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)

2014

Stock Code: 8211

ANNUAL REPORT

** 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. Wang Xinyi *(Chairman)*
Ms. He Lianfeng
(Deputy Chairman and Chief Executive Officer)
Mr. Hu Hua Jun
Mr. Chen Jian Jiang

Non-executive director
Mr. Chen Dong Chun

Independent non-executive directors
Mr. Xu Wei Dong
Mr. Li Hui Peng
Mr. Qin Fu

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)*
Mr. Li Hui Peng
Mr. Qin Fu

Remuneration committee
Mr. Li Hui Peng *(Chairman)*
Mr. Wang Xinyi
Mr. Xu Wei Dong
Mr. Qin Fu

Nomination committee
Mr. Qin Fu *(Chairman)*
Mr. Xu Wei Dong
Mr. Li Hui Peng
Ms. He Lianfeng

Legal address
Yangxun Qian 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 bankers
Agriculture Bank of China
Shaoxing Branch
333 Jin Keqiao Avenue, Keqiao Qu,
Shaoxing City,
Zhejiang Province, PRC

International auditor
SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
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*)
7/F., Kaifawei Chengnan, Shaoxing
Zhejiang Province, PRC

H Share share registrar and transfer office
Union Registrars Limited
A18/F., Asia Orient Tower
Town Plaza, 33 Lockhart Road
Wanchai, Hong Kong

Legal advisers
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 2014,

- Revenue of the Company decreased from approximately RMB206.41 million in year 2013 to approximately RMB188.56 million in year 2014, representing a drop of approximately 8.65% when compared to the year ended 31 December 2013;

- loss for the year was approximately RMB7.31 million; and

- the Directors do not recommend the payment of a final dividend for the year ended 31 December 2014.

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 2014.

FINANCIAL PERFORMANCE

For the year ended 31 December 2014, the Company recorded a revenue of approximately RMB188.56 million, represents a drop of approximately 8.65% when compared with the same period in 2013. It was mainly due to subcontracting fee income dropped by approximately 42.36% as the Company concentrated in the business of sales of woven fabrics. Gross profit margin dropped by approximately 13.22% mainly due to decrease of subcontracting fee income which has higher profit margin. The selling expenses increased sharply in 2014 when compared with that in 2013 was in line with the increase of sales of woven fabrics. The administrative expenses for year ended 31 December 2014 decreased slightly by approximately 2.2% when compared with the corresponding period in 2013 as consistent policy of control of expenditure was adopted in both years. Other income and gains dropped by approximately RMB42.31 million when compared with the corresponding period in 2013 mainly because there was gains on disposal of old factory to the Local Government in 2013. Disregard of the finance cost of approximately RMB24.65 million in respect of imputed interest in non-current interest-free loan from ultimate holding company, there was profits of approximately RMB18.31 million for the year ended 31 December 2014. The respective loss and earnings per share for the year ended 31 December 2014 and 2013 were approximately RMB0.69 cents and RMB4.11 cents respectively.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2014.

OUR STRATEGIES GOING FORWARD

Since the financial turmoil occurred in 2008, the global economy was either slowdown or uneven developed. The economy of U.S. is gradually recovered and the fall in global oil prices being a further enhancement to the economy of U.S.. It is therefore expected that U.S. may rise interest rates in the third quarter of 2015 or early 2016. The sovereign debt crisis of certain European countries remains the great problems to be resolved in 2015. The economy in these areas and other developed countries remain stressed and experienced various downturns. In China, with slower global economic growth, fragile foreign investment to China's manufacturing along with declining commodity prices, China's trade growth has switched from high speed to medium high speed.

In 2015, in view of the textile industry, even though the declining of global oil prices may lead to the lowering of the raw materials price of textile product, rising of labour cost is still the pressure of the peer textile manufacturers. Therefore, the overall market sentiments is not good. As discussed above, the worldwide economies will continue be affected, the textile industry will continue be impacted in 2015. In this instance, the Directors will continue the following policies in 2014 in order to enhance the benefits to the shareholders of the Company:

A: OPENING UP THE MARKET AND EXPANDING DOMESTIC SALES

Since the second quarter of 2013, the Company recommenced the export sales. In view of the shrinking of the Europe and US market, the Company successfully developed other market such as South America, Eastern Europe, Africa and other Asia countries. The Company is located in Zhejiang Province, except for expanding the local market, the Company also develop other market such as Fujian Province, Qingdao, and Liaoning Province etc. so as to maximise the sales revenue and minimise the market risk. The Company will continue to place the sales efforts in expanding the domestic market and diversifying the overseas market.

B: INNOVATIVE PRODUCTS, ENHANCING THE VALUE

As the economic structure evolves, innovation will be a more important growth driver rather than productivity and investment. Therefore, the Company will continue to cooperate with professional colleges, universities, national research centers and commercial corporations to carry out joint scientific research and development for the exploration of new raw materials and technologies. The aim of such is to create new products with added values, and the Company's benefits can hence be enhanced.

C: STREAMLINING OPERATIONS, SAVING COST

After the consolidation of the production, production machines and manpower from the old factory site to the existing factory site since February 2012, the Company successfully save the production cost, hence enhance the gross profit margin at a reasonable rate in 2014. In order to enhance cost control and achieve cost saving, the Company will continue to streamline operations, optimise personnel and assets.

In addition, in order to further reduce the production cost and enhance the stable supply of electricity and steam, the Company continues to purchase electricity and steam from 浙江永利熱電有限公司(Zhejiang Yongli Thermal Electricity Company Limited*) ("Zhejiang Yongli Thermal Electricity"), a subsidiary of 浙江永利實業集團有限公司(Zhejiang Yongli Industry Group Co., Ltd.*) ("Zhejiang Yongli"), ultimate holding company of the Company.

PROSPECTS

The Directors expect that the textile industry will continue be impacted by the rising of labour cost in year 2015 and therefore, the overall market sentiments are still poor. In additions, it is expected that the worldwide economies such as the Europe will not be recovered in very soon, hence sales in these markets will continue be shrank. However, the successful development and growth of other local and export markets in 2014 means that there are business opportunities for development. The cash and bank balance of the Company as at 31 December 2014 was approximately RMB127.87 million and under the financial support from Zhejiang Yongli, the Directors expect that the Company has sufficient cash resources to meet its present and future cash flow requirements and is able to face with the challenge in 2015 and the near future.

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.

Wang Xinyi
Chairman

Zhejiang, the PRC, 13 March 2015

BUSINESS AND OPERATION REVIEW

In view of the financial problem in Europe, the foreign markets have been shrinking. However, the market in the Middle-East, South America and Eastern Europe provides another business opportunity to the Company, export sales to these markets has been commenced since the second quarter in 2013. Since the third quarter in 2012, the local textile industry has been facing the impact of rising of raw materials cost, labour cost and therefore, the overall market sentiments were still poor. Therefore, the Company recommenced the export sales in the second quarter of 2013. In order to maximise the interests of the shareholders, the Company will continue the strategy of expanding the market share in both domestic and overseas markets and sales efforts will be placed in these markets.

Production Facilities

During the year ended 31 December 2014 under review, the Company spent approximately RMB407,000 in upgrading of plant and machinery.

Product research and development

During the year ended 31 December 2014, the Company continued to innovate and develop new products so as to meet the customer's need and enhance sales orders from customers.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year ended 31 December 2014, the Company financed its operations mainly by internally generated cash and financial support from the ultimate holding Company, Zhejiang Yongli.

As at 31 December 2014, the Company's current assets and net current assets were approximately RMB245.56 million (31 December 2013: approximately RMB232.39 million) and approximately RMB196.07 million (31 December 2013: approximately RMB170.59 million) respectively. The liquidity ratio of the Company, represented by the ratio of current assets over current liabilities, was approximately 4.96 (31 December 2013: 3.76).

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

At 31 December 2014, the Company had no commitments (2013: Nil) for capital expenditure.

MATERIAL DISPOSALS

Except for the assets classified as held for sale which comprised buildings, investment properties and prepaid lease payments that were disposed in 2013, there was no material disposals during the year ended 31 December 2014.

SEGMENTAL INFORMATION

Segmental information of the Company is set out in Note 9 to the financial statements.

CONTINGENT LIABILITIES

As at 31 December 2014, the Company did not have any material contingent liabilities (2013: Nil).

CHARGES ON COMPANY ASSETS

As at 31 December 2014, the Company has no charges on company assets (2013: Nil).

