts as vice general manager of Guiyang Yongan Internet Finance Investment Management Co., Ltd.* (貴陽永安互聯網金融投資管理有限公司), where he is responsible for the development in real estate and finance. Mr. He has taken part in several major funds, merger and acquisition projects, which showcase his rich experience in corporate management, investment and development, as well as his insights in the cross-border projects of real estate and finance. Mr. He graduated from the University of Leicester in July 2005 with a bachelor degree in commerce and economics. He also obtained a master degree in EMBA from Cheung Kong Graduate School of Business in September 2011. Mr. He has been appointed as an executive Director of the Company at the EGM held on 28 February 2017 and elected as a deputy Chairman of the Board on the same day.

Ms. He Lianfeng (何連鳳女士), aged 43, is currently an executive Director, Chief Executive Officer and also a general manager of the Company. She is responsible for the sales and production of the Company. Before joining the Company, she acted as the workshop director of Zhejiang Yongli Warp Knitting Co. Ltd. from January 1990 to July 2007, the general manager assistant of Zhejiang Yongli Warp Knitting Co. Ltd. from August 2007 to February 2013. She is familiar with the trends of textile market in the PRC and has gained more than 23 years of valuable experience in production management in textile enterprises. In March 2013, she joined the Company as the deputy general manager. She has been re-appointed as an executive director of the Company on 18 May 2014 and elected as a deputy Chairman of the Board on the same day. She resigned as a deputy chairman of the Board on 28 February 2017.

Mr. Hu Hua Jun (胡華軍先生), aged 31, is currently an executive Director of the Company. He is responsible for all secretarial work of the chairman and the routine management of administrative department. Prior to joining the Company, Mr. Hu worked in the finance department and the general manager's office of Zhejiang Yongli from July 2008 to May 2010 and from May 2010 to December 2010, respectively. He received a bachelor degree in Accounting at Economics and Management Faculty in 湖南南華大學 (University of South China, Hunan*). He joined the Company in December 2010 and was re-appointed as an executive Director in May 2015.

NON-EXECUTIVE DIRECTOR

Mr. Chen Dong Chun (陳冬春先生), aged 33, is currently a non-executive Director of the Company. He is a senior analyst who received a master of Arts at Economics and Management Faculty in 上海交通大學 (Shanghai Jiao Tong University*). Mr. Chen has been working as a senior analyst in 禹杉投資管理有限公司 (Yu Shan Finance and Investment Holding Company Limited*) since January 2009. He has been a director of 上海西恩科技股份有限公司 (Shanghai Xien Technology Company Limited*) since October 2011. He also has been a supervisor of 浙江綠康醫院投資管理有限公司 (Zhejiang Lukang Hopspital Investment Management Co., Ltd.*) since July 2015 and has strong practical experience and knowledge in securities investment and management in listed companies. Mr. Chen is also a director of Wing Hing Holdings (HK) Investment Limited, a substantial shareholder of the Company. He was re-appointed as a non-executive Director in May 2015.

Mr. Tang Guo Ping (唐國平先生), aged 27, is currently an assistant to the chairman of Zhejiang Yongli. He is responsible for all secretarial work of the chairman of Zhejiang Yongli. Mr. Tang joined Zhejiang Yongli in February 2012. He received a bachelor degree in Sales and Marketing from 浙江工商大學 (Zhejiang Gongshang University*). He was appointed as a non-executive Director in May 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Wei Dong (徐維棟先生), aged 42, is currently an independent non-executive Director of the Company. He is a senior economist and certified public accountant. He graduated from Jiangxi University of Finance and Economics (江西財經大學) in July 1998 and has been working in 紹興天源會計師事務所有限責任公司 (Shaoxing Tianyuan CPA Co., Ltd*) (formerly known as 紹興會計師事務所 (Shaoxing CPA firm*) before transformation) since October 1998. Mr. Xu has over 10 years of experience in financial management and auditing. He was re-appointed as an independent non-executive Director in May 2015.

Ms. Zhang Li (張麗女士), aged 43, is a managing director at Siguler Guff and head of the firm's Shanghai office. She oversees the firm's investment activities in China. She is also a member of the Investment Committees for the BRIC Opportunities Funds. Prior to joining Siguler Guff in 2012, Ms. Zhang was a managing partner at Shanghai JH Investment Management Co., Ltd., where she focused on public equity research and portfolio construction in high-growth sectors in China such as consumer, pharmaceutical, technology, media and telecommunications. Previously, she was a senior director and head of M&A for the Asia-Pacific region at Anheuser-Busch InBev where she led acquisition and divestiture transactions in China and throughout Asia. Notably, Ms. Zhang was involved in the acquisition of Sedrin Beer, one of the largest brewery acquisitions in China to date, and led the divestiture of Oriental Breweries in South Korea during the financial crisis in 2009. Ms. Zhang holds a B.A. from the University of International Business and Economics in Beijing and an M.B.A. from the Harvard Business School. She was appointed as an independent non-executive Director at the AGM held on 15 May 2015.

Mr. Wang Weisong (王蔚松先生), aged 57, is an associate professor of School of Accountancy at Shanghai University of Finance and Economics. He also obtained a bachelor degree and a master degree in engineering, and a doctorate degree in management in Tongji University. He has been working for Shanghai University of Finance and Economics since 1982 and he served as the vice dean of School of Accountancy at Shanghai University of Finance and Economics. From January 2015 to now, he is an independent non-executive director of Shanghai Yongli Belting Co., Ltd., (stock code: 300230), a company listed on Shenzhen Stock exchange. From March 2014 to now, he is an independent non-executive director of Shanghai Amarsoft Information & Technology Co., Ltd., (stock code: 300380), a company listed on the Shenzhen Stock Exchange. From May 2014 to now, he is an independent non-executive director of Wangsu Science & Technology Co., Ltd., (stock code: 300017), a company listed on the Shenzhen Stock Exchange. From August 2014 to now, he is an independent non-executive director of Zhejiang Goldensea Environment Technology Co., Ltd. (stock code: 603311), a company listed on the Shanghai Stock Exchange. He was appointed as an independent non-executive Director at the AGM held on 15 May 2015.

INDEPENDENT SUPERVISORS

Mr. Hu Jin Huan (胡金煥先生), aged 52, is an independent Supervisor of the Company. He is responsible for performing the supervisory function in relation to the Board of Directors, manager and other officers of the Company and report independently to the shareholders in general meeting of the Company. He is a PRC certified public accountant and is now a director of 紹興集才會計師事務所 (Shaoxing Jicai Certified Public Accountants*). He was re-appointed as an independent Supervisor of the Company in May 2014.

Mr. Pan Xing Biao (潘興彪先生), aged 51, is an independent Supervisor of the Company. He is a certified public accountant and certified tax accountant. Mr. Pan graduated in Financial Accounting major from 浙江台州供銷學校 (Zhejiang Taizhou Supply and Marketing School*) in July 1985. He worked as the chief accountant of 紹興縣畜產品有限公司 (Shaoxing Livestock Product Co., Ltd. *) from August 1985 to April 1990, 紹興縣土特產有限公司 (Shaoxing Native Products Co., Ltd.*) from May 1990 September 1991, 紹興縣供銷貿易有限公司 (Shaoxing Supply and Marketing Trade Co., Ltd.*) from October 1991 to December 1994 and 紹興縣化纖供應有限公司 (Shaoxing Chemical Fiber Supply Co., Ltd.*) from January 1995 to June 1997. He worked as a department head at 紹興縣第一稅務師事務所 (Shaoxing First Tax Accountant Office*) from July 1997 to December 1999 and has been a director of 紹興益地稅務師事務所 (Shaoxing Yidi Tax Accountant Office*) since January 2000. He was re-appointed as an independent Supervisor at the EGM held in May 2015.

SUPERVISORS

Ms. Wang Ai Yu (王愛玉女士) aged 53, is a Supervisor of the Company. She is currently a manager of the finance department of Zhejiang Yongli. She graduated from Chong Qing University. Ms. Wang was a teacher of 楊汛橋中心小學 (Yangxunqiao Zhongxing Primary School*) in Shaoxing County from February 1979 to January 1980 and working in the accounting department of 紹興市蜜餞廠 (Shaoxing County Mijian Factory*) from February 1980 to February 1987. She has acted as a finance manager of Zhejiang Yongli since February 1987. Ms. Wang has an extensive experience in finance and is well versed of the national taxation law, the accounting rules and the relevant finance, taxation, audit rules and policies. She is good at analysis and has accumulated substantial experience in data analysis, capital operation from different finance projects. She has established a set of comprehensive rules and regulations for internal control for Zhejiang Yongli in order to reduce the investment risk of the enterprises. She also has standardised the audit method for the corporate finance of and enhanced the quality of financial information, thereby enhancing the supervision in finance and accounting. She was re-appointed as a Supervisor of the Company at the AGM held on 18 May 2016 and a chairman of the Supervisory Committee.

Ms. Tong Jian Juan (童建娟女士) aged 40, is a Supervisor of the Company. She is currently the manager of quality inspection department of the Company since March 2015. She had been working as a warehouse supervisor and a deputy manager of quality inspection department of the Company since 2002. She has strong production technical knowledge and practical experience. She was re-appointed as a Supervisor in May 2015.

Mr. Chen Wei (陳偉先生) aged 35, is a Supervisor of the Company. He is currently the manager of the production department of the Company since March 2015. He was a workshop supervisor in 浙江偉創紡織有限公司 (Zhejiang Wei Chuang Textiles Company Limited*) from 1998 to January 2006 and a production manager in 萬邦紡織有限公司 (Wan Bang Textiles Company Limited*) from 2006 to 2007. He was re-appointed as a Supervisor in May 2015.

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

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

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2016 are set out in the statement of profit or loss and other comprehensive income on page 34 of this annual report.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2016.

PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2016, the Company spent approximately RMB312,000 in additions of furniture, fixtures and equipment and approximately RMB78,000 in renovation of the factory buildings.

Details of these and other movements during the year in the property, plant and equipment of the Company are set out in note 17 to the financial statements.

BUSINESS REVIEW

Details of the financial performance and business review are discussed under Chairman's Statement on page 4 and Management Discussion and Analysis on pages 6 to 7 respectively.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 28 to the financial statements.

