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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

CONNECTED TRANSACTIONS

MAJOR TRANSACTIONS

AND

LASTEST DEVELOPMENT

Reference is made to the announcements of the Company dated 19 October 2008, 24 October 2008, 11 November 2008, 14 November 2008, 20 March 2009 and 25 March 2009 respectively.

The Board wishes to announce that several financial problems of the Company were revealed after other executive Directors undertook a review on the financial records of the Company under the support from the local government authority of the PRC.

FINANCIAL ASSISTANCE BY THE COMPANY

(a) Misappropriation of the Company's funds

After verifying the accounting records of the Company by the accounting staff of the Company, it was found that the Gabriel Cash Advance amounted to an aggregate amount of approximately RMB220,081,000 as at 31 December 2008, of which (i) a total amount of approximately RMB156,178,000 had been misappropriated by Gabriel for the period from April 2008 to December 2008; (ii) a total amount of approximately RMB40,517,000 had been misappropriated by Zhejiang Hongxing, a 60% subsidiary of Gabriel for the period from April 2008 to December 2008; and (iii) a total amount of approximately RMB23,386,000 had been misappropriated by Zhejiang Sabrina, a 70% subsidiary of Gabriel for the period from July 2008 to December 2008.

Mr. and Mrs. Sun are controlling shareholders and Directors of the Company and Mr. Sun Li Yong is also the chairman of the Company. They are also controlling shareholders of Gabriel, which in turn holds 60% and 70% shareholding interests in Zhejiang Hongxing and Zhejiang Sabrina respectively. In this connection, the Gabriel Cash Advance constituted connected transactions under Chapter 20 of the GEM Listing Rules. As the amount of funds misappropriated by Gabriel, Zhejiang Hongxing and Zhejiang Sabrina in aggregate exceeded

2.5% of the applicable percentage ratios and was over HK\$10,000,000, the transactions under the Gabriel Cash Advance should be subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.63 of the GEM Listing Rules. In addition, the Gabriel Cash Advance also constituted a major transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules and therefore should be subject to the disclosure and shareholders' approval requirements pursuant to Rules 19.34, 19.38 and 19.40 of the GEM Listing Rules.

In addition, the funds of the Company in a total amount of approximately RMB82,305,000 had been misappropriated by Zhejiang Yonghe, which is a customer of Hualian Sunshine and of which one of its executive directors is Mr. Sun Li Yong's cousin-in-law, for the period from April 2008 to December 2008. The Yonghe Cash Advance constituted a major transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules and therefore should be subject to the disclosure and shareholders' approval requirements pursuant to Rules 19.34, 19.38 and 19.40 of the GEM Listing Rules.

(b) Guarantee provided by the Company to secure loans granted to a connected person

During the investigation, the Board discovered that the Company had provided guarantee to secure the Yatai Loan and Zhu Loan granted to Gabriel. The Gabriel Guarantee constituted connected transactions of the Company under Chapter 20 of the GEM Listing Rules. As the amount involved in the Gabriel Guarantee provided by the Company for the Yatai Loan and Zhu Loan in aggregate exceeded 2.5% of the applicable percentage ratios and was over HK\$10,000,000, the transactions under the Gabriel Guarantee should be subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.63 of the GEM Listing Rules. In addition, the provision of Gabriel Guarantee also constituted a major transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules and therefore should be subject to the disclosure and shareholders' approval requirements pursuant to Rules 19.34, 19.38 and 19.40 of the GEM Listing Rules.

Since no announcement or circular had been issued by the Company to disclose the Cash Advance and the Gabriel Guarantee until this announcement and no extraordinary general meeting had been convened to seek approval from the Independent Shareholders for the Gabriel Cash Advance and the Gabriel Guarantee or from the Shareholders for the Yonghe Cash Advance, this constituted a breach of the relevant GEM Listing Rules.