EMPLOYEE AND EMOLUMENT POLICIES

As at 31 December 2014, the Company had 557 employees (31 December 2013: 568), comprising 4 (31 December 2013: 3) in research and development, 16 (31 December 2013: 8) in sales and marketing, 478 (31 December 2013: 497) in production, 47 (31 December 2013: 48) in quality control, 6 (31 December 2013: 6) in management, and 6 (31 December 2013: 6) in finance and administration. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Discretionary bonuses on individual performance will be paid to employees as recognition of and reward for their contribution. Other benefits include contributions to retirement scheme and medical scheme.

FOREIGN EXCHANGE EXPOSURE

The Company operates in the PRC with most of the transactions denominated and settled in Renminbi ("RMB"). However, foreign currencies, mainly United States Dollars, Euro and Hong Kong Dollars, are required to settle the Company's expenses and additions on plant and equipment. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government, the Company has used forward contracts, foreign currency borrowings 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. Wang Xinyi (王欣藝先生), aged 33, is currently the Chairman and executive Director of the Company and is responsible for the strategic planning of the Company. Mr. Wang is the son-in-law of Mr. Zhou Yongli ("Mr. Zhou"). Mr. Zhou is the controlling shareholder of Zhejiang Yongli, which is the ultimate holding company of the Company. Mr. Wang currently holds the position of executive director, chairman of investment decision-making committee and partner of Shanghai CR Assets Management Co. Ltd.* (上海呈瑞投資管理有限公司) ("CR Assets"). Mr. Wang has around 10 years of extensive experience in investment, involving markets in Mainland China, Hong Kong, Europe and the United States. He has also built up good relations with fund managers, entrepreneurs, industry experts and intermediary organizations all over the world. Before joining CR Assets, Mr. Wang has been working at Shanghai Chongyang Investment Management Co., Ltd., where he was responsible for the investment and research of emerging industries. Before that, for the period of 2009 to 2011, Mr. Wang served as the strategic analyst of small and mid-cap stock investment of Guotai Junan Securities Co., Ltd., which is one of the largest investment banks in the PRC and has been awarded the "Best Domestic Research Team" for four consecutive years. Mr. Wang has extensive working experience in technology, media and telecommunications industry before emerging in the area of investment. He has been a manager of the product research and development of Cisco System, Inc. in the United States. He also established Hangzhou Chuang Sheng Technology Co. Ltd.* (杭州創盛互聯科技有限公司) and acted as the chief executive, Mr. Wang graduated from Zhejiang University in 2003 and obtained the bachelor degree of Engineering. He obtained the master degree of Engineering in University of Nebraska Lincoln in 2005 and the master degree of Business Management in Cranfield School of Management in the United Kingdom in 2009. He has been appointed as an executive Director of the Company at the extraordinary general meeting ("EGM") held on 10 March 2014 and elected as a Chairman of the Board on the same day.

Ms. He Lianfeng (何連鳳女士), aged 41, is currently a deputy Chairman, an executive Director, Chief Executive Officer and also a General Manager of the Company. She is responsible for the overall management, 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 appointed as an executive director of the Company at the EGM held on 10 March 2014 and elected as a deputy Chairman of the Board on the same day.

Mr. Hu Hua Jun (胡華軍先生), aged 29, 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 appointed as an executive Director at the EGM held on 26 November 2012.

Mr. Chen Jian Jiang (陳建江先生), aged 41, is currently an executive Director of the Company. He is responsible for the routine management of the production and research department of the Company. Prior to joining the Company, Mr. Chen worked as a factory director of production department of 中發紡織有限公司 (Zhongfa Textile Company Limited*) from February 1996 to January 2000 and a deputy general manager of the production department of 紹興縣偉創紡織有限公司 (Shaoxing County Weichuang Textile Company Limited*), from January 2000 to February 2000. He has over 16 years of experience in textile production management in the PRC. He joined the Company in March 2002 and was appointed as an executive Director at the EGM held on 26 November 2012.

NON-EXECUTIVE DIRECTOR

Mr. Chen Dong Chun (陳冬春先生), aged 31, is currently a non-executive Director of the Company. He is a senior analyst who received a master degree in Accounting at Economics and Management Faculty, 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 上海西恩科技有限公司 (Shanghai Xien Technology Company Limited*) since October 2011 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 appointed as a non-executive Director at the EGM held on 26 November 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Wei Dong (徐維棟先生), aged 40, 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 appointed as an independent non-executive Director at the EGM held on 26 November 2012.

Mr. Li Hui Peng (李會鵬先生), aged 66, is currently an independent non-executive Director of the Company. He graduated from 杭州大學 (Hangzhou University*) and received a college degree. Mr. Li served the army, Shaoxing County Water and Electricity Bureau and Personal Bureau from December 1970 to January 1993. He worked as vice secretary of Shaoxing County Party Committee, and a director of National People's Congress Standing Committee form January 1993 to March 2007. He resigned the position as leader in the government authority for age reasons from March 2007 to February 2009 and has retired since February 2009. He was appointed as an independent non-executive Director at the EGM held on 26 November 2012.

Mr. Qin Fu (秦甫先生), aged 50, is currently an independent non-executive Director of the Company. He received a bachelor degree from Law faculty of 華東政法學院 (East China University of Politics and Law*). He is a lawyer and senior economist. He has strong theoretical knowledge and practical experience in laws and economics. Mr. Qin worked as secretary and office director of Shaoxing Justice Bureau from July 1984 to November 2000, director-general and minister of Yuecheng Justice Bureau of Shaoxing City, City Management Bureau and Publicity Department respectively from November 2000 to December 2010, and has been working as general secretary of Shaoxing arbitration commission since December 2010. He was appointed as an independent non-executive Director at the EGM held on 26 November 2012.

INDEPENDENT SUPERVISORS

Mr. Hu Jin Huan (胡金煥先生), aged 50, 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 working as an audit supervisor in 紹興興業會計師事務所 (Shaoxing Xingye Certified Public Accountants*). He was re-appointed as an independent Supervisor of the Company in January 2012.

Mr. Pan Xing Biao (潘興彪先生), aged 49, 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 appointed as an independent Supervisor at the EGM held on 26 November 2012.

SUPERVISORS

Ms. Wang Ai Yu (王愛玉女士) aged 51, 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 by the EGM held on 10 March 2014 and a chairman of the Supervisory Committee.

Ms. Tong Jian Juan (童建娟女士) aged 38, is a Supervisor of the Company. She is currently the deputy manager of quality inspection department of the Company. 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 appointed as a Supervisor at the EGM held on 26 November 2012.

Mr. Chen Wei (陳偉先生) aged 33, is a Supervisor of the Company. He is currently the deputy manager of the production department of the Company since February 2007. 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 appointed as a Supervisor at the EGM held on 26 November 2012.

SENIOR MANAGEMENT

Ms. Chen Yen Yung (陳燕雲女士), aged 43, is a company secretary of the Company. Ms. Chen studied in the Hong Kong Polytechnic University for higher certificate in accountancy and holds a bachelor's degree in commerce (accounting) form the Curtin University of Technology, Western Australia. She has over 18 years of experience in accounting and finance field. She is a member of the Australian Society of Certified Public Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. From February 1995 to February 2001, she was an assistant manager of K. L. Lee & Partners CPA Limited, Certified Public Accountants in Hong Kong. From February 2001 to June 2002, she was a director of BMI Consultants Limited, a business consultancy services company in Hong Kong. She joined the Company in June 2002.

Mr. Weng Jun Jun (翁君君先生), aged 28, is currently a manager of the finance and accounting department and is responsible for the daily operation of the finance department of the Company. He graduated from 浙江財經大學 (Zhejiang University of Finance & Economics*). He worked as an accountant at the finance and accounting department of Zhejiang Yongli from July 2008 to April 2010 and was an assistant of the deputy general manager of Zhejiang Yongli from April 2010 to July 2012. He has acted as an assistant of the financial controller of Zhejiang Yongli since July 2012. He has extensive knowledge in finance and has extensive experience in corporate finance management. He joined the Company in January 2013.

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2014.

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 2014 are set out in the statement of profit or loss and other comprehensive income on page 29 of this annual report.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2014.

PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2014, the Company spent approximately RMB407,000 in upgrading of plant and machinery.

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.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 29 to the financial statements.

