

**ZHEJIANG YONGLONG ENTERPRISES COMPANY LTD :
POWER TO THE WORKERS !**

The philosophy of the Township and Village Enterprise System of the People's Republic of China (PRC), which, in the early part of 1980, was said to have been responsible for giving employment to about 13.60 million workers, annually, those workers, coming, in the main, from rural areas, still lives, it would appear, at least, in the northeast part of the PRC, specifically, in Zhejiang (formerly known as Chekiang).

This is very evident on reading the Prospectus of Zhejiang Yonglong Enterprises Company Ltd, a manufacturer of woven fabrics.

According to the Prospectus of this Company, which is, now, listed on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd (Code: 8211), the roots of this manufacturer lay in the adoption of the philosophy of the collective-enterprise system, which was favoured at the time of its founding – and may, still, be favoured, today.

The exact wording, in respect of the Township and Village Enterprise System of the PRC, taken from Page 43 of the Prospectus, is:

'The reason for such arrangement (the collective-enterprise system) was that at the time of establishing Shaoxing Hongxing Textile Factory, the local government's policy was favourable to collectively-owned enterprise. Mr Sun Li Yong (the Chairman) believed that such arrangement would enable the Company to operate in a more favourable business environment ... '.

One is only left to imagine, exactly, what is meant by the above statement, but suffice it to say that this Company is heavily burdened with debts, the weight of which exceeded Shareholders' Funds by about 44.88 million renminbi, or by nearly 73 percent, as at September 2002.

History has proved that the Township and Village Enterprise System was a complete flop.

One must only hope that this Company does not follow, in the fullness of time, the same road as the ill fated, Township and Village Enterprise System.

Zhejiang Yonglong Enterprises went public on The GEM on the last day of October 2202 when it Placed 250 million, 0.10 renminbi Shares at 26 cents (Hongkong) per Share.

The Company raised about \$HK50.50 million, net of expenses, by this exercise, those funds to be used for the following purposes, the Prospectus states at Page 81:

1. \$HK46 million *'for the payment of other payables for the purchase of 200 sets of looms to expand the production capacity and capability of the Company';*
2. \$HK2.35 million *'for expanding the Company's sales network by setting up sales offices in other provinces and overseas and participating in major sales exhibitions and trade shows';*
3. \$HK650,000 *'for placing advertisements in the media to promote the Company's overall image and to build up the Company's brandname and trademark';* and,
4. \$HK1.50 million *'for the development of new products, product research and product assessment.'*

TARGET assumes that Item Number One includes reducing some of the Company's relatively huge debts, although this is not, specifically, stated.

Zhejiang Yonglong Enterprises was only 4 years and some 9 months old when it went public and, during the past 27 months, it has managed to earn what can only be considered a very reasonable Bottom Line.

For a company of this age, this is quite phenomenal.

And it could only happen in the PRC, of course.

However, as TARGET subscribers read further on in this analysis, things will become more and more clear as to how this seeming success ... [CLICK TO ORDER FULL ARTICLE](#)

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