DIRECTORS AND SUPERVISORS

The Directors and supervisors of the Company during the year ended 31 December 2016 and up to the date of this report were:

Executive Directors:

Mr. Jiang Ning	*(Chairman)* (appointed on 28 February 2017)
Mr. He Weifeng	*(Deputy Chairman)* (appointed on 28 February 2017)
Mr. Wang Xinyi	*(Chairman)* (resigned on 28 February 2017)
Ms. He Lianfeng	*(Chief Executive Officer)* (resigned as Deputy Chairman on 28 February 2017)
Mr. Hu Hua Jun	

Non-Executive Directors:

Mr. Chen Dong Chun
Mr. Tang Guo Ping

Independent Non-Executive Directors:
Mr. Xu Wei Dong
Ms. Zhang Li
Mr. Wang Weisong

Supervisors:
Ms. Wang Ai Yu *(chairman of supervisory committee)*
Ms. Tong Jian Juan
Mr. Chen Wei

Independent Supervisors:
Mr. Hu Jin Huan
Mr. Pan Xing Biao

Each of the Directors and supervisors (including the independent non-executive Directors and independent supervisors) has entered into a service agreement with the Company for three years from the date of appointment. Each of the Directors and supervisors was appointed as a director and supervisor of the Company respectively subject to termination in certain circumstances as stipulated in the relevant services contracts.

In accordance with the provisions of the Company's articles of association, the Directors and supervisors acting for the shareholders are elected at a shareholders' meeting of the Company for a term of three years, renewable upon re-election and re-appointment. None of the Directors who are proposed for re-election at the forthcoming annual general meeting to be held on 18 May 2017 has a service contract with the Company, which is not determinable by the Company within three years without payment of compensation (other than statutory compensation).

The notice period for termination of executive Directors and independent non-executive Directors' contracts by either party is not less than three months.

Mr. Wang Xinyi ("Mr. Wang") resigned as an executive Director, the Chairman of the Company, the legal representative of the Company and a member of the remuneration committee of the Company for personal development with effect from 28 February 2017, the date of EGM. Mr. Wang had confirmed that he did not have any disagreement with the Board and that there were no matters relating to his resignation which need to be brought to the attention of the Shareholders.

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

As at 31 December 2016, 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 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.

ARRANGEMENTS TO PURCHASE H SHARES OR DEBENTURES

At no time during the year ended 31 December 2016 was the Company a party to any arrangements to enable the directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate and neither the directors nor the supervisors, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 29 to the financial statements, no other contracts of significance to which the Company was a party and in which a director or a supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2016.

CONNECTED TRANSACTIONS

Save as disclosed in note 29 to the financial statements, there were no other transactions which need to be disclosed as "Connected Transactions" or "Continuing Connected Transactions" under Chapter 20 of the EGM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholder's approval requirements under Chapter 20 of the GEM Listing Rules.

The independent non-executive Directors have reviewed the connected transactions set out in note 29 to the financial statements and in their opinion, these transactions entered into by the Company were:

(i) in the ordinary and usual course of business of the Company;

(ii) on normal commercial terms or on terms no less favourable than terms available to/from independent third parties; and

(iii) carried out in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has also confirmed that the continuing connected transactions:

(a) had received approval from the Board;

(b) had been entered into in accordance with the relevant agreement governing such transactions; and

(c) had not exceeded the relevant cap for the financial year ended 31 December 2016 as approved by the shareholders of the Company at the EGM held on 31 July 2015.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, so far as it is known to the Directors or chief executive or supervisors of the Company, the interests and short positions of person in the shares or underlying shares of the Company, other than the interest of the Directors or supervisors, which would fall to be disclosed under Divisions 2 and 3 or Part XV of the SFO or which were required, pursuant to section 336 of Part XV of the SFO, to be entered in the register referred to therein, or who is interested directly or indirectly in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any 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
Guizhou Yongan	Beneficial owner *(Note 1)*	588,000,000	100.00%	55.29%
Zhejiang Yongli	Interest in controlled corporation *(Note 2)*	588,000,000	100.00%	55.29%
Mr. Zhou Yongli	Interest in controlled corporation *(Note 2)*	588,000,000	100.00%	55.29%
Ms. Xia Wanmei	Interest of spouse *(Note 2)*	588,000,000	100.00%	55.29%

Notes:

1. On 19 August 2016, Zhejiang Yongli Industry Group Co., Ltd., ("Zhejiang Yongli") entered into a share transfer agreement with Guizhou Yongan Finance Holdings Company Ltd.* ("Guizhou Yongan"), pursuant to which Zhejiang Yongli shall transfer 588,000,000 domestic shares of the Company, representing approximately 55.29% of the issued share capital of the Company to Guizhou Yongan at a consideration of RMB164,640,000 (the "Share Transfer"). The Share Transfer was approved from the relevant government authorities with effect from 14 November 2016.

2. Mr. Zhou Yongli and his spouse Ms. Xia Wanmei, own approximately 94.25% and approximately 3.49% in Zhejiang Yongli Industry Group Co., Ltd., ("Zhejiang Yongli") respectively. Zhejiang Yongli owns 65% in Guizhou Yongan. Mr. Zhou Yongli and Ms. Xia Wanmei are therefore deemed to be interested in the 588,000,000 domestic shares of the Company held by Guizhou Yongan, representing 55.29% of the total issued share capital of the Company.

H shares of RMB0.1 each of the Company ("H Shares")

Name of shareholder	Capacity	Number of H Shares held	Approximate percentage of interests in H Shares as at 31 December 2016	Approximate percentage of interests in total registered capital as at 31 December 2016
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,540,000	43.86%	19.60%

Save as disclosed above, as at 31 December 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) has 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 in the GEM Listing Rules) of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Company.

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2016, the five largest suppliers and customers of the Company accounted for approximately 41.41% and 26.53% of the Company's purchases and revenue respectively. The largest supplier and customer accounted for approximately 11.79% and 12.88% of the purchases and revenue of the Company respectively.

At no time during the year did a director, a supervisor, an associate or a shareholder of the Company, which to the knowledge of the Directors, own more than 5% of the Company's issued share capital, have any interest in the share capital of any of the five largest suppliers or customers of 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 for the year ended 31 December 2016.

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 first quarterly results for the three months ended 31 March 2016, the interim results for the six months ended 30 June 2016, the third quarterly results for the nine months ended 30 September 2016 and the annual results of the Company for the year ended 31 December 2016 have been reviewed by the Audit Committee.

EMOLUMENT POLICY

The Company has established a remuneration committee (the "Remuneration Committee") in January 2005 and the primary duties of the Remuneration Committee are to formulate and make recommendation to the Board on the Company's policy and structure for all the remuneration of the Directors and senior management and on the establishment of formal and transparent procedures for developing policy on such remuneration. During the year ended 31 December 2016, the Remuneration Committee comprises three independent non-executive Directors, Mr. Xu Wei Dong, Ms. Zhang Li and Mr. Wang Weisong and the executive Director, Mr. He Weifeng. Mr. He Weifeng was appointed as a member of the Remuneration Committee on 28 February 2017 in order to replace the resignation of Mr. Wang Xinyi. Ms. Zhang Li is the chairman of the Remuneration Committee.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") with written terms of reference based upon the guidelines recommended by the mandatory provisions set out in the Code on 31 March 2012. The primary duties of the Nomination Committee are to make recommendation to the Board on the appointment or re-appointment of Directors and succession planning for Directors. During the year ended 31 December 2016, the Nomination Committee comprised three independent non-executive Directors namely Mr. Xu Wei Dong, Ms. Zhang Li and Mr. Wang Weisong and the executive Director, Ms. He Lianfeng. Mr. Wang Weisong is the chairman of the Nomination Committee.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that it is publicly available to the Company and with the knowledge of the Directors as at the date of this annual report, the Company has maintained a prescribed public float under the GEM Listing Rules.

AUDITOR

The financial statements for the year ended 31 December 2016 were audited by SHINEWING (HK) CPA Limited ("SHINEWING").

A resolution will be submitted to the forthcoming annual general meeting to be held on 18 May 2017 to re-appoint SHINEWING as international auditor and 浙江中興會計師事務所有限公司 (Zhejiang Zhongxing CPA Company Limited*) ("Zhejiang Zhongxing") as domestic auditor of the Company.

On behalf of the Board of
Zhejiang Yonglong Enterprises Co., Ltd.*

Jiang Ning
Chairman

Zhejiang, the PRC, 10 March 2017

To: All Shareholders

We are the supervisory committee ("Supervisory Committee") of Zhejiang Yonglong Enterprise Co., Ltd.*, in accordance with the company Law of the PRC, requirements of the relevant laws and regulations of Hong Kong and the articles of association of the Company (the "Articles of Association") during the year ended 31 December 2016, exercised conscientiously its authority, safeguarded the interest of the shareholders and the Company, followed the principle of honesty and trustworthiness and worked cautiously and diligently.

The Supervisory Committee followed strictly the relevant regulations and carried out its duties honestly, including strengthening internal management and control of the Company, enforcing strict execution of various approval procedures, hiring professional consultation bodies, if necessary, standardising different aspect of management, conducting strict and effective monitoring of various significant decision making process and concrete decisions as to whether or not they comply with state laws and regulations and the Company's articles of association, whether or not shareholder's interests are protected etc., preventing abuse of authority by our senior management.

After review, we consider that the financial statements of the Company for the year ended 31 December 2016, audited by the auditor, SHINEWING, truly and sufficiently reflects the operating results and asset positions of the Company. The Committee also reviewed the Report of the Board of Directors and the Corporate Governance Report and considers that the reports meet the requirements of the relevant regulations and Articles of Association.

We consider that the members of the Board, the general manager and other officers have strictly complied with the principle of honesty and trustworthiness, working diligently and acting sincerely in the best interest of the Company. None of the Directors, general manager and the officers have abused their powers, caused damage to the interests of the Company and infringed upon the interests of the Company and its staff, nor have they violated any laws, regulations or the Company's Articles of Association.

By order of the Supervisory Committee of
Zhejiang Yonglong Enterprises Co., Ltd. *

Wang Ai Yu
Chairman of the Supervisory Committee

Zhejiang, the PRC, 10 March 2017

During the year ended 31 December 2016, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "Code Provision") as set out in the Appendix 15 of GEM Listing Rules.

According to Appendix 20 of the GEM Listing Rules, "an issuer must disclose Environmental, Social and Governance Reporting Guide ("ESG") information on an annual basis and regarding the same period covered in its annual report. An ESG report may be presented as information in the issuer's annual report, in a separate report, or on the issuer's website. Regardless of the format adopted, the ESG report should be published on the Exchange's website and the issuer's website. Where not presented in the issuer's annual report, the issuer should publish this information as close as possible to, and in any event no later than three months after, the publication of the issuer's annual report". The Company has appointed a professional party to assist it to prepare for a separate ESG report. As this is the first ESG report of the Company, the Company need more time to prepare. The ESG report is expected to be published on the Exchange's website and the Company's website no later than three months after the annual report has been published.

DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

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

SENIOR MANAGEMENT'S AND STAFF'S SECURITIES TRANSACTIONS

Senior management and those staff who are more likely to be in possession of inside information in relation to the securities of Company have adopted the Dealing Rules. These senior management and staff have been individually notified and provided with a copy of the Dealing Rules.

BOARD OF DIRECTORS

The Board is responsible for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company affairs.

The Board currently comprises four executive Directors, two non-executive Director and three independent non-executive Directors. Their brief biographical details are set out in the "Directors and Senior Management" on pages 8 to 11 of the annual report. Moreover, one of the independent non-executive Director, Mr. Xu Wei Dong has appropriate professional qualifications, accounting and related financial management expertise so that he has sufficient caliber and views to carry weight.

Saved as disclosed in this report, none of the Directors has any other financial, business, family or other material or relevant relationships among members of the Board. Please refer to the Directors' Report on page 13 for the terms of appointment of each Director.

The board confines itself to making board policy decisions, such as the Company's overall strategies and policies, annual budgets and business plans, while delegating responsibility for more detailed consideration to the various Board Committees and management. Management is responsible for overseeing the Company's business operations, implementing the strategies laid down by the Board and making day-to-day operating decisions. The management must obtain prior approval from the Board before making decision or entering into any commitment on behalf of the Company.

CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rules 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

BOARD MEETINGS

During the year ended 31 December 2016, regular meeting was held to approve the financial results for the year of 2016. The Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each Board meeting. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's Articles of Association. The Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all Board meeting. She also keeps the minutes, which are opened for inspection at any reasonable notice by any Director.

There were six(6) Board meetings held during the financial year ended 31 December 2016. Individual attendance of each Board member at these meetings is as follows:

Name of Directors		**Attendence / number of meetings**
Executive Directors		
Mr. Jiang Ning	(appointed on 28 February 2017)	N/A
Mr. He Weifeng	(appointed on 28 February 2017)	N/A
Mr. Wang Xinyi	(resigned on 28 February 2017)	6/6
Mr. He Lianfeng		6/6
Mr. Hu Hua Jun		6/6
Non-executive Director		6/6
Mr. Chen Dong Chun		6/6
Mr. Tang Guo Ping		
Independent Non-executive Directors		
Mr. Xu Wei Dong		6/6
Ms. Zhang Li		6/6
Mr. Wang Weisong		6/6

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2016, all Directors have participated in continuous professional development by attending training course on the topics related to corporate governance and regulations.

The individual training record of each Director received for the year ended 31 December 2016 is summarised below:

Name of Directors		Attended training course on topics related to corporate governance and regulations
		Yes/No
Executive Directors		
Mr. Jiang Ning	(appointed on 28 February 2017)	N/A
Mr. He Weifeng	(appointed on 28 February 2017)	N/A
Mr. Wang Xinyi	(resigned on 28 February 2017)	Yes
Mr. He Lianfeng		Yes
Mr. Hu Hua Jun		Yes
Non-executive Director		
Mr. Chen Dong Chun		Yes
Mr. Tang Guo Ping		Yes
Independent Non-executive Directors		
Mr. Xu Wei Dong		Yes
Ms. Zhang Li		Yes
Mr. Wang Weisong		Yes

All Directors also understand the importance of continuous professional development and are committed to participating any suitable training or reading relevant materials in order to develop and refresh their knowledge and skills.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions set out in the Code.

The primary duties of the audit committee of the Company (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 results for the three months ended 31 March 2016, six months ended 30 June 2016, and nine months ended 30 September 2016 of the Company. It also has reviewed the audited financial statements for the year ended 31 December 2016 with management and the Company's external auditors and recommended its adoption to the Board.

There were four meetings held by the Audit Committee during the year ended 31 December 2016 for reviewing the annual results of the Company for the year ended 31 December 2015 and the three quarterly results in 2016. Individual attendance of each independent non-executive Director at these meetings is as follows:

Name of Directors	**Attendence / number of meetings**
Independent Non-executive Directors	
Mr. Xu Wei Dong	4/4
Ms. Zhang Li	4/4
Mr. Wang Weisong	4/4

The authorities of the Audit Committee include (1) investigation of any activity within its terms of reference; (2) seeking any information from any employee when required; and (3) obtaining outside legal or other independent professional advice if it considers necessary.

The main duties of the Audit Committee are as follows:

- to consider appointment of the external auditors, the audit fee, and any question of resignation or dismissal;
- to discuss with the external auditors the nature and scope of the audit;
- to review and monitor the external auditors, independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to develop and implement policy on the engagement of external auditors to supply non-audit services;
- to review the Company's quarterly, interim and annual financial statements before submission to the Board;
- to discuss problem and reservations arising from the final audits and any matters that the external auditors may wish to discuss;
- to review the Company's statement on internal control system prior to endorsement by the Board;
- to consider the major findings of any internal investigation and the management's response; and
- to consider other topics as defined by the Board

Auditor's Remuneration

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect to the Company.

The remuneration in respect of services provided by the international auditor and domestic auditors for the years ended 31 December 2016 and 2015 are analysed as follows:

	For the year ended 31 December	
	2016 **RMB'000**	2015 RMB'000
Audit service	**655**	608
Performed agreed-upon procedures regarding information on preliminary annual result announcement of the Company	**20**	20
Performed agreed-upon procedures regarding financial information on continuing connected transactions between the Company and Zhejiang Yongli Thermal Electricity	**20**	20
	695	648

The audit services fee for the years ended 31 December 2016 and 2015 represent services provided by SHINEWING and Zhejiang Zhongxing. The other services fee for the year ended 31 December 2016 and 2015 represent the services provided by SHINEWING.

REMUNERATION COMMITTEE

According to the Code, the Company has established a remuneration committee (the "Remuneration Committee") with written terms of reference based upon the guidelines recommended by the mandatory provisions set out in the Code in January 2005. The primary duties of the Remuneration Committee of the Company are to formulate and make recommendation to the Board on the Company's policy and structure for all the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedures for developing policy on such remuneration. According to the written terms of reference of the Remuneration Committee, the duties of the Remuneration Committee shall be :

(a) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing such policy;

(b) to have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration of non-executive Directors. The Remuneration Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Company and desirability of performance-based remuneration;

(c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(d) to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

(e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

(f) to ensure that no Director or any of his associates is involved in deciding his own remuneration; and

(g) to advise shareholders on how to vote with respect to any service contracts of Directors that require shareholders' approval under Rule 17.90 of the Listing Rules.

The Remuneration Committee shall be appointed by the Board and shall consist of not less than three members and a majority of whom should be independent non-executive Directors. During the year ended 31 December 2016, the Remuneration Committee comprises three independent non-executive Directors namely Mr. Xu Wei Dong, Ms. Zhang Li and Mr. Wang Weisong and the executive Director, Mr. Wang Xinyi. Ms. Zhang Li was the chairman of the Remuneration Committee.

During the year ended 31 December 2016, the Remuneration Committee held a meeting for reviewing the remuneration of the re-elected, re-designated Directors and supervisors and newly appointed Directors and relevant matters; the procedural rules of the Remuneration Committee and made recommendation to the Board. Individual attendence of each member of Remuneration Committee at the meeting is as follows:

Name of Directors	**Attendence / number of meetings**
Executive Director	
Mr. Wang Xinyi	1/1
Independent Non-executive Directors	
Mr. Xu Wei Dong	1/1
Ms. Zhang Li	1/1
Mr. Wang Weisong	1/1

Based on the advice provided from Remuneration Committee, the emoluments of the Directors are recommended by the Board of Directors, having regard to their duties and responsibilities and approved by the shareholders of the Company.

NOMINATION COMMITTEE

According to the Code, the Company has established a nomination committee (the "Nomination Committee") with written terms of reference based upon the guidelines recommended by the mandatory provisions set out in the Code on 30 March 2012. The primary duties of the Nomination Committee are to make recommendation to the Board on the appointment or re-appointment of Directors and succession planning for Directors. According to the written terms of reference, the duties of the Nomination Committee shall be :

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorship;

(c) to assess the independence of the independent non-executive directors of the Company; and

(d) to make recommendations to the Board on the appointment or re-appointment or re-designation of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

The Nomination Committee shall be appointed by the Board and shall consist of not less than three members and a majority of whom should be independent non-executive Directors. During the year ended 31 December 2016, the Nomination Committee comprises three independent non-executive Directors namely Mr. Xu Wei Dong, Ms. Zhang Li and Mr. Wang Weisong and the executive Director, Ms. He Lianfeng, Mr. Wang Weisong was elected as the chairman of the Nomination Committee.

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time.

During the year under review, the Nomination Committee held a meeting for discussion of the existing structure of the board of directors of the Company and the procedures of appointment of Directors and supervisors; and assessment of the re-appointment of Directors and supervisors in order to make recommendation to the board of Directors. Individual attendance of each member of Nomination Committee at the meeting is as follows:

Name of Directors	**Attendence / number of meetings**
Executive Director	
Ms. He Lianfeng	1/1
Independent Non-executive Directors	
Mr. Xu Wei Dong	1/1
Ms. Zhang Li	1/1
Mr. Wang Weisong	1/1

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and in presenting the quarterly and annual financial statements, and announcements to shareholders, the Directors aim to present a balanced and understandable assessment of the Company's position and prospects.

The Directors' responsibilities in preparing financial statements and the auditor's responsibilities for the audit of the financial statements are set out in the Independent Auditor's Report on page 32 of this annual report.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Details of the remuneration of the Directors and senior management are contained in note 14 to the financial statements.

COMPANY SECRETARY

Ms. Chen Yen Yung ("Ms. Chen") was appointed as the company secretary of the Company in June 2002. She is responsible to the Board for ensuring the board procedures are followed and that the Board is briefed on legislative, regulatory and corporate governance developments.

During the year ended 31 December 2016, Ms. Chen has undertaken not less than 15 hours of relevant professional training.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises its responsibility to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Company's objectives, and ensure the Company establishes and maintains a sound and effective risk management and internal control system. The Board acknowledged that an effective risk management and internal control systems are systems that are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board should oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the Board on the effectiveness of these systems.

The Company's internal control system is designed to safeguard assets against misappropriation and unauthorised disposition and to manage operational risks. The Company share the internal audit function with its ultimate holding company, Zhejiang Yongli. Hence, the risk management and internal control system is evaluated independently by the Internal Audit Department of Zhejiang Yongli on an on-going basis. At the year end, the Company will appoint an indepedent professional party to carry out an annual review of risk management and internal control systems. Review of the Company's internal controls covering major financial, operational and compliance controls, as well as risk management functions of different systems has been done on a systematic basis based on the risk assessments of the operations and controls. No major issue but areas for improvement have been identified and reported to the Board and the Audit Committee. The Board and the Audit Committee considered that the key areas of the Company's risk management and internal control systems are reasonably implemented.