DIRECTORS AND SUPERVISORS

The Directors and supervisors of the Company during the year ended 31 December 2014 and up to the date of this report were:

Executive Directors:

Mr. Wang Xinyi *(Chairman)* (appointed on 10 March 2014)
Ms. He Lianfeng *(Deputy Chairman and Chief Executive Officer)* (appointed on 10 March 2014)
Mr. Ru Guan Jun *(Chairman)* (retired on 10 March 2014)
Mr. Xia Xian Fu *(Chief Executive Officer)* (retired on 10 March 2014)
Mr. Hu Hua Jun
Mr. Chen Jian Jiang

Non-Executive Director:

Mr. Chen Dong Chun

Independent Non-Executive Directors:

Mr. Xu Wei Dong
Mr. Li Hui Peng
Mr. Qin Fu

Supervisors:
Ms. Wang Ai Yu *(chairman of supervisory committee)*(re-elected on 10 March 2014)
Ms. Tong Jian Juan
Mr. Fang Wei (resigned on 18 March 2014)
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 15 May 2015 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.

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

As at 31 December 2014, 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 2014 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 30 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 2014.

CONNECTED TRANSACTIONS

Save as disclosed in Note 30 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 30 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 2014 as approved by the shareholders of the Company at the EGM held on 11 April 2012.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, 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
Zhejiang Yongli	Beneficial owner	564,480,000	96.00%	53.08%
Mr. Zhou Yongli	Interest in controlled corporation *(Note1)*	564,480,000	96.00%	53.08%
Ms. Xia Wanmei	Interest of spouse *(Note2)*	564,480,000	96.00%	53.08%

Notes:

1. Zhejiang Yongli directly held 564,480,000 Domestic Shares. Mr. Zhou Yongli ("Mr. Zhou") is holding approximately 94.25% of the shares in Zhejiang Yongli. By virtue of the SFO, Mr. Zhou is deemed to be interested in the 564,480,000 Domestic Shares held by Zhejiang Yongli.

2. Ms. Xia Wanmei ("Ms. Xia") is the spouse of Mr. Zhou. By virtue of the SFO, Ms. Xia is deemed to be interested in the 564,480,000 Domestic Shares held by Zhejiang Yongli.

H shares of 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 2014	Approximate percentage of interests in total registered capital as at 31 December 2014
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,540,000	43.86%	19.60%

Save as disclosed above, as at 31 December 2014, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

COMPETING INTERESTS

None of the Directors or the management shareholders (as defined 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 2014, the five largest suppliers and customers of the Company accounted for approximately 24.64% and 38.12% of the Company's purchases and revenue respectively. The largest supplier and customer accounted for approximately 7.48% and 11.21% 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 2014.

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, Mr. Li Hui Peng and Mr. Qin Fu. Mr. Xu Wei Dong is the chairman of the Audit Committee.

The first quarterly results for the three months ended 31 March 2014, the interim results for the six months ended 30 June 2014, the third quarterly results for the nine months ended 30 September 2014 and the annual results of the Company for the year ended 31 December 2014 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 2014, the Remuneration Committee comprises three independent Non-Executive Directors, Mr. Xu Wei Dong, Mr. Li Hui Peng and Mr. Qin Fu and the executive Director Mr. Wang Xinyi, who was appointed as a member of the Remuneration Committee on 10 March 2014 to replace the retired executive Director Mr. Ru Guan Jun.

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 2014, the Nomination Committee comprised three independent non-executive Directors namely Mr. Xu Wei Dong, Mr. Li Hui Peng and Mr. Qin Fu and the executive Director, Ms. He Lianfeng, who has been appointed as a member of Nomination Committee since 10 March 2014 to replace the retired executive Director, Mr. Xia Xian Fu.

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.

AUDITORS

The financial statements for the year ended 31 December 2014 were audited by SHINEWING (HK) CPA Limited ("SHINEWING").

A resolution will be submitted to the forthcoming annual general meeting to be held on 15 May 2015 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.*

Wang Xinyi
Chairman

Zhejiang, the PRC, 13 March 2015

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 2014, 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 2014, 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, 13 March 2015

During the year ended 31 December 2014, 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.

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, a non-executive Director and three independent non-executive Directors. Their brief biographical details are set out in the "Directors and Senior Management Profile" on pages 8 to 10 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 12 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 2014, regular meeting was held to approve the financial results for the year of 2014. 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 seven Board meetings held during the financial year ended 31 December 2014. Individual attendance of each Board member at these meetings is as follows:

Name of Directors	**Attended/eligible to attend**
Executive Directors	
Mr. Wang Xinyi *(appointed on 10 March 2014)*	4/7
Mr. He Lianfeng *(appointed on 10 March 2014)*	4/7
Mr. Ru Guan Jun *(retired on 10 March 2014)*	2/7
Mr. Xia Xian Fu *(retired on 10 March 2014)*	1/7
Mr. Hu Hua Jun	7/7
Mr. Chen Jian Jiang	7/7
Non-executive Director	
Mr. Chen Dong Chun	7/7
Independent Non-executive Directors	
Mr. Xu Wei Dong	7/7
Mr. Li Hui Peng	7/7
Mr. Qin Fu	7/7

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 2014, 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 2014 is summarised below:

Name of Directors	**Attended training course on topics related to corporate governance and regulations** Yes/No
Executive Directors	
Mr. Wang Xinyi *(appointed on 10 March 2014)*	Yes
Mr. He Lianfeng *(appointed on 10 March 2014)*	Yes
Mr. Ru Guan Jun *(retired on 10 March 2014)*	N/A
Mr. Xia Xian Fu *(retired on 10 March 2014)*	N/A
Mr. Hu Hua Jun	Yes
Mr. Chen Jian Jiang	Yes
Non-executive Director	
Mr. Chen Dong Chun	Yes
Independent Non-executive Directors	
Mr. Xu Wei Dong	Yes
Mr. Li Hui Peng	Yes
Mr. Qin Fu	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, Mr. Li Hui Peng and Mr. Qin Fu. Mr. Xu Wei Dong is the chairman of the Audit Committee.

The Audit Committee has reviewed the results for the three months ended 31 March 2014, six months ended 30 June 2014, and nine months ended 30 September 2014 of the Company. It also has reviewed the audited financial statements for the year ended 31 December 2014 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 2014 for reviewing the annual results of the Company for the year ended 31 December 2013 and the three quarterly results in 2014. Individual attendance of each independent non-executive Director at these meetings is as follows:

Name of Directors	**Attended/eligible to attend**
Independent Non-executive Directors	
Mr. Xu Wei Dong	4/4
Mr. Li Hui Peng	4/4
Mr. Qin Fu	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 an 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 2014 and 2013 are analysed as follows:

	For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Audit service	**580**	571
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
	620	611

The audit services fee for the years ended 31 December 2014 and 2013 represent services provided by SHINEWING and Zhejiang Zhongxing. The other services fee for the year ended 31 December 2014 and 2013 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 group 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 2014, the Remuneration Committee comprises three independent non-executive Directors namely Mr. Xu Wei Dong, Mr. Li Hui Peng and Mr. Qin Fu and the executive Director, Mr. Wang Xinyi, who has been appointed as a member of Remuneration Committee since 10 March 2014 to replace the retired executive Director, Mr. Ru Guan Jun. Mr. Li Hui Peng was the chairman of the Remuneration Committee.

During the year ended 31 December 2014, two meetings were held for reviewing the remuneration of the re-elected, re-designated and newly appointed directors and relevant matters; the procedural rules of the Remuneration Committee and made recommendation to the board. All the independent executive Directors and the retired executive Director, Mr. Ru Guan Jun had attended the meeting of the Remuneration Committee while the existing executive Director, Mr. Wang Xinyi was only appointed on 10 March 2014 and therefore was not eligible to attend all the meeting held before his appointment in 2014.

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 2014, the Nomination Committee comprises three independent non-executive Directors namely Mr. Xu Wei Dong, Mr. Li Hui Peng and Mr. Qin Fu and the executive Director, Mr. He Lianfeng, who has been appointed as a member of Nomination Committee since 10 March 2014 to replace the retired executive Director, Mr. Xia Xian Fu. Mr. Qin Fu 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 two meeting for assessment of the candidate of Chairman, executive Directors and made recommendation to the board for the appointment of Mr. Wang Xinyi as Chairman and executive Directors, Ms. He Lianfeng as Deputy Chairman, executive Directors and Chief Executive Officer. All the independent executive Directors and Mr. Xia Xian Fu, the retired executive Director, had attended the meeting of the Nomination Committee while the existing executive Directors, Ms. He Lianfeng was only appointed on 10 March 2014 and therefore she was not eligible to attend all the meetings held before her appointment in 2014.