In addition, (i) the amount of funds of the Company involved in the Gabriel Cash Advance, on an aggregate basis, and (ii) the amount of funds of the Company involved in the Yonghe Cash Advance exceeded 8% under the assets ratio in April 2008 and July 2008 respectively. Therefore, a general disclosure obligation pursuant to Rule 17.15 of the GEM Listing Rules should have been arisen. Since the Company failed to disclose in a timely manner the above cash advances, this constituted a breach of Rule 17.15 of the GEM Listing Rules.

LATEST DEVELOPMENT AND REMEDIAL ACTIONS

This announcement also provides the Shareholders 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) personal guarantee provided by Mr. and Mrs. Sun to secure loans granted to third parties; and (iv) the progress of the Company in fulfilling the conditions for resumption of trading in the shares of the Company.

GENERAL

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.

2008, 14 November 2008, 20 March 2009 and 25 March 2009 respectively. As affected by the financial crisis of Hualian Sunshine, Gabriel encountered cash flow problems that its cash flow could not be revolved normally. At the same time, the Company was also affected and encountered difficulties in its fund flow. Gabriel is one of the shareholders of Hualian Sunshine and is beneficially owned by Mr. and Mrs. Sun, Mr. Sun Jian Feng, Mr. Li Cheng Jun and Mr. Xia Xue Nian, all being executive Directors, as to 51%, 25%, 8.87%, 10% and 5.13% respectively. Mr. and Mrs. Sun who are holding in aggregate 76% of the total issued shares of Gabriel are the controlling shareholders of Gabriel. Mr. and Mrs. Sun went to the United States of America on 14 September 2008 and have not returned to the PRC as at the date of this announcement. The Board has difficulties in contacting them. Hence, Mr. and Mrs. Sun could not perform their regular duties as a chairman and/or a director of the Company. In view of such situation, other executive Directors undertook a review on the financial records of the Company under the support from the local government authority of the PRC and found that the Company has several financial problems which details are set out below.

1) FINANCIAL ASSISTANCE BY THE COMPANY

a) Misappropriation of the Company's funds

After verifying the accounting records of the Company by the accounting staff of the Company, it was found that the Gabriel Cash Advance amounted to an aggregate amount of approximately RMB220,081,000 as at 31 December 2008, of which (i) a total amount of approximately RMB156,178,000 had been misappropriated by Gabriel for the period from April 2008 to December 2008; (ii) a total amount of approximately RMB40,517,000 had been misappropriated by Zhejiang Hongxing, a 60% subsidiary of Gabriel for the period from April 2008 to December 2008; and (iii) a total amount of approximately RMB23,386,000 had been misappropriated by Zhejiang Sabrina, a 70% subsidiary of Gabriel for the period from July 2008 to December 2008. In addition, the Yonghe Cash Advance in a total amount of approximately RMB82,305,000 had been misappropriated by Zhejiang Yonghe, which is a customer of Hualian Sunshine and of which one of its executive directors is Mr. Sun Li Yong's cousin-in-law, for the period from April 2008 to December 2008. Save as disclosed above, Zhejiang Yonghe and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company. Therefore, Zhejiang Yonghe is not a connected person of the Company. There was no guarantee, interest or terms of repayment for the Cash Advance. The Cash Advance was made and arranged in accordance with Mr. Sun Li Yong's instruction and had not been approved by the Board nor had it been notified to any member of the Board. Accordingly, this constituted unauthorised personal act of Mr. Sun Li Yong. In view of the above situation, under the guidance of the local government authority in the PRC, which is currently formulating a reorganization proposal of Gabriel, the Company may take legal action against Mr. Sun Li Yong as to the misappropriation of funds of the Company by the above relevant companies. The Cash Advance to the above companies has not been repaid as at the date of this announcement. The Company may also take legal action against the relevant companies requiring them to repay the corresponding amount of sum misappropriated by them under the Cash Advance.