SHAREHOLDER'S RIGHTS

Shareholder's rights are set out in a number of sources, such as the Articles of Association, and the GEM Listing Rules. With reference to the above sources, the Company sets out below details of shareholder's rights in the following aspects:

1. The way in which shareholders of the Company ("Shareholders") can convene an extraordinary general meeting or class meeting

Pursuant to Article 79 of the Articles of Association, Shareholders who request the convening of an extraordinary general meeting or a class meeting shall do so in accordance with the following procedures:

(a) two (2) or more shareholders with combined title to more than 10% (including 10%) of shares with voting rights at the meeting to be convened may sign one or several written requests in the same format and with the same contents to the board of directors of the Company to convene an extraordinary general meeting or class meeting of shareholders and which shall also specify the meeting's agenda. After receiving the aforesaid written request, the Board shall promptly convene an extraordinary general meeting or class meeting of shareholders. The aforesaid number of shares held by Shareholders shall be calculated as at the date of the written request;

(b) if the Board fails to issue notification convening a meeting within thirty (30) days after receiving the aforesaid written request, the Shareholders who raised the request may convene the meeting within four (4) months after the Board received that request. The procedures for convening such a meeting shall be, as much as possible, the same as the procedures for convening a general meeting by the Board.

The written request must be signed by the Shareholders and sent to the head office and principal place of business in Hong Kong of the Company as disclosed in the "Corporate Information" section to the annual report (the "Hong Kong Office"), for the attention of the Company Secretary of the Company. The request will then be verified with the Company's H Share share registrar and transfer office in Hong Kong and upon its confirmation that the request is proper and in order, the Company Secretary will forward the request to the Board.

2. The procedures for sending enquiries to the Board

Shareholders and other stakeholders may send their enquiries and concerns in writing to the Board by addressing them to the Company Secretary at the Hong Kong Office and the Company Secretary shall then forward the same to the appropriate executives of the Company or members in the Board for further handling.

3. The procedures for making proposals at Shareholder's meetings

To put forward proposals at an annual general meeting or an extraordinary general meeting, the Shareholders shall submit a written notice of those proposals with the detailed contact information to the Company Secretary at the Hong Kong Office. The request will be verified with the H Share share registrar and transfer office and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting. Moreover, the notice period concerning the notice to be given to all the Shareholders for consideration of the proposals submitted by the Shareholders concerned varies as follows pursuant to the Article 58 of the Articles of Association of the Company:

"When convening a general meeting of Shareholders, written notification shall be made to the Shareholders registered in the Shareholders Register forty-five (45) days (including the date of meeting but excluding the date of notice issuance) before the convening of the meeting of those matters to be discussed at the meeting and the date and location of the meeting. Shareholders intend to attend the general meeting shall send their written acknowledge to the Company twenty (20) days before the convening of the meeting."

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

The Company has disclosed all necessary information to the Shareholders and investors in compliance with the GEM Listing Rules and uses a number of formal communications channels to account to Shareholders and investors for the Company. These include (i) the Company replying to the enquiries from Shareholders timely; (i) updated and key information of the Company available on website of the Company; (iii) the Company's website offering communication channel between the Company and its Shareholders and investors; and (iv) the Company's H Share share registrar in Hong Kong serves the Shareholders regarding all H Shares share registration matters.

CONSTITUTIONAL DOCUMENTS

There was no change in the Articles of Association of the Company during the year ended 31 December 2016. However, an extraordinary ordinary meeting was held on 28 February 2017 to approve the amendment of the Articles of Association to reflect, among other things: (i) change in the business licence with uniform social credit code pursuant to the "Three in One" Registration System Reform implemented by the State Administration for Industry and Commerce; (ii) the Proposed Change of Company Name; (iii) the Proposed Change of Business Scope; and (iv) the latest shareholding structure of the Company. Details of the proposed amendments to the Articles of Association are set out in the Appendix to the circular dated 13 January 2017 as published on the GEM website and the Company's website on 13 January 2017.

LOOKING FORWARD

The Board believes that good corporate governance can safeguard the effective allocation of resources and safeguard Shareholder's interest. The Company will keep on reviewing its corporate governance standards on a timely basis and the Board endeavours to take the necessary actions to ensure compliance with the required practices and standards including the Code Provisions.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF ZHEJIANG YONGLONG ENTERPRISES CO., LTD.
(Established as a joint stock limited company in the People's Republic of China)

Opinion

We have audited the financial statements of Zhejiang Yonglong Enterprises Co., Ltd. (the "Company") set out on pages 34 to 79, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the HKICPA's "Code of Ethics for Professional Accountants" ("the Code") and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories

Refer to note 19 to the financial statements and the accounting policies on page 45.

The key audit matter	How the matter was addressed in our audit
The Company has inventories of approximately RMB38.8 million as at 31 December 2016. Following a review of the inventories ageing analysis, the Company's operating plans and the outlook for the industry, management has assessed the net realisable value of these inventories. Impairment of inventory of approximately RMB0.4million has been recorded to reduce the carrying value of inventories to their net realisable values which is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. Significant management judgment is required. In making this judgment, the management of the Company evaluates, amongst other factors, the duration and extent and the means by which the amount will be recovered. These conditions are based on the current market condition and past experience in sales of similar products. It could change significantly as a result of changes in customer preferences and competitor actions in response to changes in market condition. We have identified the valuation of inventories as a key audit matter because of its significance to the financial statements and because applying the Company's accounting policies in this area involve a significant degree of judgment by management in considering the nature, timing and the likelihood of changes to the factors noted above which may affect the net realisable value of the Company's inventories for the current year.	Our audit procedures were designed to assess the methodology and assumptions used by the management in assessing the inventory provisions. We reviewed management's identification of slow moving and obsolete inventories, attended physical inspection on stocktake for identifying slow-moving or obsolete inventories and critically assessed whether appropriate provisions had been established for slow moving and obsolete items. When considering management's assessment, we had also taken into account the most recent prices achieved on sales across the product lines and the subsequent usage of the inventories. We considered whether we would expect a change to the methodology and assumptions based on any changes compared to those used in prior years. We also assessed the reliability of management's assessment by considering the utilisation or release of previously recorded impairment.

Valuation of trade receivables

Refer to note 20 to the financial statements and the accounting policies on pages 45 to 48.

The key audit matter	How the matter was addressed in our audit
The Company has trade receivables of approximately RMB36.5 million as at 31 December 2016. Trade receivables were mainly resulted from (i) the manufacture and sale of woven fabrics and (ii) provision of subcontracting services. The credit periods ranged from 60 days to 180 days depending on its customers creditworthiness. In view of keen competition in the market and to retain customers, the management of the Company had granted an average credit period of 90 days. The recoverability of trade receivables depends on the creditworthiness of customers and their abilities to settle the amounts due. The calculation of the allowance for doubtful debts requires a significant level of judgment as the Company needs to assess the financial health of each individually based on their historical experience and current credit information. We have identified the valuation of trade receivables as a key audit matter because the allowance for doubtful debts involves significant degree of judgment.	Our procedures were designed to review the management's assessment of the indicators of impairment and challenge the reasonableness of the methods and assumptions used to estimate the allowance for doubtful debts. We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessed the management's impairment testing. We have challenged the assumptions and critical judgment used by the management by assessing the reliability of the management's past estimates and taking into account the ageing at year end and cash received after year end, as well as the recent creditworthiness of each debtor.

Information Other than the Financial Statements and Auditor's Report Thereon

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Company determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors of the Company are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kwan Chi Fung.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614

Hong Kong
10 March 2017

	Notes	2016 RMB'000	2015 RMB'000
Revenue	8	**165,785**	191,968
Cost of sales		**(147,688)**	(169,011)
Gross profit		**18,097**	22,957
Other income and gains	8	**4,896**	6,829
Selling and distribution costs		**(2,455)**	(2,317)
Administrative expenses		**(12,049)**	(11,200)
Finance costs	10	**(13,980)**	(28,169)
Loss before taxation		**(5,491)**	(11,900)
Income tax expense	11	**(1,722)**	(5,279)
Loss for the year	12	**(7,213)**	(17,179)
Other comprehensive income for the year			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of properties		**2,865**	11,582
Income tax relating to revaluation of properties		**(716)**	(2,896)
Other comprehensive income for the year, net of tax		**2,149**	8,686
Total comprehensive expense for the year		**(5,064)**	(8,493)
		RMB	RMB
Loss per share			
Basic and diluted	13	**(0.68) cents**	(1.62) cents

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	17	**104,387**	104,799
Prepaid lease payments	18	**6,456**	6,644
		110,843	111,443
Current assets			
Inventories	19	**38,826**	26,836
Trade and other receivables	20	**37,898**	49,894
Prepaid lease payments	18	**188**	188
Bank balances and cash	21	**203,551**	195,260
		280,463	272,178
Current liabilities			
Trade and other payables	22	**44,535**	50,373
Tax payables		**1,747**	-
Amounts due to fellow subsidiaries	23	**4,627**	2,458
Amount due to ultimate holding company	26	**-**	5,800
Amount due to immediate holding company	27	**3,776**	-
		54,685	58,631
Net current assets		**225,778**	213,547
Total assets less current liabilities		**336,621**	324,990
Non-current liabilities			
Deferred tax liabilities	25	**10,669**	9,978
Amount due to ultimate holding company	26	**-**	219,897
Amount due to immediate holding company	27	**16,948**	-
		27,617	229,875
Net assets		**309,004**	95,115
Capital and reserves			
Share capital	28	**106,350**	106,350
Reserves		**202,654**	(11,235)
		309,004	95,115

The financial statements on pages 34 to 79 were approved and authorised for issue by the board of directors on 10 March 2017 and are signed on its behalf by:

Mr. Jiang Ning, *Director*

Mr. Hu Hua Jun, *Director*

	Share Capital RMB'000	Share Premium RMB'000	Other reserve RMB'000	Asset revaluation reserve RMB'000	Statutory surplus Reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
			(note (a))		*(note (b))*	*(note (c))*	
At 1 January 2015	106,350	69,637	124,950	23,715	12,496	(233,540)	103,608
Loss for the year	-	-	-	-	-	(17,179)	(17,179)
Other comprehensive income for the year	-	-	-	8,686	-	-	8,686
Total comprehensive income (expense) for the year	-	-	-	8,686	-	(17,179)	(8,493)
At 31 December 2015 and 1 January 2016	106,350	69,637	124,950	32,401	12,496	(250,719)	95,115
Loss for the year	-	-	-	-	-	(7,213)	(7,213)
Other comprehensive income for the year	-	-	-	2,149	-	-	2,149
Total comprehensive income (expense) for the year	-	-	-	2,149	-	(7,213)	(5,064)
Deemed contribution from the immediate holding company of the Company *(note 27)*	-	-	218,953	-	-	-	218,953
At 31 December 2016	106,350	69,637	343,903	34,550	12,496	(257,932)	309,004

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 (note 26) and immediate holding company of the Company (note 27).