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 an 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 are set out in the Independent Auditor's Report on page 27 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 2014, Ms. Chen has undertaken not less than 15 hours of relevant professional training.

INTERNAL CONTROL

The Board is responsible for the effectiveness of internal control system of the Company in order to safeguard the Company's assets and shareholders' interests. The internal control system is evaluated independently by an Internal Audit Department of Zhejiang Yongli on an on-going basis. In addition, in order to ensure that the Company has adequate internal control procedures, the Company has appointed an independent auditor to review the internal control system of the Company annually.

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 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 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 of directors 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 of directors 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 of directors 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 of directors.

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, Suites 3306-12, 33/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong (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

During the year ended 31 December 2014, the Articles of Association of the Company was amended in order to (i) reflect the change of the registered office address of the Company and (ii) reflect the recent amendments to the GEM Listing Rules relating to connected transaction requirements and definition of "associate". Details please refer to the relevant announcement and circular as posted in the GEM web site and the Company's website.

LOOKING FORWARD

The Board of Directors of the Company 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., The Lee Gardens
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)

We have audited the financial statements of Zhejiang Yonglong Enterprises Co., Ltd. (the "Company") set out on pages 29 to 79, which comprise the statement of financial position as at 31 December 2014, 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 a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2014, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044
Hong Kong

13 March 2015

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
Revenue	8	**188,562**	206,405
Cost of sales		**(165,945)**	(180,342)
Gross profit		**22,617**	26,063
Other income and gains	8	**6,801**	49,110
Selling and distribution costs		**(1,233)**	(618)
Administrative expenses		**(9,874)**	(10,096)
Finance costs	10	**(24,653)**	(21,576)
(Loss) profit before taxation		**(6,342)**	42,883
Income tax (expense) credit	11	**(972)**	818
(Loss) profit for the year	12	**(7,314)**	43,701
Other comprehensive income for the year			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of properties		**3,324**	3,271
Income tax relating to revaluation of properties		**(831)**	(818)
Other comprehensive income for the year, net of tax		**2,493**	2,453
Total comprehensive (expense) income for the year		**(4,821)**	46,154
		RMB	RMB
(Loss) earnings per share			
Basic and diluted	13	**(0.69) cents**	4.11 cents

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	17	**100,038**	103,696
Prepaid lease payments	18	**6,832**	7,020
		106,870	110,716
Current assets			
Inventories	19	**27,221**	14,333
Trade and other receivables	20	**40,284**	48,984
Prepaid lease payments	18	**188**	188
Financial assets at fair value through profit or loss	21	**50,000**	-
Bank balances and cash	22	**127,865**	168,883
		245,558	232,388
Current liabilities			
Trade and other payables	23	**47,670**	51,188
Amount due to a fellow subsidiary	24	**1,819**	612
Provision	25	**-**	10,000
		49,489	61,800
Net current assets		**196,069**	170,588
Total assets less current liabilities		**302,939**	281,304
Non-current liabilities			
Deferred tax liabilities	27	**1,803**	-
Amount due to ultimate holding company	28	**197,528**	172,875
		199,331	172,875
Net assets		**103,608**	108,429
Capital and reserves			
Share capital	29	**106,350**	106,350
Reserves		**(2,742)**	2,079
		103,608	108,429

The financial statements on pages 29 to 79 were approved and authorised for issue by the board of directors on 13 March 2015 and are signed on its behalf by:

Wang Xinyi, *Director*

Hu Hua Jun, *Director*

	Share capital	Share premium	Other reserve	Asset revaluation reserve	Statutory surplus reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000 (Note (a))	RMB'000	RMB'000 (Note (b))	RMB'000 (Note (c))	RMB'000
At 1 January 2013	106,350	69,637	124,950	29,884	12,496	(281,042)	62,275
Profit for the year	-	-	-	-	-	43,701	43,701
Other comprehensive income for the year	-	-	-	2,453	-	-	2,453
Total comprehensive income for the year	-	-	-	2,453	-	43,701	46,154
Transfer to reserve upon disposal of property	-	-	-	(11,115)	-	11,115	-
At 31 December 2013 and 1 January 2014	106,350	69,637	124,950	21,222	12,496	(226,226)	108,429
Loss for the year	-	-	-	-	-	(7,314)	(7,314)
Other comprehensive income for the year	-	-	-	2,493	-	-	2,493
Total comprehensive income (expense) for the year	-	-	-	2,493	-	(7,314)	(4,821)
At 31 December 2014	106,350	69,637	124,950	23,715	12,496	(233,540)	103,608

Notes:

(a) Other reserve represents the dividends waived by the holders of domestic shares, net of tax effect and the deemed contribution arising from the discounting of the non-current interest-free loan from ultimate holding company of the Company (Note 28).

(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 2014 and 2013, no reserves were available for distribution due to accumulated losses being noted.

	2014 RMB'000	2013 RMB'000 (Restated)
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(6,342)**	42,883
Adjustments for:		
Allowance for inventories	**114**	166
Reversal of allowance for inventories	**(102)**	(1,723)
Amortisation of prepaid lease payments	**188**	188
Depreciation of property, plant and equipment	**7,476**	8,322
Finance costs	**24,653**	21,576
Reversal of impairment loss recognised in respect of trade receivables	**(2,022)**	(2,379)
Interest income	**(2,559)**	(49)
Government subsidies	**(100)**	(16)
Gain on disposal of assets classified as held for sale	**-**	(44,866)
Written off / loss on disposal of property, plant and equipment	**-**	8
Operating cash flows before movements in working capital	**21,306**	24,110
Increase in inventories	**(12,900)**	(2,023)
Decrease in trade and other receivables	**10,722**	1,945
(Decrease) increase in trade and other payables	**(3,518)**	13,421
Decrease in provision	**(10,000)**	-
Increase (decrease) in amount due to a fellow subsidiary	**1,207**	(336)
NET CASH FROM OPERATING ACTIVITIES	**6,817**	37,117
INVESTING ACTIVITIES		
Interest received	**2,559**	49
(Purchase) release of financial assets at fair value through profit or loss	**(50,000)**	4,500
Proceed from disposal of assets classified as held for sale	**-**	84,392
Purchase of property, plant and equipment	**(494)**	(444)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(47,935)**	88,497
CASH FROM FINANCING ACTIVITY		
Government subsidy received	**100**	16
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(41,018)**	125,630
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**168,883**	43,253
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
represented by bank balances and cash	**127,865**	168,883

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"). Its immediate and ultimate holding company is 浙江永利實業集團有限公司 (Zhejiang Yongli Industry Group Co., Ltd.*) ("Zhejiang Yongli"), a company incorporated in the PRC.

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

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.

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(s)"), amendments and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Hong Kong (IFRS Interpretations Committee) – Int 21	Levies

Except as described below, 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 and prior years and/or the disclosures set out in the financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Company has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities (Continued)

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance or substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity, the directors of the Company consider that the application of the amendments has had no impact on the disclosure or the amounts recognised in the Company's financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Company has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify the existing requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments have been applied retrospectively. As the Company does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Company's financial statements.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Company has applied the amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 *Fair Value Measurements*.

The directors of the Company consider that the application of these amendments has had no material impact on the disclosures in the Company's 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[4]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]

1 Effective for annual periods beginning on or after 1 July 2014.

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

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

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

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 subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. A finalised version of HKFRS 9 issued in 2014 has incorporated all the requirements of HKFRS 9 that were issued in previous years and mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (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 value at the end of subsequent accounting periods. In addition, under HKFRS 9, 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 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.

- In relation to the impairment of financial assets, HKFRS 9 (2014) requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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. Regarding the Company's financial assets and financial liabilities, however, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue 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.

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. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Company performs a detailed review.

Annual Improvements to HKFRSs 2010 – 2012 Cycle

The Annual Improvements to HKFRSs 2010–2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

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

Annual Improvements to HKFRSs 2010 – 2012 Cycle (Continued)

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010–2012 Cycle will have a material effect on the Company's financial statements.