The Gabriel Cash Advance

Mr. and Mrs. Sun are controlling shareholders and Directors of the Company and Mr. Sun Li Yong is also the chairman of the Company. They are also controlling shareholders of Gabriel, which in turn holds 60% and 70%

shareholding interests in Zhejiang Hongxing and Zhejiang Sabrina respectively. In this connection, the Gabriel Cash Advance between (i) the Company and Gabriel, (ii) the Company and Zhejiang Hongxing, and (iii) the Company and Zhejiang Sabrina constituted connected transactions under Chapter 20 of the GEM Listing Rules. As the amount of funds misappropriated by Gabriel, Zhejiang Hongxing and Zhejiang Sabrina in aggregate exceeded 2.5% of the applicable percentage ratios and was over HK\$10,000,000, the transactions under the Gabriel Cash Advance should be subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.63 of the GEM Listing Rules. In addition, the Gabriel Cash Advance also constituted a major transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules and therefore should be subject to the disclosure and shareholders' approval requirements pursuant to Rules 19.34, 19.38 and 19.40 of the GEM Listing Rules. Since no announcement or circular had been issued by the Company to disclose the Gabriel Cash Advance until this announcement and no extraordinary general meeting had been convened to seek approval from Independent Shareholders for the Gabriel Cash Advance before it was carried out, this constituted a breach of Rules 19.34, 19.38, 19.40 and 20.63 of the GEM Listing Rules.

In addition, the amount of funds of the Company involved in the Gabriel Cash Advance, on an aggregate basis, exceeded 8% under the assets ratio in April 2008. Therefore, a general disclosure obligation pursuant to Rule 17.15 of the GEM Listing Rules should have been arisen. Since the Company failed to disclose in a timely manner the above cash advance, this constituted a breach of Rule 17.15 of the GEM Listing Rules.

The Yonghe Cash Advance

The Yonghe Cash Advance constituted a major transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules and therefore should be subject to the disclosure and shareholders' approval requirements pursuant to Rules 19.34, 19.38 and 19.40 of the GEM Listing Rules. Since no announcement or circular had been issued by the Company to disclose the Yonghe Cash Advance until this announcement and no extraordinary general meeting had been convened to seek approval from the Shareholders for the Yonghe Cash Advance before it was carried out, this constituted a breach of Rules 19.34, 19.38 and 19.40 of the GEM Listing Rules.

In addition, the amount of funds of the Company involved in the Yonghe Cash Advance exceeded 8% under the assets ratio in July 2008. Therefore, a general disclosure obligation pursuant to Rule 17.15 of the GEM Listing Rules should have been arisen. Since the Company failed to disclose in a timely manner the above cash advance to Zhejiang Yonghe, this constituted a breach of Rule 17.15 of the GEM Listing Rules.

b) Guarantee provided by the Company to secure loans granted to a connected person

During the investigation, the Board discovered that the Company had provided guarantee to secure loans granted to Gabriel. On 18 August 2008, Gabriel borrowed the Yatai Loan in an amount of RMB20,000,000 from Shaoxing Yatai, which itself and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company. On 12 September 2008, Gabriel borrowed the Zhu Loan in an amount of RMB20,000,000 from Ms. Zhu who is a third party independent of the Company and connected persons of the Company. The Company provided the Gabriel Guarantee to secure the Yatai Loan and Zhu Loan granted to Gabriel under the instruction and arrangement of Mr. Sun Li Yong without prior approval by the Board. This also constituted unauthorised personal act of Mr. Sun Li Yong.

As at the date of this announcement, so far as the Board was aware, the outstanding amounts of Yatai Loan and Zhu Loan were RMB19,000,000 and RMB16,700,000 respectively, both of which were overdue and not yet repaid by Gabriel.