(b) As stipulated by 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 year losses) to a general reserve fund until the balance of the fund reaches 50% of 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 December 2016 and 2015, no reserves were available for distribution as the Company incurred accumulated losses.

	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES		
Loss before taxation	**(5,491)**	(11,900)
Adjustments for:		
Allowance for inventories	**321**	49
Reversal of allowance for property, plant and equipment	**(3,489)**	-
Reversal of allowance for inventories	**(31)**	(115)
Reversal of allowance for trade receivables	**(40)**	-
Amortisation of prepaid lease payments	**188**	188
Depreciation of property, plant and equipment	**7,156**	7,078
Finance costs	**13,980**	28,169
Interest income	**(892)**	(1,218)
Investment income	**-**	(288)
Government subsidies	**(20)**	(1,385)
Gain on disposal of property, plant and equipment	**(217)**	(2,995)
Operating cash flows before movements in working capital	**11,465**	17,583
(Increase) decrease in inventories	**(12,280)**	451
Decrease (increase) in trade and other receivables	**12,036**	(9,610)
(Decrease) increase in trade and other payables	**(5,838)**	2,703
Increase in amounts due to fellow subsidiaries	**2,169**	639
NET CASH FROM OPERATING ACTIVITIES	**7,552**	11,766
INVESTING ACTIVITIES		
Interest received	**892**	1,218
Investment income received	**-**	288
Release of financial assets at fair value through profit or loss	**-**	50,000
Proceeds from disposal of property, plant and equipment	**217**	2,995
Purchase of property, plant and equipment	**(390)**	(257)
NET CASH FROM INVESTING ACTIVITIES	**719**	54,244
CASH FROM FINANCING ACTIVITY		
Government subsidies received	**20**	1,385
NET INCREASE IN CASH AND CASH EQUIVALENTS	**8,291**	67,395
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**195,260**	127,865
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**203,551**	195,260

1. GENERAL

Zhejiang Yonglong Enterprises Co., Ltd. (the "Company") is a joint stock limited company established in the People's Republic of China (the "PRC") and the H shares of the Company are listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

Before 16 November 2016, 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, was the immediate and ultimate holding company of the Company. On 16 November 2016, Zhejiang Yongli transferred 588,000,000 shares of the Company that it held to貴州永安金融控股股份有限公司 (Guizhou Yongan Finance Holdings Company Ltd.*) ("Guizhou Yongan"), a company incorporated in the PRC, in an aggregate consideration of RMB164,640,000. Since then, Guizhou Yongan became the immediate holding company of the Company and Zhejiang Yongli remains its position as the ultimate holding company of the Company.

Following the change of the immediate holding company of the Company to Guizhou Yongan, pursuant to which a special resolution that was passed at the extraordinary general meeting held on 28 February 2017, the english name of the Company will be changed from "Zhejiang Yonglong Enterprises Co., Ltd." to "Zhejiang Yongan Rongtong Holdings Co., Ltd." and the chinese name of the Company will be changed from "浙江永隆實業股份有限公司" to "浙江永安融通控股股份有限公司". The change of name will be effective after all the necessary approvals have obtained from the relevant PRC authorities for the proposed change of company name.

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

The financial statements are presented in Renminbi ("RMB") which is the same as the functional currency of the Company.

* *English name is for identification only*

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

In the current year, the Company has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS"), amendments and interpretation ("Int(s)") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of interests in Joint Operations

The application of the new and revised HKFRSs in the current year has had no material impact on the Company's financial performance and positions for the current year and prior years and/or on the disclosures set out in the financial statements.

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

New and revised HKFRSs issued but not yet effective

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[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]

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

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

3 Effective for annual periods beginning on or after 1 January 2019.

4 Effective date not yet been determined.

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

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

** English name is for identification only*

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 (2014) Financial Instruments *(Continued)*

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 (2014) Financial Instruments (Continued)

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

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 the 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 in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of that effect of HKFRS 9 (2014) until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

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 the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. At this stage, the Company is in the process of assessing the impact of HKFRS 15 on the Company's financial statements.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 16 Leases (Continued)

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related Interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019. HKFRS 16 will affect primarily the accounting for the Company's operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the statement of financial position.

The directors of the Company are in the process of assessing their impact on the financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Company performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

The financial statements have been prepared on the historical cost basis, except for certain properties, that are measured at revalued amounts or fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

(a) Property, plant and equipment

Property, plant and equipment excluding buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses.

Revaluations are made annually at each end of reporting period. Any increase in carrying amount of an asset as a result of a revaluation is recognised in other comprehensive income and accumulated in equity under the heading of asset revaluation reserve while any decrease resulted is recognised in profit or loss. However, an increase is recognised in profit or loss when that it reverses a revaluation decrease of the same asset previously recognised in profit or loss while a decrease is recognised in other comprehensive income when it reduces the related amount accumulated in asset revaluation reserve.

The asset revaluation reserve in respect of an item of property, plant and equipment stated at revalued amount is transferred directly to accumulated losses when it is realised on retirement or disposal.

Depreciation is recognised so as to allocate the cost or fair values of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Property, plant and equipment (Continued)

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(b) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(c) Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Company's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 to 180 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or an equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Company's financial liabilities are classified as other financial liabilities.

Financial liabilities

Financial liabilities, including trade and other payables, amounts due to fellow subsidiaries, immediate and ultimate holding companies, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expires, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Company's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(d) Cash and cash equivalents

Bank balances and cash in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

(e) Impairment losses on tangible assets

At the end of the reporting period, the Company reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Impairment losses on tangible assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services rendered in the normal course of business, net of discounts and sales related taxes.

i) Sales of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

ii) Subcontracting fee income

Income from subcontracting work is recognised when services are provided.

iii) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(h) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the functional currency of the Company (foreign currencies) are recorded in the functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

(j) Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as expenses when employees have rendered services entitling them to the contributions.

(k) Short term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

(l) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(m) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Leasehold land and building

When a lease includes both land and building elements, the Company assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Leasing (Continued)

Leasehold land and building (Continued)

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

(n) Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

(o) Fair value measurement

When measuring fair value, except for the net realisable value of inventories and value in use of properties, plant and equipment for the purpose of impairment assessment, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Company categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Company determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the financial statements.

Legal title of buildings

Despite the Company had paid the full purchase consideration for the buildings as detailed in note 17, formal titles of certain of the Company's rights to the use of the buildings were not obtained from the relevant government authorities. Based on the legal advice from the Company's lawyer, the directors of the Company determine to recognise these buildings on the ground that they expect no major difficulties in obtaining the legal titles in the future and the Company is in substance controlling these buildings. In the opinion of the directors of the Company, the absence of formal legal title to these buildings does not impair the value of the relevant assets to the Company.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revaluation, depreciation and useful lives of property, plant and equipment

The Company depreciates its property, plant and equipment on a straight-line basis over their estimated useful lives as set out in note 17, commencing from the date the items of property, plant and equipment are put into their intended use. The estimated useful lives and the dates the items of property, plant and equipment are put into use reflect the directors' estimate of the periods that the Company intends to derive future economic benefits from the use of the property, plant and equipment. The Company assesses the residual value and useful lives of the property, plant and equipment on a regular basis and if the expectation differs from the original estimate, such difference will impact the depreciation charge in the year in which such estimate has been changed.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Revaluation, depreciation and useful lives of property, plant and equipment (Continued)

As described in note 17, buildings in the PRC were revalued as at 31 December 2016 and 2015 based on replacement cost method respectively determined by independent professional valuer respectively. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation for replacement cost method for buildings in the PRC, the independent professional valuer considers information from the aggregate amount of the new replacement cost of the buildings and deductions may be made to allow for the age, condition, economic or functional obsolescence and environmental factor existing at the end of the reporting period. As at 31 December 2016, the carrying amounts of buildings in the PRC are approximately RMB101,034,000 (2015: RMB97,404,000).

Impairment loss recognised in respect of trade and bill receivables

The Company performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Company continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience. Credit losses have historically been within the Company's expectations and the Company will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. At 31 December 2016, the carrying amount of trade and bill receivables were approximately RMB36,530,000 (2015: RMB47,637,000), net of accumulated impairment loss of approximately RMB20,341,000 (2015: RMB20,381,000).

Impairment loss recognised in respect of other receivables

The policy for provision of impairment loss of other receivables is determined by the management based on the evaluation of collectability and aging analysis of accounts and management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each receivables.

At 31 December 2016, the carrying amount of other receivables was approximately RMB1,368,000 (2015: RMB2,257,000). No provision for impairment loss was made during the years ended 31 December 2016 and 2015.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less any cost to complete and to sell the goods. The cost of inventories is written down to the net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The amount written off to the statement of profit or loss and other comprehensive income is the difference between the carrying value and net realisable value of inventories. In determining whether the cost of inventories can be recovered, significant judgement is required. In making this judgement, the Company evaluates, amongst other factors, the duration and extent and the means by which the amount will be recovered. These estimates are based on the current market condition and past experience in sales of similar products. It could change significantly as a result of changes in customer preferences and competitor actions in response to changes in market condition. At 31 December 2016, the carrying amount of inventories is approximately RMB38,826,000 (2015: RMB26,836,000) (net of accumulated allowance for inventories of approximately RMB402,000 (2015: RMB112,000)).

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's estimation is required to assess the probability of future taxable profit. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. Details of deferred taxation are set out in note 25.

Carrying amount of amount due to immediate holding company

As at 31 December 2016, the carrying amount of the interest-free amount due to immediate holding company was approximately RMB20,724,000 (2015: nil). According to the assignment of debt agreement signed between Zhejiang Yongli and Guizhou Yongan mentioned in note 26, the amount is unsecured and repayable of which it 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 amount of the amount due to immediate holding company may be adjusted to reflect the revised estimated cash flows when the Company revises its estimates of the effective interest rate, with reference to the prevailing market rates of interest for similar instruments with similar credit ratings, and reviews its estimates of the timing and repayment to the immediate holding company based on current year cashflow, and consequently affect deemed capital contribution at initial recognition and the amount of imputed interest to be recognised in profit or loss, if any, over the expected life of the amounts due to immediate holding company.

5. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from prior year.