Annual Improvements to HKFRSs 2011 – 2013 Cycle

The Annual Improvements to HKFRSs 2011–2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

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

Annual Improvements to HKFRSs 2011 – 2013 Cycle (Continued)

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011–2013 Cycle will have a material effect on the Company's financial statements.

Annual Improvement to HKFRSs 2012 – 2014 Cycle

The Annual Improvements to HKFRSs 2012 – 2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

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

Annual Improvement to HKFRSs 2012 – 2014 Cycle (Continued)

HKAS 34 requires entities to disclose information in the notes to the interim financial statements "if not disclosed elsewhere in the interim financial report". The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012 – 2014 Cycle will have a material effect on the Company's financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

i) when the intangible asset is expressed as a measure of revenue;

ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Company uses the straight-line method for depreciation of property, plant and equipment, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Company's financial statements.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

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

Amendments to HKAS 1 Disclosure Initiative (Continued)

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Company's financial statements.

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Company is in the process of making an assessment of expected impact of the changes in the Hong Kong Companies Ordinance on the financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the financial statements.

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 GEM of the Stock Exchange and by the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 including 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 or fair value 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 performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using fair value at the end of the reporting period.

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 amount accumulated in asset revaluation reserve.

The asset revaluation reserve in respect of an item of property, plant and equipment stated at revaluated 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 in accordance with the Company's accounting policy. 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) Prepaid lease payments

Payment for obtaining land use rights is considered as operating lease payment. Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the statement of profit or loss and other comprehensive income over the period of the rights using the straight-line method.

(c) 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.

(d) 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 classified as financial assets at fair value through profit and loss ("FVTPL") and 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments (Continued)

Financial assets (Continued)

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 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.

Financial assets at FVTPL

Financial assets at FVTPL are those designated as FVTPL on initial recognition.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial assets form part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss included interest earned on the financial assets and is included in the other gains or losses in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 7.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets

Financial assets, other than those at FVTPL, 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 other 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 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 120 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 a 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)

(d) 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.

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to a fellow subsidiary and amount due to ultimate holding company, 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)

(d) 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.

(e) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

(f) 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 cash and short-term deposits as defined above.

(g) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment losses on tangible assets (Continued)

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 is estimated to be less than its carrying amount, the carrying amount of the asset 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 test is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Revenue recognition (Continued)

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.

iv) Gain on assets classified as held for sale

Gain on assets classified as held for sale is recognised when the disposal of the assets classified as held for sale is completed.

(i) 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.

(j) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Taxation (Continued)

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.

(k) 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.

(l) Retirement benefit costs

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

(m) Short term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave 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.

(n) Research and development expenditure

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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.

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.

(p) 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.

(q) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Fair value measurement (Continued)

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 carrying amounts of assets, liabilities, revenue and expenses reported and disclosures made in the financial statement. 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 entity's accounting policies

The following are the critical judgements, apart from those involving estimations 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 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. 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

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 causing 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 to the financial statements, 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.

As described in Note 17, buildings in the PRC were revalued as at 31 December 2014 and 2013 based on depreciated 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 depreciated 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 2014, the carrying amounts of buildings in the PRC are approximately RMB91,452,000 (2013: RMB 91,902,000).

Impairment loss recognised in respect of trade 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 2014, the carrying amount of trade receivables were approximately RMB37,542,000 (2013: RMB40,519,000), net of accumulated impairment loss of RMB20,381,000 (2013: RMB22,403,000).

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 receivable.

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

Key sources of estimation uncertainty (Continued)

Impairment loss recognised in respect of other receivables (Continued)

At 31 December 2014, the carrying amount of other receivables was approximately RMB2,742,000 (2013: RMB8,465,000). No provision for impairment loss was made during the year ended 31 December 2014 and 2013.

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 estimated costs of completion and estimated selling prices. 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 2014, the carrying amount of inventories is approximately RMB27,221,000 (2013: RMB14,333,000) (net of accumulated allowance for inventories of approximately RMB178,000 (2013: RMB166,000)).

Provision

During the prior years, the Company had been involved in litigation for claims in respect of financial guarantee given by the Company. The directors determine the provision and guarantees is based on their best estimates according to their understanding of legal advice. Where the final outcome of the claim and negotiation with the respective creditors is different from the estimation made by the directors, such difference will impact the provision in the year in which such determination is finalised. As at 31 December 2013, the carrying amount of the provision was RMB10,000,000. During the year ended 31 December 2014, the litigation for claims has been settled. Details of litigation for claims are set out in Note 25.

Income taxes

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 27.

Financial assets at fair value through profit or loss

As described in Note 21, the Company has structured deposit which placed with a bank with carrying amount of RMB50,000,000 in the statement of financial position as at 31 December 2014 (2013: nil). The management estimated its fair value by considering the carrying amount of the current financial assets recorded at amortised cost in the financial statements approximate to their fair values due to their short-term maturities. Favourable or unfavourable change to the estimation could affect the fair value of the structured deposit at FVTPL.

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 amount due to a fellow subsidiary and amount due to ultimate holding company as disclosed in Notes 24 and 28 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

	2014	2013
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**165,611**	212,004
Financial assets at FVTPL	**50,000**	-
Financial liabilities		
Financial liabilities at amortised cost	**235,851**	215,181

(b) Financial risk management objectives and policies

The Company's major financial instruments include trade and other receivables, financial assets at FVTPL, bank balances and cash, trade and other payables, amount due to a fellow subsidiary and amount due to 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:

	US$		HK$	
	2014 '000	2013 '000	**2014 '000**	2013 '000
Assets	**-**	130	**85**	85

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.

The Company is mainly exposed to the currency of US$ and HK$.

The directors of the Company consider that the currency risk in response to the changes in exchange rate is insignificant, sensitivity analysis on currency risk is not presented.

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 amount due to ultimate holding company is interest-free, the exposure of the interest rate risk is minimal and no sensitivity analysis to interest rate risk is presented.

Credit risk

At 31 December 2014, 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.

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

The credit risk on liquid funds and financial assets at FVTPL is limited because the counterparties are banks with high credit ratings assigned by international credit ratings agencies and authorised banks in the PRC with high-credit ratings.

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.

The Company's concentration of credit risk by geographical locations is mainly in the PRC and Middle East, which accounted for 76% and 18% respectively (2013: 71% in the PRC and 16% in Middle East) of the total trade receivables as at 31 December 2014.

The Company has concentration of credit risk as 18% (2013: 11%) and 44% (2013: 27%) of the trade receivables which was due from the Company's largest trade debtor and the five largest trade debtors respectively.

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 loan from the ultimate holding company.

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 2014			
	On demand or within 1 year	**After 1 year and within 5 years**	**Total undiscounted cash flows**	**Carrying amount**
	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities				
Trade and other payables	36,504	-	36,504	36,504
Amount due to a fellow subsidiary	1,819	-	1,819	1,819
Amount due to ultimate holding company	-	197,528	197,528	197,528
	38,323	197,528	235,851	235,851

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

	At 31 December 2013			
	On demand or within 1 year	After 1 year and within 5 years	Total undiscounted cash flows	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000
Non-derivative financial liabilities				
Trade and other payables	41,694	-	41,694	41,694
Amount due to a fellow subsidiary	612	-	612	612
Amount due to ultimate holding company	-	172,875	172,875	172,875
	42,306	172,875	215,181	215,181

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.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Company's accounting policy.

	31 December 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets at FVTPL				
- Structured deposit	**-**	**50,000**	**-**	**-**

	31 December 2013			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL				
- Structured deposit	-	-	-	-

There were no transfers between levels of fair value hierarchy in the current and prior years.

Discounted cash flow valuation technique is used in Level 2 fair value measurements of financial instruments, by using the key input of future cash flows are estimated based on interest rates, discounted at a rate that reflects the credit risk of various counterparties.

8. REVENUE AND OTHER INCOME AND GAINS

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

	2014 RMB'000	2013 RMB'000 (Restated)
Revenue		
Sales of woven fabrics	**162,435**	161,081
Subcontracting fee income	**26,127**	45,324
	188,562	206,405
Other income and gains		
Government subsidies (note a)	**100**	16
Interest income	**2,559**	49
Sales of scrap materials	**1,135**	1,789
Refund of land use tax and real estate tax	**855**	-
Gain on disposal of assets classified as held for sale (note b)	**-**	44,866
Reversal of impairment loss recognised in respect of trade receivables	**2,022**	2,379
Others	**130**	11
	6,801	49,110

Notes:

a) Government subsidies of approximately RMB100,000 (2013: RMB16,000) was awarded to the Company during the year ended 31 December 2014 for encouraging the usage of the higher productivity machinery. (2013: for encouraging the usage of the environmental machinery.) There is no unfulfilled condition or contingencies relating to these subsidies.

b) During the year ended 31 December 2013, assets classified as held for sale with carrying value of approximately RMB39,526,000 was disposed of with consideration of approximately RMB84,392,000. The transaction was completed on 26 March 2013.