In July 2009, the Company received the Writ from Hangzhou Xiacheng District People's Court (杭州市下城區人民法院) in relation to a claim of the outstanding Zhu Loan by Ms. Zhu against Gabriel, the Company and Mr. Sun Li Yong. Pursuant to the Writ, Ms. Zhu claims, among others, (i) a sum of RMB21,731,100 comprising outstanding Zhu Loan of RMB16,700,000, related interest of RMB168,000 and damages for breach of contract of RMB4,863,100 to be repaid by Gabriel; and that (ii) Mr. Sun Li Yong and the Company as guarantors to be held liable for the foregoing loans. The Company is seeking legal advice regarding the Writ and will issue further announcement to the Shareholders as and when appropriate if there is significant development.

Moreover, so far as the Board was aware, there is no legal action brought against the Company by Shaoxing Yatai in respect of the overdue Yatai Loan as at the date of this announcement.

Mr. and Mrs. Sun are controlling shareholders and Directors of the Company and Mr. Sun Li Yong is also the chairman of the Company. They are also controlling shareholders of Gabriel. Therefore, the Gabriel Guarantee provided by the Company for the Yatai Loan and Zhu Loan granted to Gabriel constituted connected transactions under Chapter 20 of the GEM Listing Rules. As the amount involved in the Gabriel Guarantee provided by the Company for the Yatai Loan and Zhu Loan in aggregate exceeded 2.5% of the applicable percentage ratios and was over HK\$10,000,000, the transactions under the Gabriel Guarantee should be subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.63 of the GEM Listing Rules. In addition, the provision of Gabriel Guarantee also constituted a major transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules and therefore should be subject to the disclosure and shareholders' approval requirements pursuant to Rules 19.34, 19.38 and 19.40 of the GEM Listing Rules. Since no announcement or circular had been issued by the Company to disclose the Gabriel Guarantee until this announcement and no extraordinary general meeting had been convened to seek approval from the Independent Shareholders for the Gabriel Guarantee, this constituted a breach of Rules 19.34, 19.38, 19.40 and 20.63 of the GEM Listing Rules.

(c) Remedial actions for the Cash Advance and the Gabriel Guarantee

In order to prevent recurrence of similar breaches in the future and to minimize losses suffered by the Company, the Board proposes the following remedial actions:

- (i) The Company has appointed an independent financial adviser to carry out internal control review for the Company for the purpose of ensuring that the Company has adequate internal control procedures to strictly comply with the corporate governance practices pursuant to the GEM Listing Rules.
- (ii) As mentioned above, the Cash Advance and the Gabriel Guarantee were made and arranged in accordance with Mr. Sun Li Yong's instruction without prior approval by the Board. Therefore, the Company may take

legal action against Mr. Sun Li Yong requesting him to pay damages for the losses sustained by the Company as a consequence of the Cash Advance and the Gabriel Guarantee. The Company may also take legal action against the relevant companies under the Cash Advance requiring them to repay the corresponding amount of sum misappropriated by them.

The failure by the Company to comply with the disclosure and shareholders' approval requirements in respect of the Cash Advance and the Gabriel Guarantee under the GEM Listing Rules was due to the oversight of the Company. **The Stock Exchange reserves the right to take appropriate action against the Company and the Directors for breaches of the GEM Listing Rules.**

2) LATEST DEVELOPMENT

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

Due to the impact of the financial crisis of Gabriel, (i) as at 30 June 2009, the total amount of bank loans was RMB336,150,000, in which loans in an aggregate amount of RMB162,000,000 from five relevant banks could not be renewed as usual upon their maturity due to the reason that guarantors (including Gabriel, Mr. and Mrs. Sun and other third parties) could not continue to undertake their obligations under the guarantee; and (ii) as at 30 June 2009, total bills payable amounting to RMB103,500,000 could not be renewed as usual upon their maturity due to the same reason as mentioned above. In addition, due to financial problems encountered by the Company, the Company cannot repay the above bank loans and bills upon maturity. In view of the above, the relevant banks may take legal action against the Company.