The capital structure of the Company consists of net debt, which includes amounts due to fellow subsidiaries, immediate and ultimate holding companies as disclosed in notes 23, 26 and 27 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with capital. Based on recommendations of the directors, the Company will balance its overall capital structure through the issue of new shares or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 **RMB'000**	2015 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**240,659**	243,206
Financial liabilities		
Financial liabilities at amortised cost	**63,449**	263,533

(b) Financial risk management objectives and policies

The Company's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, amounts due to fellow subsidiaries, immediate holding company and ultimate holding company. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

Currency risk

The Company has no monetary liabilities denominated in foreign currency. The carrying amounts of the Company's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	2016 **RMB'000**	2015 RMB'000
Trade and bills receivable denominated in United States dollars ("US$")	**3,681**	5,134
Bank balance denominated in Hong Kong dollars ("HK$")	**76**	71
	3,757	5,205

The Company currently does not have a foreign currency hedging policy. However, the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Company is mainly exposed to the currency of trade and bills receivables (US$) and the currency of bank balances (HK$).

The directors of the Company consider that the currency risk relating to bank balances denominated in HK$ in response to the changes in exchange rate is insignificant; sensitivity analysis on currency risk is not presented.

The following table details the Company's sensitivity to a 5% (2015: 5%) increase and decrease in exchange rates of US$ against the functional currency of the Company, i.e. RMB. 5% (2015: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary item, and adjusts their translation at the end of the reporting period for a 5% (2015: 5%) change in foreign currency rates.

A positive number below indicates a decrease in post-tax loss where RMB weakening 5% (2015: 5%) against US$. For a 5% (2015: 5%) strengthening RMB against US$, there would be an equal and opposite impact on the loss, and the balances below would be negative.

	2016 **RMB'000**	2015 RMB'000
Profit or loss	**138**	193

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

The Company is exposed to cash flow interest rate risk in relation to its variable-rate short-term deposits. The Company currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Company's exposures to interest rates on the short-term deposits are short-term in nature and the amounts due to immediate and ultimate holding companies are interest-free, the exposure of the interest rate risk is minimal and no sensitivity analysis to interest rate risk is presented.

Credit risk

As at 31 December 2016, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to the failure to discharge an obligation by the counterparties is arising from the carrying amount of trade and other receivables as stated in the statement of financial position.

In order to minimise the credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade and other receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit ratings agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Company does not have any other significant concentration of credit risk except below.

As at 31 December 2016, the Company's concentration of credit risk by geographical locations is mainly in the PRC (2015: PRC), which accounted for 94% (2015: 89%) of the total trade and bills receivables.

The Company has concentration of credit risk as 12% (2015: 11%) and 35% (2015: 35%) of the trade receivables was due from the Company's largest trade debtor and the five largest trade debtors respectively.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of non-current loans from the immediate and ultimate holding companies.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	At 31 December 2016				
	On demand or within 1 year	>1-5 years	>5 years	Total undiscounted cash flows	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities					
Trade and other payables	38,098	-	-	38,098	38,098
Amounts due to fellow subsidiaries	4,627	-	-	4,627	4,627
Amount due to immediate holding company	3,776	15,104	220,797	239,677	20,724
	46,501	15,104	220,797	282,402	63,449

	At 31 December 2015				
	On demand or within 1 year	>1-5 years	>5 years	Total undiscounted cash flows	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities					
Trade and other payables	35,378	-	-	35,378	35,378
Amount due to a fellow subsidiary	2,458	-	-	2,458	2,458
Amount due to ultimate holding company	239,677	-	-	239,677	225,697
	277,513	-	-	277,513	263,533

7. FAIR VALUE

The directors of the Company consider that the carrying amounts of the current financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values due to their short-term maturities.

The directors of the Company consider that the carrying amounts of amounts due to immediate and ultimate holding companies were approximate to their fair values as the discounting effect was taken into consideration.

8. REVENUE AND OTHER INCOME AND GAINS

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

	2016 **RMB'000**	2015 RMB'000
Revenue		
Sales of woven fabrics	**159,389**	178,323
Subcontracting fee income	**6,396**	13,645
	165,785	191,968
Other income and gains		
Gain on disposal of property, plant and equipment	**217**	2,995
Government subsidies (note)	**20**	1,385
Interest income	**892**	1,218
Sales of scrap materials	**-**	517
Investment income	**-**	288
Foreign exchange gains	**37**	283
Reversal of impairment loss recognised in respect of property, plant and equipment	**3,489**	-
Reversal of impairment loss recognised in respect of trade receivables	**40**	-
Others	**201**	143
	4,896	6,829

Note: Government subsidies of RMB20,000 (2015: RMB1,385,000) was awarded to the Company during the year ended 31 December 2016 for encouraging the participation in exhibitions. (2015: for encouraging the usage of the higher productivity machinery.) There is no unfulfilled condition or contingencies relating to these subsidies.

9. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods sold or services delivered or provided.

Specifically, the Company's reportable and operating segments are as follows:

Woven fabrics	-	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 year ended 31 December					
	Woven fabrics		Subcontracting services		Total	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Segment revenue	**159,389**	178,323	**6,396**	13,645	**165,785**	191,968
Segment profit	**16,460**	17,715	**1,495**	2,714	**17,955**	20,429
Unallocated corporate income					**1,367**	6,312
Unallocated corporate expenses					**(10,833)**	(10,472)
Finance costs					**(13,980)**	(28,169)
Loss before taxation					**(5,491)**	(11,900)

The accounting policies of the operating segments are the same as the Company's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of gain on disposal of property, plant and equipment, interest income, government subsidies, investment income, other income, directors' remuneration, 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.

9. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

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

	At 31 December					
	Woven fabrics		Subcontracting services		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment assets	**181,455**	176,594	**5,722**	11,458	**187,177**	188,052
Unallocated corporate assets						
- Other receivables					**578**	309
- Bank balances and cash					**203,551**	195,260
Total assets					**391,306**	383,621
Segment liabilities	**(35,292)**	(40,640)	**(1,417)**	(3,110)	**(36,709)**	(43,750)
Unallocated corporate liabilities						
- Other payables					**(7,826)**	(6,623)
- Amounts due to fellow subsidiaries					**(4,627)**	(2,458)
- Deferred tax liabilities and tax payables					**(12,416)**	(9,978)
- Amount due to immediate holding Company					**(20,724)**	-
- Amount due to ultimate holding Company					**-**	(225,697)
Total liabilities					**(82,302)**	(288,506)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than other receivables and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to operating segments other than other payables, amounts due to fellow subsidiaries, deferred tax liabilities, tax payables and amounts due to immediate and ultimate holding companies. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

9. SEGMENT INFORMATION (Continued)

(c) Other segment information

Amounts included in the measure of segment profit or segment assets:

	For the year ended 31 December							
	Woven fabrics		Subcontracting services		Unallocated		Total	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
- Allowance for inventories	**321**	49	**-**	-	**-**	-	**321**	49
- Reversal of allowance for property, plant and equipment	**(3,354)**	-	**(135)**	-	**-**	-	**(3,489)**	-
- Reversal of allowance for inventories	**(31)**	(115)	**-**	-	**-**	-	**(31)**	(115)
- Reversal of impairment loss recognised in respect of trade receivables	**(40)**	-	**-**	-	**-**	-	**(40)**	-
- Addition to property, plant and equipment	**375**	239	**15**	18	**-**	-	**390**	257
- Amortisation of prepaid lease payments	**181**	175	**7**	13	**-**	-	**188**	188
- Depreciation of property, plant and equipment	**6,880**	6,575	**276**	503	**-**	-	**7,156**	7,078
- Research and development costs	**284**	132	**11**	10	**-**	-	**295**	142

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets:

- Interest income	**-**	-	**-**	-	**892**	1,218	**892**	1,218
- Finance costs	**-**	-	**-**	-	**(13,980)**	(28,169)	**(13,980)**	(28,169)
- Income tax expense	**-**	-	**-**	-	**(1,722)**	(5,279)	**(1,722)**	(5,279)

(d) Geographical information

Information about the Company's revenue from continuing operation from external customers is presented based on the location of the operation. Information about the Company's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
The PRC (country of domicile)	**140,240**	166,992	**110,843**	111,443
Europe	**12,219**	16,959	**-**	-
South America	**8,039**	3,078	**-**	-
The Middle East	**349**	450	**-**	-
Other overseas	**4,938**	4,489	**-**	-
	165,785	191,968	**110,843**	111,443

9. SEGMENT INFORMATION (Continued)

(e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Company are as follows:

	2016 RMB'000	2015 RMB'000
Customer A (derived from sale of woven fabrics)	**21,355**	N/A*

* The corresponding revenue did not contribute over 10% of total revenue of the Company of respective year.

10. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Imputed interest on non-current interest-free loan due to ultimate holding company (note 26)	**13,980**	28,169

11. INCOME TAX EXPENSE

	2016 RMB'000	2015 RMB'000
Current taxation (note 25)		
- PRC Enterprise Income Tax	**1,747**	-
Deferred taxation (note 25)		
- Current year	**(25)**	5,279
	1,722	5,279

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 years.

No provision for PRC Enterprise Income Tax was made for the year ended 31 December 2015.

11. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the loss before taxation per the statement of profit or loss and other comprehensive income as follows:

	2016 **RMB'000**	2015 RMB'000
Loss before taxation	**(5,491)**	(11,900)
Tax at the domestic rate at 25% (2015: 25%)	**(1,373)**	(2,975)
Tax effect of non-taxable income	**(872)**	-
Tax effect of non-deductible expenses	**3,967**	8,254
Income tax expense	**1,722**	5,279

Details of the deferred taxation are set out in note 25.

12. LOSS FOR THE YEAR

	2016 **RMB'000**	2015 RMB'000
Loss for the year has been arrived at after charging (crediting):		
Staff cost (including supervisors', directors' and chief executive's emoluments):		
Salaries, wages and other benefits in kind	**26,682**	33,268
Retirement benefit scheme contributions	**501**	535
Total staff costs	**27,183**	33,803
Allowance for inventories (included in cost of inventories recognised as an expense)	**321**	49
Amortisation of prepaid lease payments	**188**	188
Auditor's remuneration	**635**	588
Cost of inventories recognised as an expense	**147,398**	169,011
Depreciation of property, plant and equipment	**7,156**	7,078
Research and development costs recognised as an expense	**295**	142
Reversal of allowance for inventories (included in cost of inventories recognised as an expense)	**(31)**	(115)

13. LOSS PER SHARE

Basic loss per share for the year is calculated on the loss for the year of approximately RMB7,213,000 (2015: RMB17,179,000) and the weighted average of 1,063,500,000 (2015: 1,063,500,000) ordinary shares in issue during the year ended 31 December 2016.