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	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment revenue	**162,435**	161,081	**26,127**	45,324	**188,562**	206,405
Segment profit	**18,596**	45,301	**5,269**	28,477	**23,865**	73,778
Unallocated corporate income					**3,644**	76
Unallocated corporate expenses					**(9,198)**	(9,395)
Finance costs					**(24,653)**	(21,576)
(Loss) profit before taxation					**(6,342)**	42,883

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 interest income, government subsidies, refund of land use tax and real estate tax, 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**	
	2014	2013	**2014**	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment assets	**153,971**	143,893	**20,388**	27,726	**174,359**	171,619
Unallocated corporate assets						
- Other receivables					**204**	2,602
- Financial assets at FVTPL					**50,000**	-
- Bank balances and cash					**127,865**	168,883
Total assets					**352,428**	343,104
Segment liabilities	**(35,235)**	(34,280)	**(5,667)**	(9,646)	**(40,902)**	(43,926)
Unallocated corporate liabilities						
- Other payables					**(6,768)**	(7,262)
- Amount due to a fellow subsidiary					**(1,819)**	(612)
- Deferred tax liabilities					**(1,803)**	-
- Amount due to ultimate holding company					**(197,528)**	(172,875)
- Provision					**-**	(10,000)
Total liabilities					**(248,820)**	(234,675)

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

- all assets are allocated to operating segments other than other receivables, financial assets at FVTPL 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, amount due to a fellow subsidiary, deferred tax liabilities, amount due to ultimate holding company and provision. 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	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
- Allowance for inventories	**114**	166	**-**	-	**-**	-	**114**	166
- Reversal of allowance for inventories	**(102)**	(1,723)	**-**	-	**-**	-	**(102)**	(1,723)
- Reversal of impairment loss recognised in respect of trade receivables	**(2,022)**	(2,379)	**-**	-	**-**	-	**(2,022)**	(2,379)
- Addition to property, plant and equipment	**426**	346	**68**	98	**-**	-	**494**	444
- Written off / loss on disposal of property, plant and equipment	**-**	8	**-**	-	**-**	-	**-**	8
- Gain on disposal of assets classified as held for sale	**-**	(35,016)	**-**	(9,850)	**-**	-	**-**	(44,866)
- Amortisation of prepaid lease payments	**162**	147	**26**	41	**-**	-	**188**	188
- Depreciation of property, plant and equipment	**6,440**	6,494	**1,036**	1,828	**-**	-	**7,476**	8,322
- Research and development costs	**88**	79	**14**	22	**-**	-	**102**	101

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

	Woven fabrics 2014	Woven fabrics 2013	Subcontracting services 2014	Subcontracting services 2013	Unallocated 2014	Unallocated 2013	Total 2014	Total 2013
- Interest income	**-**	-	**-**	-	**2,559**	49	**2,559**	49
- Finance costs	**-**	-	**-**	-	**(24,653)**	(21,576)	**(24,653)**	(21,576)
- Income tax (expense) credit	**-**	-	**-**	-	**(972)**	818	**(972)**	818

(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	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
The PRC (country of domicile)	**135,640**	112,029	**106,870**	110,716
Middle East	**27,282**	73,574	**-**	-
Other overseas	**25,640**	20,802	**-**	-

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:

	2014 RMB'000	2013 RMB'000
Customer A (derived from sale of woven fabrics)	**21,130**	N/A*
Customer B (derived from sale of woven fabrics)	**19,638**	N/A*
Customer C (derived from sale of woven fabrics)	**N/A***	41,426
Customer D (derived from sale of woven fabrics)	**N/A***	37,221

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

10. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Imputed interest on non-current interest-free loan due to ultimate holding company (Note 28)	**24,653**	21,576

11. INCOME TAX (EXPENSE) CREDIT

	2014 RMB'000	2013 RMB'000
Deferred taxation (Note 27)		
- Current year	**(972)**	818

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

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

No provision for PRC Enterprise Income Tax was made for the years ended 31 December 2014 and 2013 since the assessable profit was wholly absorbed by tax losses brought forward.

11. INCOME TAX (EXPENSE) CREDIT (Continued)

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

	2014 RMB'000	2013 RMB'000
(Loss) profit before taxation	(6,342)	42,883
Tax at the domestic rate at 25% (2013: 25%)	(1,586)	10,720
Tax effect of non-taxable income	(25)	(4)
Tax effect of non-deductible expenses	6,847	5,971
Utilisation of tax losses previously not recognised	(4,264)	(17,505)
Income tax expense (credit)	972	(818)

Details of the deferred taxation are set out in Note 27.

12. (LOSS) PROFIT FOR THE YEAR

	2014 RMB'000	2013 RMB'000
(Loss) profit for the year has been arrived at after (crediting) charging:		
Staff cost		
(including supervisors', directors' and chief executive's emoluments):		
Salaries, wages and other benefits in kind	23,748	26,499
Retirement benefit scheme contributions	436	411
Total staff costs	24,184	26,910
Allowance for inventories		
(included in cost of inventories recognised as an expense)	114	166
Amortisation of prepaid lease payments	188	188
Auditor's remuneration	560	550
Cost of inventories recognised as an expense	166,924	180,342
Depreciation of property, plant and equipment	7,476	8,322
Exchange loss	41	764
Provision for litigation (included in administrative expenses) (Note 25)	1,000	-
Research and development costs recognised as an expense	102	101
Reversal of allowance for inventories		
(included in cost of inventories recognised as an expense)	(102)	(1,723)
Written off / loss on disposal of property, plant and equipment	-	8

13. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share for the year is calculated on the loss for the year of approximately RMB7,314,000 (2013: profit for the year of approximately RMB43,701,000) and the weighted average of 1,063,500,000 (2013: 1,063,500,000) ordinary shares in issue during the year ended 31 December 2014.

For the year ended 31 December 2014 and 2013, the diluted loss (2013: earnings) per share is the same as the basic loss (2013: earnings) per share.

No diluted (loss) earnings per share have been presented for the year ended 31 December 2014 and 2013 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 six (2013: six) supervisors, eight (2013: seven) directors and two (2013: one) chief executives for the year ended 31 December 2014 were as follows:

For the year ended 31 December 2014

	Fees	**Salaries, allowances and other benefits in kind**	**Retirement benefits scheme contributions**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Chairman				
Mr. Ru Guan Jun (Note a, c)	-	-	-	-
Mr. Wang Xinyi (Note b, c)	-	-	-	-
Chief executive				
Mr. Xia Xian Fu (Note a, c)	-	-	-	-
Ms. He Lianfeng (Note b)	72	358	10	440
Executive directors				
Mr. Hu Hua Jun (Note c)	-	110	-	110
Mr. Chen Jian Jiang	-	169	9	178
Non-executive director				
Mr. Chen Dong Chun	60	-	-	60
Independent non-executive directors				
Mr. Xu Wei Dong	36	-	-	36
Mr. Li Hui Peng	36	-	-	36
Mr. Qin Fu	36	-	-	36
Supervisors				
Ms. Wang Ai Yu (Note c)	-	-	-	-
Mr. Hu Jin Huan	12	-	-	12
Ms. Tong Jian Juan	-	33	3	36
Mr. Chen Wei	-	16	3	19
Mr. Fang Wei (Note a, d)	-	-	-	-
Mr. Pan Xing Biao	12	-	-	12
	264	686	25	975

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

For the year ended 31 December 2013

	Fees	Salaries, allowances and other benefits in kind	Retirement benefits scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Chairman				
Mr. Ru Guan Jun (Note a, c)	-	-	-	-
Chief executive				
Mr. Xia Xian Fu (Note a, c)	-	-	-	-
Executive directors				
Mr. Hu Hua Jun (Note c)	-	-	-	-
Mr. Chen Jian Jiang	-	212	8	220
Non-executive director				
Mr. Chen Dong Chun	60	-	-	60
Independent non-executive directors				
Mr. Xu Wei Dong	36	-	-	36
Mr. Li Hui Peng	36	-	-	36
Mr. Qin Fu	36	-	-	36
Supervisors				
Ms. Wang Ai Yu (Note c)	-	-	-	-
Mr. Hu Jin Huan	12	-	-	12
Ms. Tong Jian Juan	-	94	4	98
Mr. Chen Wei	-	78	4	82
Mr. Fang Wei (Note a, d)	-	-	-	-
Mr. Pan Xing Biao	12	-	-	12
	192	384	16	592

Note a: Mr. Ru Guan Jun and Mr. Xia Xian Fu retired as chairman and chief executive respectively on 10 March 2014. Mr. Fang Wei resigned as supervisor on 18 March 2014.