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

The Company is principally engaged in the research and development, manufacture and sales of woven fabrics. Due to misappropriation of the Company's funds in an aggregate amount of approximately RMB302,386,000 under the Cash Advance as mentioned under sub-paragraph 1(a) above, the Company is currently encountering cash flow problems. In order to solve the cash flow problems and ensure stable production and operation, the Company has modified its raw materials procurement approach by requiring some of the local customers to provide their own raw materials to the Company for further processing so as to minimize trade payables of the Company incurred in the manufacturing process. In view of the scale, volume, quality, cost control, sales and raw materials supply of the production, the production of Company is at a stable status. During January to May this year, 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 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) Personal guarantee provided by Mr. and Mrs. Sun, the controlling shareholders of the Company, to secure loans granted to third parties

Reference is made to the announcement of the Company dated 25 March 2009 in relation to the temporary

impoundment of certain shares of the Company held by Mr. and Mrs. Sun under an order of the relevant court in the PRC. Mr. and Mrs. Sun and Zhejiang Yongli, which itself and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company, jointly provided guarantee to secure RMB60,000,000 of bank loans granted to third parties. As the borrower could not repay principal and interest to the banks at maturity date, Zhejiang Yongli repaid these sums on behalf of the borrower. In this connection, Zhejiang Yongli took legal action against Mr. and Mrs. Sun requesting them to undertake their guarantee obligation in the aggregate amount (including principal and interest) of RMB35,027,736.87. Therefore, part of the shareholding interest of Mr. and Mrs. Sun in the Company, which is 550,000,000 shares representing 51.72% of the total issued shares of the Company, has been impounded by Shaoxing Intermediate Court. On 30 April 2009, Shaoxing Intermediate Court made a judgment, which has not yet been effective, requiring Mr. and Mrs. Sun to undertake their respective part of responsibility as guarantor. Upon the judgment becomes effective, the court may give an order for an auction of the 550,000,000 shares of the Company held by Mr. and Mrs. Sun, which may lead to a change in the controlling shareholder of the Company.

The Company will issue further announcements as and when appropriate if there is any material change or development in the issues mentioned under sub-paragraphs 1(a), 1(b) and 2(a) to 2(c) above.

3) 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, the executive Directors have made the following arrangements:

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

As mentioned above, the financial problems of the Company had been identified and properly recorded in the accounting records. Accordingly, the Board has arranged to release the announcement of the third quarterly results of 2008 and despatch the third quarterly report of 2008 to the Shareholders by end of July 2009 as soon as practicable. The Board expects to release the announcement of the first quarterly results of 2009 and despatch the first quarterly report of 2009 by end of September 2009 as soon as practicable.

Reference is made to the announcement of the Company dated 20 March 2009. The Company has already arranged the auditors to prepare for the annual auditing of the 2008 financial statements of the Company. The Directors expect that the Company will announce the 2008 annual results and despatch the 2008 annual report to the Shareholders by end of August 2009 as soon as practicable.

(b) Internal control review

Reference is made to the announcement of the Company dated 20 March 2009. In order to fulfill the third condition for resumption of trading as required by the Stock Exchange on 9 March 2009, which is to demonstrate that the Company has adequate financial reporting system and internal control procedures to enable the Company to meet its obligations under the GEM Listing Rules, and to ensure the Company to strictly comply with the internal control procedures under corporate governance practices pursuant to the GEM Listing Rules, 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) Change of controlling shareholder

As mentioned in sub-paragraphs 2(a) and 2(c) above, if the relevant banks take legal action against the Company and the judgment from Shaoxing Intermediate Court against Mr. and Mrs. Sun becomes effective, the Board expects that the Company may undergo shareholding reorganization under the support of the local government authority in the PRC which would result in change of controlling shareholder of the Company. An announcement relating to the shareholding reorganization of the Company will be released as and when appropriate if necessary.