For the years ended 31 December 2016 and 2015, the diluted loss per share is the same as the basic loss per share.

No diluted loss per share have been presented for the years ended 31 December 2016 and 2015 as there were no diluting events existed during both years.

14. SUPERVISORS', DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the five (2015: five) supervisors, eight (2015: eleven) directors and chief executives for the year ended 31 December 2016 were as follows:

	Executive directors			Non-executive directors		Independent non-executive directors			Supervisors					Total
For the year ended 31 December 2016	Mr. Wang Xinyi (Chairman) RMB'000 (notes a and b)	Ms. He Lianfeng (Chief executive officer) RMB'000	Mr. Hu Hua Jun RMB'000	Mr. Chen Dong Chun RMB'000	Mr. Tang Guo Ping RMB'000 (note a)	Mr. Xu Wei Dong RMB'000	Ms. Zhang Li RMB'000	Mr. Wang Weisong RMB'000 (note a)	Ms. Wang Ai Yu RMB'000	Mr. Hu Jin Huan RMB'000	Ms. Tong Jian Juan RMB'000	Mr. Chen Wei RMB'000	Mr. Pan Xing Biao RMB'000	RMB'000
Emoluments paid or receivable in respect of a person's services as a director or a supervisor, whether of the Company undertaking														
Fees	96	72	60	60	60	60	60	60	36	12	12	12	12	612
Other emoluments														
Salaries	-	122	68	-	-	-	-	-	-	-	56	66	-	312
Discretionary bonus	-	378	110	-	-	-	-	-	-	-	58	178	-	724
Salaries and other benefits subtotal	-	500	178	-	-	-	-	-	-	-	114	244	-	1,036
Contributions to retirement benefits schemes	-	10	4	-	-	-	-	-	-	-	4	4	-	22
	96	582	242	60	60	60	60	60	36	12	130	260	12	1,670

Notes:

a: The annual fees of Mr. Wang Xinyi, Mr. Tang Guo Ping and Ms. Wang Ai Yu for the year ended 31 December 2016 were RMB96,000, RMB60,000 and RMB36,000 respectively which were paid by Zhejiang Yongli according to the terms of services contracts.

b: Mr. Wang Xinyi resigned as executive director and the chairman on 28 February 2017.

c: Mr. Jiang Ning is appointed as executive director and the chairman on 28 February 2017 and Mr. He Weifeng is appointed as executive director and the deputy chairman on 28 February 2017.

14. SUPERVISORS', DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

	Executive directors			Non-executive directors				Independent non-executive directors				Supervisors					Total
For the year ended 31 December 2015	Mr. Wang Xinyi (Chairman) RMB'000 (note c)	Ms. He Lianfeng (Chief executive officer) RMB'000	Mr. Hu Hua Jun RMB'000 (note c)	Mr. Chen Jian Jiang RMB'000 (note a)	Mr. Chen Dong Chun RMB'000	Mr. Tang Guo Ping RMB'000 (note b)	Mr. Xu Wei Dong RMB'000	Mr. Li Hui Peng RMB'000 (note a)	Mr. Qin Fu RMB'000 (note a)	Ms. Zhang Li RMB'000 (note b)	Mr. Wang Weisong RMB'000 (note b)	Ms. Wang Ai Yu RMB'000 (note c)	Mr. Hu Jin Huan RMB'000	Ms. Tong Jian Juan RMB'000	Mr. Chen Wei RMB'000	Mr. Pan Xing Biao RMB'000	RMB'000
Emoluments paid or receivable in respect of a person's services as a director or a supervisor, whether of the Company undertaking																	
Fees	96	72	60	-	60	33	59	36	36	33	33	36	12	12	12	12	602
Other emoluments																	
Salaries	-	40	4	9	-	-	-	-	-	-	-	-	-	42	46	-	141
Discretionary bonus	-	370	130	-	-	-	-	-	-	-	-	-	-	60	150	-	710
Salaries and other benefits subtotal	-	410	134	9	-	-	-	-	-	-	-	-	-	102	196	-	851
Contributions to retirement benefits schemes	-	10	4	1	-	-	-	-	-	-	-	-	-	4	4	-	23
	96	492	198	10	60	33	59	36	36	33	33	36	12	118	212	12	1,476

Notes:

a: Mr. Chen Jian Jiang resigned as executive directors on 1 April 2015. Mr. Li Hui Peng and Mr. Qin Fu retired as independent non-executive directors respectively on 15 May 2015

b: Mr. Tang Guo Ping was appointed as non-executive director on 15 May 2015. Ms. Zhang Li and Mr. Wang Weisong were appointed as independent non-executive directors respectively on 15 May 2015.

c: The annual fees of Mr. Wang Xinyi and Ms. Wang Ai Yu for the year ended 31 December 2015 were RMB96,000 and RMB36,000 respectively which were paid by Zhejiang Yongli according to the terms of services contracts.

14. SUPERVISORS', DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

The discretionary bonus is determined by the remuneration committee having regard to the individual's performance and the Company's performance and profitability and the prevailing market conditions.

No emoluments paid or payable in respect of director's other services in connection with the management of the affairs of the Company for the years ended 31 December 2016 and 2015.

No supervisor, director and chief executive waived or agreed to waive any emoluments for the years ended 31 December 2016 and 2015.

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Company, three (2015: four) of them were directors and supervisor of the Company whose emoluments are included in note 14 above. The emoluments of the remaining (2015: one) two individuals are as follows:

	2016 **RMB'000**	2015 RMB'000
Salaries, allowances and other benefits in kind	**292**	121
Retirement benefits schemes contributions	**-**	4
	292	125

Their emoluments were within the following bands:

	No. of individuals	
	2016	2015
Nil to HK$1,000,000 (equivalent to Nil to RMB896,000) (2015: equivalent to Nil to RMB850,000)	**2**	1

No emoluments were paid or payable by the Company to the five highest paid individuals or other supervisors and directors of the Company as an inducement to join or upon joining the Company, or as compensation for loss of office during the years ended 31 December 2016 and 2015.

16. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings at revalued amounts RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST/ VALUATION						
At 1 January 2015	91,452	610	188,809	1,758	6,464	289,093
Additions	-	-	143	114	-	257
Adjustment on revaluation, net	5,952	-	-	-	-	5,952
Disposal	-	(275)	(28,267)	-	-	(28,542)
At 31 December 2015	97,404	335	160,685	1,872	6,464	266,760
Additions	-	-	-	312	78	390
Transfer from construction in progress	6,542	-	-	-	(6,542)	-
Adjustment on revaluation, net	(2,912)	-	-	-	-	(2,912)
Disposal	-	-	(7,921)	-	-	(7,921)
At 31 December 2016	101,034	335	152,764	2,184	-	256,317
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2015	-	358	183,814	1,394	3,489	189,055
Provided for the year	5,630	66	1,207	175	-	7,078
Eliminated on revaluation	(5,630)	-	-	-	-	(5,630)
Disposal	-	(275)	(28,267)	-	-	(28,542)
At 31 December 2015	-	149	156,754	1,569	3,489	161,961
Provided for the year	5,777	65	1,156	158	-	7,156
Reversal of impairment loss	-	-	-	-	(3,489)	(3,489)
Eliminated on revaluation	(5,777)	-	-	-	-	(5,777)
Disposal	-	-	(7,921)	-	-	(7,921)
At 31 December 2016	-	214	149,989	1,727	-	151,930
CARRYING VALUES						
At 31 December 2016	101,034	121	2,775	457	-	104,387
At 31 December 2015	97,404	186	3,931	303	2,975	104,799

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives less their residual values as follows:

Buildings	Over the shorter of the term of the lease or 20 years
Motor vehicles	20%
Plant and machinery	10%
Furniture, fixtures and equipment	20%

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

There was an impairment loss of RMB3,489,000 made on the construction in progress in previous years due to suspension of construction work. The construction work of the construction in progress was subsequently resumed and was completed during the year ended 31 December 2016. During the year ended 31 December 2016, the Company carried out a review in relation to the recoverable amount of the construction in progress, which is based on its fair value less costs of disposal and the review led to a reversal of impairment loss on the construction in progress amounting to RMB3,489,000 as the recoverable amount of RMB7,040,000 is higher than its carrying amount.

The leasehold buildings of the Company were revalued on 31 December 2016 and 2015 by Avista Valuation Advisory Limited ("Avista"), independent qualified professional valuers not connected with the Company. Avista has appropriate qualifications and has recent experiences in the valuation of similar properties in the relevant locations. The valuations have been arrived at using replacement cost approach.

The buildings are held in the PRC under medium-term lease.

If the leasehold buildings had not been revalued, they would have been included in the financial statements at historical cost less accumulated depreciation of approximately RMB55,977,000 (2015: RMB55,214,000).

Fair value measurement of the Company's buildings

The fair value of the buildings was determined using the replacement cost approach. Fair value which determined by using replacement cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. There has been no change to the valuation technique for both years.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Company's buildings and information about the fair value hierarchy as at 31 December 2016 and 2015 are as follows:

Property, plant and equipment	Fair value	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Buildings in the PRC	31 December 2016: RMB101,034,000 31 December 2015: RMB97,404,000	Level 3	Replacement cost	Rate of obsolescence to adjust the replacement cost, which ranged from 0% to 85% (2015: 8% to 85%) based on the utilisation, specialty in nature and age of the buildings	The higher the rate of obsolescence, the lower the fair value

There were no transfers into or out of Level 3 during the year.

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The reconciliation of Level 3 fair value measurements of leasehold buildings on recurring basis is as follow:

	2016 **RMB'000**	2015 RMB'000
At 1 January	**97,404**	91,452
Transfer from construction in progress	**6,542**	-
Increase in fair value recognised in other comprehensive income	**2,865**	11,582
Depreciation expense	**(5,777)**	(5,630)
At 31 December	**101,034**	97,404

During the year ended 31 December 2016, the increase in fair value recognised in other comprehensive income of approximately RMB2,865,000 (2015: RMB11,582,000) is included in asset revaluation reserve and is attributable to the change in unrealised gains or losses relating to leasehold buildings measured at fair value held at the end of the reporting period.

As at 31 December 2016, the Company has not obtained the building ownership certificate for buildings with carrying values of approximately RMB18,443,000 (2015: RMB11,717,000) from the relevant PRC government authorities. Based on the legal advice from the Company's lawyer, the absence of formal title to these properties does not impair their values to the Company as the Company has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

18. PREPAID LEASE PAYMENTS

	2016 **RMB'000**	2015 RMB'000
Analysed for reporting purposes as:		
Non-current assets	**6,456**	6,644
Current assets	**188**	188
	6,644	6,832

The Company's prepaid lease payments on land use rights are held under medium lease-term in the PRC.

19. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	**5,095**	5,923
Work in progress	**6,598**	3,213
Finished goods	**27,133**	17,700
	38,826	26,836

During the year ended 31 December 2016, provision for slow-moving inventories of approximately RMB321,000 (2015: RMB49,000) has been recognised and included in the cost of sales. An allowance for slow-moving inventories of approximately RMB31,000 (2015: RMB115,000) provided in prior years were reversed in the current year since the relevant inventories were sold in the ordinary course of business during the year ended 31 December 2016.

20. TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade and bills receivables	**56,871**	68,018
Less: Allowance for impairment of trade receivables	**(20,341)**	(20,381)
	36,530	47,637
Other receivables		
Prepayments to suppliers	**217**	1,217
Other prepayments	**573**	731
Other receivables	**578**	309
	1,368	2,257
Total trade and other receivables	**37,898**	49,894

The Company allows an average credit period of 60 days to 180 days (2015: 60 days to 180 days) to its trade customers. The Company does not hold any collateral or other credit enhancements over its trade and other receivables.

(a) An aged analysis of trade and bills receivable, net of allowance for impairment of trade receivables and presented based on invoice date which approximates the respective revenue recognition dates, at the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
0 – 60 days	**29,953**	40,521
61 – 90 days	**3,761**	537
91 – 120 days	**1,472**	1,882
121 – 365 days	**1,238**	3,987
Over 365 days	**106**	710
	36,530	47,637

As at 31 December 2016, all of the bills receivables were aged within 90 days (2015: Nil.)

20. TRADE AND OTHER RECEIVABLES (Continued)

(b) At 31 December 2016 and 2015, the analysis of trade and bills receivables based on the due dates that were past due but not impaired are as follows:

	Total	Neither past due nor impaired	Past due but not impaired			
			Less than 60 days	61-90 days	91-365 days	Over 365 days
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016	36,530	35,186	277	-	961	106
At 31 December 2015	47,637	42,940	1,717	3	2,267	710

Included in the Company's trade and bills receivable balance are debtors with aggregate carrying amount of approximately RMB1,344,000 (2015: RMB4,697,000) which are past due as at the end of the reporting period for which the Company has not provided for impairment loss.

Trade and bills receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade and bills receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Company. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(c) The movements in allowance for impairment of trade and bills receivables are as follows:

	2016	2015
	RMB'000	RMB'000
At the beginning of the year	**20,381**	20,381
Reversal of impairment loss	**(40)**	-
At the end of the year	**20,341**	20,381

Included in the allowance for impairment of trade and bills receivables are individually impaired trade receivables with an aggregate balance of approximately RMB20,341,000 (2015: RMB20,381,000) which are due to long outstanding.

Included in the trade and bills receivables are the following amounts denominated in a currency other than the functional currency of the Company:

	2016	2015
	RMB'000	RMB'000
US$	**3,681**	5,134

21. BANK BALANCES AND CASH

For the years ended 31 December 2016 and 2015, bank balances represented short-term deposits with a maturity of three months or less. The interest rate ranged from 0.35% to 1.35% per annum (2015: 0.35% to 0.42% per annum).

Included in the bank balances and cash are the following amounts denominated in a currency other than the functional currency of the Company:

	2016 **RMB'000**	2015 RMB'000
HK$	**74**	71

22. TRADE AND OTHER PAYABLES

	2016 **RMB'000**	2015 RMB'000
Trade payables *(notes i & ii)*	**30,272**	28,755
Receipt in advance	**3,180**	7,369
Other taxes payable	**3,257**	7,626
Accrued expenses and other payables	**7,826**	6,623
	44,535	50,373

Notes:

(i) The Company normally receives credit periods from suppliers ranging from 30 days to 90 days (2015: 30 days to 90 days). The Company has in place financial risk management policies to ensure that all payables are settled within the credit timeframe.

(ii) An aged analysis of the trade payables at the end of the reporting period based on invoice date is as follows:

	2016 **RMB'000**	2015 RMB'000
0 – 60 days	**18,956**	18,457
61 – 90 days	**2,838**	1,363
91 – 365 days	**3,759**	4,182
Over 365 days	**4,719**	4,753
	30,272	28,755

23. AMOUNTS DUE TO FELLOW SUBSIDIARIES

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

	2016 RMB'000	2015 RMB'000
浙江永利熱電有限公司 (Zhejiang Yongli Thermal Electricity Company Limited*) ("Zhejiang Yongli Thermal Electricity")	**4,573**	2,407
浙江紹興永利印染有限公司 (Zhejiang Shaoxing Yongli Printing & Dyeing Co., Limited*) ("Zhejiang Shaoxing Yongli Printing & Dyeing")	**54**	51
	4,627	2,458

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

** English name is for identification only*

24. RETIREMENT BENEFITS PLANS

As stipulated by rules and regulations in the PRC, enterprises in the PRC are required to contribute to a state-managed retirement benefit schemes for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement benefit scheme is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement benefit scheme, the Company has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions. During the year ended 31 December 2016, the total amount contributed by the Company to this scheme and charged to the statement of profit or loss and other comprehensive income was approximately RMB501,000 (2015: RMB535,000).

25. DEFERRED TAXATION

Major deferred tax (liabilities) assets recognised and movement therein during the current and prior reporting periods are set out as follows:

	Revaluation of properties RMB'000	Impairment loss recognised in respect of trade receivables RMB'000	Allowance of inventories RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2015	(12,245)	5,096	45	5,301	(1,803)
Charged to profit or loss	-	-	(16)	(5,263)	(5,279)
Charged to other comprehensive income	(2,896)	-	-	-	(2,896)
At 31 December 2015	(15,141)	5,096	29	38	(9,978)
(Charged) credited to profit or loss	-	(9)	72	(38)	25
Charged to other comprehensive income	(716)	-	-	-	(716)
At 31 December 2016	(15,857)	5,087	101	-	(10,669)

At the end of the reporting period, the Company did not have unused tax losses (2015: RMB150,000) available for offset against future profits. Hence, no deferred tax asset has been recognised in respect of it (2015: RMB150,000).

26. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

	2016 RMB'000	2015 RMB'000
Analysed for reporting purposes as:		
Current liability	**-**	5,800
Non-current liability	**-**	219,897

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.

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 31 December 2015 was stated at discounted present value with an imputed interest rate of 14.35% per annum.

26. AMOUNT DUE TO ULTIMATE HOLDING COMPANY (Continued)

On 23 December 2016, Zhejiang Yongli entered into an agreement of assignment of debt with Guizhou Yongan ("assignment of debt agreement"), pursuant to which, the debt of approximately RMB239,677,000 owed by the Company to Zhejiang Yongli was assigned to Guizhou Yongan and Guizhou Yongan committed to continue the obligations and commitments under the original debt agreement that was entered into between the Company and Zhejiang Yongli on 13 September 2011 (note 27).

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

	2016 **RMB'000**	2015 RMB'000
At 1 January	**225,697**	197,528
Imputed interest charged to profit or loss *(note 10)*	**13,980**	28,169
Assigned to immediate holding company *(note 27)*	**(239,677)**	-
At 31 December	**-**	225,697

27. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

	2016 **RMB'000**
Analysed for reporting purposes as:	
Current liability	**3,776**
Non-current liability	**16,948**

Referring to the principal advances of approximately RMB239,677,000 in relation to the assignment of debt agreement entered into on 23 December 2016 (note 26), it had been initially reduced to its present value of approximately RMB20,724,000 (2015: nil) based on the managements' estimates of future cash payments with a corresponding adjustment of approximately RMB218,953,000 (2015: nil) which was deemed as a contribution from the immediate holding company during the year ended 31 December 2016. The effective interest rate adopted for measurement at fair value at initial recognition of the advances from immediate holding company for the year was determined with reference to the prevailing market rates of interest for similar instruments with similar credit ratings and with reference to the timing and repayment based on the cashflow in current year of the Company.

The carrying value of the amount due to immediate holding company as at 31 December 2016 was stated at discount present value with an imputed interest rate of 18.22% per annum.

27. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY (CONTINUED)

The movements during the current reporting period is set out as follows:

	2016 RMB'000
At 1 January	**-**
Assigned from ultimate holding company *(note 26)*	**239,677**
Deemed contribution arising from the discounting of the non-current interest-free loan	**(218,953)**
At 31 December	**20,724**

28. SHARE CAPITAL

Details of the share capital of the Company of RMB0.10 each are as follows:

	Number of shares '000	RMB'000
Domestic shares at 1 January 2015, 31 December 2015 and 31 December 2016	588,000	58,800
H shares at 1 January 2015, 31 December 2015 and 31 December 2016	475,500	47,550
Total share capital of RMB0.10 each at 1 January 2015, 31 December 2015 and 31 December 2016	1,063,500	106,350

The domestic shares and H shares carry the same rights to dividends, receive notice of attender vote at any general meeting of the Company or to participate in any distribution on winding up.

29. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these financial statements, the Company had the following related party transactions and continuing connected party transactions during the years.

(a) The balances with fellow subsidiaries, immediate and ultimate holding companies are set out in notes 23, 26 and 27 respectively.

(b) During the year ended 31 December 2016, the Company had paid approximately RMB7,749,000 (2015: RMB6,230,000) 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 year ended 31 December 2016, the Company had paid approximately RMB17,000 (2015: RMB57,000) to Zhejiang Shaoxing Yongli Printing & Dyeing, 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.

(d) During the year ended 31 December 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 amounting RMB55,000 (2016: Nil).

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

(e) Compensation of key management personnel

The supervisors, directors and chief executive of the Company are regarded as key management of the Company. Compensation paid or payable to them is disclosed in note 14.

The remuneration of directors and other members of key management are determined by the remuneration committee having regard to the performance of individuals and market trends.

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RESULTS

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**165,785**	191,968	188,562	206,405	130,007
(LOSS) PROFIT BEFORE TAXATION	**(5,491)**	(11,900)	(6,342)	42,883	(18,556)
TAXATION	**(1,722)**	(5,279)	(972)	818	922
(LOSS) PROFIT FOR THE YEAR	**(7,213)**	(17,179)	(7,314)	43,701	(17,634)

ASSETS AND LIABILITIES

	At 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**391,306**	383,621	352,428	343,104	262,289
TOTAL LIABILITIES	**(82,302)**	(288,506)	(248,820)	(234,675)	(200,014)
SURPLUS SHAREHOLDERS' FUNDS	**309,004**	95,115	103,608	108,429	62,275

note: The summary of the results and the assets and liabilities of the Company for the years ended 31 December 2012, 2013, 2014, 2015 and 2016 are extracted from the audited financial statements.