Note b: Mr. Wang Xinyi and Ms. He Lianfeng were appointed as executive directors on 10 March 2014 and being the chairman and chief executive respectively.

Note c: The annual salary of each of i) Mr. Ru Guan Jun and Mr. Xia Xian Fu, ii) Ms. Wang Ai Yu and Mr. Hu Hua Jun and iii) Mr. Wang Xinyi were RMB96,000 (2013: RMB96,000), RMB36,000 and RMB60,000 (2013: RMB36,000 and RMB60,000) and RMB96,000 (2013: nil) respectively which were paid by Zhejiang Yongli according to the terms of services contract.

Note d: The annual salary of Mr. Fang Wei during the year ended 31 December 2013 was RMB12,000 (2014: nil) which was paid by Zhejiang Yongli according to the terms of services contract.

No supervisor, director and chief executive waived or agreed to waive any emoluments for the year ended 31 December 2014 and 2013.

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Company, two (2013: one) of them were director and supervisor of the Company whose emoluments are included in Note 14 above. The emoluments of the remaining three (2013: four) individuals are as follows:

	2014 **RMB'000**	2013 RMB'000
Salaries, allowances and other benefits in kind	**182**	245
Retirement benefits schemes contributions	**7**	9
	189	254

Their emoluments were within the following bands:

	No. of individuals	
	2014	2013
Nil to HK$1,000,000 (equivalent to Nil to RMB794,000) (2013: equivalent to Nil to RMB798,000)	**3**	4

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 year ended 31 December 2014 and 2013.

16. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: 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 2013	94,465	281	188,400	1,716	8,458	293,320
Additions	-	329	69	46	-	444
Adjustment on revaluation, net	(2,563)	-	-	-	-	(2,563)
Eliminated on written off	-	-	(67)	(4)	-	(71)
At 31 December 2013	91,902	610	188,402	1,758	8,458	291,130
Additions	87	-	407	-	-	494
Adjustment on revaluation, net	(2,531)	-	-	-	-	(2,531)
Transfer from construction in progress	1,994	-	-	-	(1,994)	-
At 31 December 2014	91,452	610	188,809	1,758	6,464	289,093
Comprising:						
At cost	-	610	188,809	1,758	6,464	197,641
At fair value	91,452	-	-	-	-	91,452
	91,452	610	188,809	1,758	6,464	289,093
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2013	-	281	180,161	1,078	3,489	185,009
Provided for the year	5,834	11	2,317	160	-	8,322
Eliminated on revaluation	(5,834)	-	-	-	-	(5,834)
Eliminated on written off	-	-	(59)	(4)	-	(63)
At 31 December 2013	-	292	182,419	1,234	3,489	187,434
Provided for the year	5,855	66	1,395	160	-	7,476
Eliminated on revaluation	(5,855)	-	-	-	-	(5,855)
At 31 December 2014	-	358	183,814	1,394	3,489	189,055
CARRYING VALUES						
At 31 December 2014	91,452	252	4,995	364	2,975	100,038
At 31 December 2013	91,902	318	5,983	524	4,969	103,696

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)

The leasehold buildings of the Company were revalued on 31 December 2014 and 2013 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 depreciated 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 RMB60,844,000 (2013: RMB63,633,000).

Fair value measurement of the Company's buildings

The fair value of the buildings was determined using the depreciated replacement cost approach. Fair value which determined by using depreciated 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 2014 and 2013 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 2014: RMB91,452,000 31 December 2013: RMB91,902,000	Level 3	Depreciated replacement cost	Rate of obsolescence to adjust the replacement cost, which ranged from 0% 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.

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

	2014 **RMB'000**	2013 RMB'000
At 1 January	**91,902**	94,465
Additions	**87**	-
Increase in fair value recognised in other comprehensive income	**3,324**	3,271
Transfer from construction in progress	**1,994**	-
Depreciation expense	**(5,855)**	(5,834)
At 31 December	**91,452**	91,902

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year ended 31 December 2014, the increase in fair value recognised in other comprehensive income of approximately RMB3,324,000 (2013: RMB3,271,000) 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 2014, the Company has not obtained the building ownership certificate for buildings with carrying values of approximately RMB10,937,000 (2013: RMB10,820,000) from the relevant PRC government authorities. In the opinion of the directors of the Company, 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

	2014 **RMB'000**	2013 RMB'000
Analysed for reporting purposes as:		
Non-current assets	**6,832**	7,020
Current assets	**188**	188
	7,020	7,208

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

19. INVENTORIES

	2014 **RMB'000**	2013 RMB'000
Raw materials	**3,514**	3,633
Work in progress	**4,032**	3,077
Finished goods	**19,675**	7,623
	27,221	14,333

During the year ended 31 December 2014, provision for slow-moving inventories of approximately RMB114,000 (2013: RMB166,000) has been recognised and included in the cost of sales. An allowance for slow-moving inventories of approximately RMB102,000 (2013: RMB1,723,000) 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 2014.

20. TRADE AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	**57,923**	62,922
Less: Allowance for impairment of trade receivables	**(20,381)**	(22,403)
	37,542	40,519
Other receivables		
Prepayments to suppliers	**2,304**	5,863
Other prepayments	**234**	141
Other receivables	**204**	2,461
	2,742	8,465
Total trade and other receivables	**40,284**	48,984

The Company allows an average credit period of 60 days to 180 days (2013: 60 days to 120 days) to its trade customers. For the year ended 31 December 2014 and 2013, the Company extended the credit period to certain customers by signing separate repayment agreements. The Company does not hold any collateral or other credit enhancements over its trade and other receivables.

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

	2014 RMB'000	2013 RMB'000
0 – 60 days	**27,844**	34,923
61 – 90 days	**210**	4,808
91 – 120 days	**1,548**	129
121 – 270 days	**7,940**	659
	37,542	40,519

(b) At 31 December 2014 and 2013, the analysis of trade receivables based on the due dates that were past due but not impaired are as follows:

			Past due but not impaired			
	Total	**Neither past due nor 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 2014	37,542	29,602	7,698	8	234	-
At 31 December 2013	40,519	39,860	387	-	272	-

20. TRADE AND OTHER RECEIVABLES (Continued)

Included in the Company's trade receivable balance are debtors with aggregate carrying amount of RMB7,940,000 (2013: RMB659,000) which are past due as at the end of the reporting period for which the Company has not provided for impairment loss.

Trade 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 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 receivables are as follows:

	2014 RMB'000	2013 RMB'000
At the beginning of the year	**22,403**	24,782
Reversal of impairment loss	**(2,022)**	(2,379)
At the end of the year	**20,381**	22,403

Included in the allowance for impairment of trade receivables are individually impaired trade receivables with an aggregate balance of approximately RMB20,381,000 (2013: RMB22,403,000) which are due to long outstanding.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The structured deposit is placed with a bank and contains embedded derivatives. The structured deposit is structured investment products and principal protected deposits with maturity less than one year. The counterparty bank guarantees 100% of the invested capital and the returns of which are determined by reference to the change in London Interbank Offered Rate (LIBOR). The structured deposit is designated as financial assets at FVTPL on initial recognition.

Structured deposit at the end of the reporting period is as follows:

At 31 December 2014

Principal amount	**Maturity**	**Annual coupon rate**
RMB50,000,000	January 2015	0.4%, 1.95% or 3.50%

Note: The annual coupon rate is dependent on whether the LIBORs fall within ranges as specified in the relevant agreement during the period from inception date to maturity date of the relevant agreements.

At the end of the reporting period, the structured deposit is stated at fair value. The fair value is determined by reference to the LIBOR as provided by the counterparty bank.