(d) Possible Change of executive Directors

Considering that (i) Mr. and Mrs. Sun are difficult to be contacted and thus cannot perform their regular duties as Directors and that (ii) Mr. Sun Li Yong instructed and arranged for the Company to carry out the Cash Advance and the Gabriel Guarantee without obtaining prior approval from the Board, Mr. and Mrs. Sun failed to perform their fiduciary duties properly pursuant to Rules 5.01 and 5.02 of the GEM Listing Rules. In this regard, a resolution will be proposed at the meeting of the Board to be held on 29 July 2009 for the purpose of considering appropriate actions to be taken with respect to the breach of fiduciary duties by Mr. and Mrs. Sun. Further announcement in respect of the actions to be taken by the Company referred to above will be issued by the Company as and when appropriate.

4) GENERAL

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.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“assets ratio”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors of the Company
“Cash Advance”	the Gabriel Cash Advance and the Yonghe Cash Advance
“Company”	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 PRC
“Director(s)”	director(s) of the Company, including the independent non-executive directors of the Company

“Gabriel”	浙江加佰利控股集團有限公司(Zhejiang Gabriel Holdings Group Company Ltd.*), a company established in the PRC, is owned as to 51% and 25% by Mr. and Mrs. Sun respectively and is principally engaged in investment holding
“Gabriel Cash Advance”	misappropriation of funds of the Company by Gabriel, Zhejiang Hongxing and Zhejiang Sabrina
“Gabriel Guarantee”	the guarantee provided by the Company to secure the Yatai Loan and Zhu Loan granted to Gabriel
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange in effect from time to time
“Hualian Sunshine”	浙江華聯三鑫石化有限公司(Zhejiang Hualian Sunshine Petro-Chemical Co. Ltd.*), a company established in the PRC
“Independent Shareholders”	independent shareholders of the Company
“Mr. Sun and Mrs. Sun”	Mr. Sun Li Yong and Ms. Fang Xiao Jian
“Ms. Zhu”	Ms. Zhu Li Mei
“percentage ratios”	the percentage ratios (other than the profits ratio) as set out in Rule 19.07 of the GEM Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shaoxing Yatai”	紹興縣亞太投資有限公司(Shaoxing Yatai Investment Co., Ltd.*) a company established in the PRC and is principally engaged in the business of investment
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Writ”	a civil writ (民事起訴狀) received by the Company in July 2009
“Yatai Loan”	loans granted by Shaoxing Yatai to Gabriel under a guarantee provided by the Company on 18 August 2008
“Yonghe Cash Advance”	misappropriation of funds of the Company by Zhejiang Yonghe
“Zhejiang Hongxing”	浙江宏興紡織有限公司(Zhejiang Hongxing Textiles Co., Ltd.*), a company established in the PRC and is principally engaged in the manufacture and sales of knitted fabrics
“Zhejiang Sabrina”	浙江宏興莎美娜服飾有限公司(Zhejiang Hongxing Sabrina Garments Ltd.*), a company established in the PRC and is principally engaged in the manufacture and sales of knitted and woven garments
“Zhejiang Yonghe”	浙江永禾實業有限公司(Zhejiang Yonghe Enterprises Co., Ltd.*), a company established in the PRC and is principally engaged in the trading of petro-chemical products
“Zhejiang Yongli”	浙江永利實業集團有限公司(Zhejiang Yongli Enterprises Group Ltd.*) a company established in the PRC
“Zhu Loan”	loans granted by Ms. Zhu to Gabriel under a guarantee provided by the Company on 12 September 2008
“%”	per cent.

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

Zhejiang, the PRC, 24 July 2009

As at the date of the this announcement, the executive Directors of the Company are Mr. Sun Li Yong, Ms. Fang Xiao Jian, Mr. Sun Jian Feng, Mr. Xia Xue Nian, Mr. Marco Borio 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 Rules Governing the Listing of Securities on GEM 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.

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