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**浙江永隆實業股份有限公司**  
**ZHEJIANG YONGLONG ENTERPRISES CO., LTD.\***

*(a joint stock limited company incorporated in the People's Republic of China)*  
*(Stock Code: 8211)*

**ANNOUNCEMENT**

**LATEST DEVELOPMENT**

Reference is made to the announcements of the Company dated 20 March 2009, 15 May 2009, 24 July 2009, 14 August 2009, 31 August 2009, 13 November 2009, 31 March 2010 and 19 April 2010 respectively.

**LATEST DEVELOPMENT AND REMEDIAL ACTIONS**

This announcement provides the shareholders of the Company with updated information about (i) the status of bank loans of the Company; (ii) the current status of production and operation of the Company; (iii) the status of auction of Mr. and Mrs. Sun's shares of the Company; and (iv) the progress of the Company in fulfilling the conditions for resumption of trading in the shares of the Company.

**SUSPENSION OF TRADING**

Trading in the shares of the Company will remain suspended until all the resumption conditions required by the Stock Exchange as set out in the announcement of the Company dated 20 March 2009 have been fulfilled.

Reference is made to the announcements of 浙江永隆實業股份有限公司(Zhejiang Yonglong Enterprises Co., Ltd.\*) (the "Company") dated 20 March 2009, 15 May 2009, 24 July 2009, 14 August 2009, 31 August 2009, 13 November 2009, 31 March 2010 and 19 April 2010 respectively.

**LATEST DEVELOPMENT**

**a) The status of bank loans and impacts on the Company**

Reference is made to the announcement of the Company dated 24 July 2009 and 19 April 2010. Currently, under the conciliation of the local government authority, the Company continues to negotiate with certain banks and creditors for a debt repayment reconciliation agreement ("Debt Repayment Reconciliation Agreement")(還債和解協議). When a preliminary reconciliation agreement has been reached and in order to be effective, the Debt

Repayment Reconciliation Agreement should be submitted to the court for judgment. The Company will issue further announcement as and when appropriate when there is result on the Debt Repayment Reconciliation Agreement.

**b) The current status of production and operation of the Company**

Reference is made to the announcement of the Company dated 24 July 2009 and 19 April 2010. Currently, in view of the scale, volume, quality, cost control, sales and raw materials supply of the production, the production of Company is at a relatively stable status. The operating rate of textile machines achieved 85% and the production volume dropped 20% comparing with same period last year. Comparing with the operation status of fellow manufacturers in the local region, the Company is at a relatively normal status. Provided that the external environment will not continue to worsen, under realistic estimation, the Company should be able to maintain its production and operation normally.

**c) the status of auction of Mr. and Mrs. Sun's shares of the Company**

Reference is made to the announcement of the Company dated 25 March 2009, 24 July 2009 and 31 August 2009 in relation to 564,480,000 shares representing 53.08% of the total issued shares of the Company as holding by Mr. Sun Li Yong and Ms. Fang Xiao Jian ("Mr. and Mrs. Sun") has been impounded by Shaoxing Intermediate Court (紹興市中級人民法院) (the "Court"). Since 21 May 2010, auction for the domestic shares of 60,000,000 shares and 180,000,000 shares respectively in total of 240,000,000 shares ("First Lot of Auction Shares") which representing 22.57% of the total issued shares of the Company as holding by Mr. and Mrs. Sun had been taken but failed. A third auction on the First Lot of Auction Shares as scheduled on 13 October 2010 also failed. The auction house has passed the First Lot of Auction Shares to the relevant court for their judgment. The Company will issue further announcement on the result of the court judgment. In additions, when there is further arrangement on the balance of 324,480,000 shares of the Company held by Mr. and Mrs. Sun which representing 30.51% of the total issued shares of the Company, the Company will issue further announcement as and when appropriate thereon.

**REMEDIAL ACTIONS**

In order to ensure trading in shares of the Company can be resumed as soon as possible so as to protect the interests of the shareholders of the Company, the executive directors of the Company (the "Directors") have made the following arrangements:

**(a) Results announcement, audit and despatch of annual report**

Reference is made to the announcements of the Company dated 20 March 2009, 15 May 2009, 24 July 2009, 14 August 2009, 31 August 2009, 13 November 2009, 31 March 2010, 17 May 2010 and 13 August 2010 in relation to the delay in publication and despatch of financial results and reports respectively. The board of directors (the "Board") is negotiating with Shinewing (HK) CPA Limited, the Company's auditors, regarding estimate of time required for its audit work in respect of the 2008 and 2009 Annual Results, and further announcement in relation

thereto will be made as and when appropriate.

**(b) Internal control review**

Reference is made to the announcement of the Company dated 20 March 2009 and 24 July 2009. According to the third condition for resumption of trading as required by the Stock Exchange of Hong Kong Limited (the ‘Stock Exchange’) on 9 March 2009, the Company has appointed an independent financial adviser to carry out internal control review. Further announcement in relation to findings of the above internal control review from the independent financial adviser will be issued by the Company as and when appropriate.

**(c) Resumption proposal and timetable**

Reference is made to the announcement of the Company dated 19 April 2009 and a preliminary resumption proposal and timetable has been submitted to the Stock Exchange on 1 June 2010. The resumption timetable will be updated and submitted to the Stock Exchange for their review after the court has a judgment on the First Lot of Auction Shares.

**SUSPENSION OF TRADING**

Trading in the shares of the Company will remain suspended until all the resumption conditions required by the Stock Exchange as set out in the announcement of the Company dated 20 March 2009 have been fulfilled.

By Order of the Board  
**Xia Xue Nian Li Cheng Jun Sun Jian Feng**  
*Executive Directors*

Zhejiang, the PRC, 20 October 2010

As at the date of this announcement, the executive Directors are Mr. Sun Jian Feng, Mr. Xia Xue Nian and Mr. Li Cheng Jun; the independent non-executive Directors are Mr. Zhu Yu Lin, Mr. Zong Pei Min and Mr. Lu Guo Qing.

*This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with 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: - (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the “Latest Company Announcement” page of the GEM website for at least 7 days from the date of its publication.*

*\* For identification purposes only*