22. BANK BALANCES AND CASH

For the year ended 31 December 2014 and 2013, bank balances represented short-term deposits with a maturity of three months or less. The interest rate ranged from 0.35% to 0.42% per annum (2013: 0.35% to 0.385% 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:

	2014	2013
	'000	'000
US$	**-**	130
HK$	**85**	85

23. TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	RMB'000
Trade payables (Notes i & ii)	**29,736**	34,432
Receipt in advance	**4,605**	3,554
Other taxes payable	**6,561**	5,940
Accrued expenses and other payables	**6,768**	7,262
	47,670	51,188

Notes:

(i) The Company normally receives credit periods from suppliers ranging from 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:

	2014	2013
	RMB'000	RMB'000
0 – 60 days	**17,890**	24,354
61 – 90 days	**1,419**	1,203
91 – 365 days	**5,473**	3,020
Over 365 days	**4,954**	5,855
	29,736	34,432

24. AMOUNT DUE TO A FELLOW SUBSIDIARY

Amount due to 浙江永利熱電有限公司 (Zhejiang Yongli Thermal Electricity Company Limited*)("Zhejiang Yongli Thermal Electricity") is unsecured, non-interest bearing and repayable on demand.

25. PROVISION

During the year ended 31 December 2008, the Company acted as a guarantor to secure 紹興縣亞太投資有限公司 (Shaoxing Yatai Investment Co., Ltd.*) ("Yatai") (the "Yatai Loan") for an amount of RMB20,000,000. Yatai is an independent third party of the Company.

On 18 October 2008, the Yatai Loan was due for payment and 浙江加佰利控股集團有限公司 (Zhejiang Gabriel Holdings Group Co. Ltd.*)("Gabriel") was unable to repay the loan. On 18 August 2009, the Company received a writ from Zhejiang Shaoxing Intermediate People's Court (紹興市中級人民法院) in relation to a claim of the outstanding Yatai Loan by Yatai against Gabriel and the Company for the borrowings principal plus the interest and legal fees amount of approximately RMB30,280,000.

On 9 October 2009, a civil judgement was issued by the Zhejiang Shaoxing Intermediate People's Court (the "Judgement"), pursuant to which Gabriel is liable to repay the sum of outstanding principal of RMB20,000,000, the interest for the period between 18 September 2008 to 20 October 2009 and the related legal fees amount of RMB200,000. According to the Judgement, the Company, as a guarantor, is liable to a limited sum of RMB10,000,000 in connection with the claim. A provision was made during the year ended 31 December 2009.

On 29 December 2014, a final judgement, which was final and conclusive, was issued by Zhejiang Shaoxing Intermediate People's Court and it was held that the Company is liable to pay RMB11,000,000 in aggregate including the principal and accrued interest. Therefore, an additional provision of RMB1,000,000 was recognised as administrative expenses during the year ended 31 December 2014. The amount has been fully settled by the Company on 31 December 2014 and deposited to Zhejiang Shaoxing Intermediate People's Court.

26. RETIREMENT BENEFITS PLANS

As stipulated by rules and regulations in the PRC, subsidiaries 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 schemes is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement benefit schemes, 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 2014 onwards, 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 RMB436,000 (2013: RMB411,000).

27. 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 2013	(10,596)	6,196	431	3,969	-
(Charged) credited to profit or loss	-	(595)	(389)	1,802	818
Charged to other comprehensive income	(818)	-	-	-	(818)
At 31 December 2013	(11,414)	5,601	42	5,771	-
(Charged) credited to profit or loss	-	(505)	3	(470)	(972)
Charged to other comprehensive income	(831)	-	-	-	(831)
At 31 December 2014	(12,245)	5,096	45	5,301	(1,803)

At the end of the reporting period, the Company has unused tax losses of approximately RMB21,202,000 (2013: RMB40,136,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB21,202,000 (2013: RMB23,081,000) of such losses. As at 31 December 2013, no deferred tax asset has been recognised in respect of the remaining approximately RMB17,055,000 (2014: nil) due to the unpredictability of future profit streams. In the above balances of unrecognised tax losses will expire after five years from the year of assessment to which they relate.

28. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The Company and Zhejiang Yongli signed a debt restructuring agreement on 13 September 2011 with the following repayment terms:

(1) The Company shall owe the sum of approximately RMB 239,677,000 (before the effect of discounting) to Zhejiang Yongli, and Zhejiang Yongli shall permanently abandon any claim against the Company for the repayment of debt amounting to RMB187,090,000, which will be compensated by the Local Government by way of government subsidies;

(2) The Company agreed to repay Zhejiang Yongli, commencing from the fifth anniversary after the signing of the debt restructuring agreement provided that the amount to be repaid shall not exceed 50% of the operating cash flow of the year on an annual basis until the full repayment of the debt;

(3) Unless obtaining prior written agreement from both parties, Zhejiang Yongli shall not demand any early repayment of the debt notwithstanding the occurrence of one or a multiple of material adverse event(s) affecting the Zhejiang Yongli's repayment capability, such as, among other things, serious operation problems, deterioration in financial situation and material litigation;

(4) No interest would be charged to the Company during the repayment period;

(5) Zhejiang Yongli undertakes to assume all the contingent debts of the Company incurred at all times and permanently abandon any claim against the Company for the repayment of such contingent debts of the Company; and

(6) The amount is unsecured, interest-free and will not be repayable until 12 September 2016. The carrying value of the amount due to ultimate holding company as at 31 December 2014 and 2013 was stated at discounted present value with an imputed interest rate of 14.35% per annum.

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

	2014 **RMB'000**	2013 RMB'000
At 1 January	**172,875**	151,299
Imputed interest charged to profit or loss (note 10)	**24,653**	21,576
At 31 December	**197,528**	172,875

29. 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 2013, 31 December 2013 and 31 December 2014	588,000	58,800
H shares at 1 January 2013, 31 December 2013 and 31 December 2014	475,500	47,550
Total share capital of RMB0.10 each at 1 January 2013, 31 December 2013 and 31 December 2014	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.

30. 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 a fellow subsidiary and ultimate holding company are set out in Notes 24 and 28 respectively.

(b) During the year ended 31 December 2014, the Company had paid approximately RMB7,874,000 (2013: RMB8,335,000) 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 30 December 2011 and were in the ordinary course of business of the Company.

(c) During the year ended 31 December 2014, the Company has paid approximately RMB73,000 (2013: nil) to 浙江紹興永利印染有限公司 (Zhejiang Shaoxing Yongli Printing & Dyeing Co., Limited*), a fellow subsidiary of the Company, for providing dyeing services to the Company.

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

(d) 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.

Applicability of the Listing Rules relating to connected transactions

The related party transaction in respect of note (b) above constitutes continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules. The disclosures required by Chapter 20 of the GEM Listing Rules are provided in the “Report of the Directors” section in the annual report. The related party transactions in respect of notes (a) and (c) above constitute connected transactions and continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules, however, they are exempt from the disclosure requirements in Chapter 20 of the GEM Listing Rules.

31. COMPARATIVE FIGURES

The following comparative figures had been reclassified to conform to current year's presentation as the directors of the Company consider the reclassifications are more meaningful.

i) Reversal of impairment loss recognised in respect of trade receivables of approximately RMB2,379,000 was reclassified from administrative expenses to other income and gains in the statement of profit or loss and other comprehensive income.

ii) Government subsidies of approximately RMB16,000 was reclassified from operating activity to financing activity in the statement of cash flows.

As the reclassifications do not affect the statement of financial position, it is not necessary to disclose comparative information as at 1 January 2013.

RESULTS

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**188,562**	206,405	130,007	195,433	85,697
(LOSS) PROFIT BEFORE TAXATION	**(6,342)**	42,883	(18,556)	396,633	(107,670)
TAXATION	**(972)**	818	922	934	1,202
(LOSS) PROFIT FOR THE YEAR	**(7,314)**	43,701	(17,634)	397,567	(106,468)

ASSETS AND LIABILITIES

	At 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**352,428**	343,104	262,289	271,544	249,487
TOTAL LIABILITIES	**(248,820)**	(234,675)	(200,014)	(194,404)	(689,784)
SURPLUS (DEFICIENCY OF) SHAREHOLDERS' FUNDS	**103,608**	108,429	62,275	77,140	(440,297)

Note: The summary of the results and the assets and liabilities of the Company for the year ended 31 December 2010, 2011, 2012, 2013 and 2014 are extracted from the audited financial statements.