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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

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This document, for which the directors (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 for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this document is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this document misleading; and (iii) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* *For identification purpose only*

HIGHLIGHTS

For the six months ended 30 June 2008,

- Turnover of the Company decrease from approximately RMB188.36 million to approximately RMB 159.13 million, representing a decrease of approximately 15.51% when compared to the corresponding period in 2007;

- Net loss for the six months ended 30 June 2008 was approximately RMB5.78 million; and

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008.

UNAUDITED CONDENSED INCOME STATEMENT

For the six months ended 30 June 2008

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") is pleased to announce the unaudited results of the Company for the three months and six months ended 30 June 2008 as follows:

		Three months ended 30 June		**Six months ended 30 June**	
		2008	2007	**2008**	2007
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Turnover	2	**102,492**	98,586	**159,134**	188,356
Cost of sales		**(98,071)**	(89,735)	**(153,492)**	(172,753)
Gross profit		**4,421**	8,851	**5,642**	15,603
Other operating income		**1,776**	1,427	**4,086**	3,187
Selling expenses		**(230)**	(1,692)	**(1,665)**	(2,970)
Administrative and operating expenses		**(3,814)**	(4,339)	**(8,141)**	(7,956)
Finance costs	4	**(5,781)**	(5,827)	**(10,357)**	(10,426)
LOSS BEFORE TAXATION	5	**(3,628)**	(1,580)	**(10,435)**	(2,562)
Taxation	6	**243**	454	**4,656**	3,225
Loss (profit) for the period		**(3,385)**	(1,126)	**(5,779)**	663
Dividend paid during the period	7	**–**	–	**–**	–
(Loss) earnings per share – basic	8	**RMB(0.32) cents**	RMB(0.11) cents	**RMB(0.54) cents**	RMB0.06 cents

UNAUDITED CONDENSED BALANCE SHEET

	Notes	**As at 30 June 2008** *RMB'000* ***(Unaudited)***	As at 31 December 2007 *RMB'000* *(Audited)*
NON-CURRENT ASSETS			
Investment properties	*9*	**12,045**	12,045
Property, plant and equipment		**221,438**	229,890
Prepaid lease payments		**11,568**	11,568
		245,051	253,503
CURRENT ASSETS			
Inventories		**179,162**	168,362
Prepaid lease payments		**273**	273
Trade receivables	*10*	**113,056**	128,336
Other receivables, deposits and prepayments		**26,847**	9,089
Amount due from a related company	*11(a)*	**327**	20
Pledged bank deposits		**75,900**	65,192
Fixed bank deposits		**–**	60,565
Bank balances and cash		**25,834**	10,182
		421,399	442,019
CURRENT LIABILITIES			
Trade payables	*12*	**24,989**	31,928
Bills payable		**65,500**	65,510
Other payables and accruals		**11,418**	19,504
Amount due to a related company	*11(b)*	**1,992**	–
Tax liabilities		**3,493**	6,040
Borrowings – due within one year	*13*	**249,980**	254,950
		357,372	377,932
NET CURRENT ASSETS		**64,027**	64,087
TOTAL ASSETS LESS CURRENT LIABILITIES		**309,078**	317,590
NON CURRENT LIABILITIES			
Borrowings – due after one year	*13*	**40,000**	40,000
Deferred tax liabilities		**2,703**	5,436
		42,703	45,436
NET ASSETS		**266,375**	272,154
Capital and Reserves			
Share capital		**106,350**	106,350
Reserves		**160,025**	165,804
SHAREHOLDERS' FUNDS		**266,375**	272,154

UNAUDITED CONDENSED CASH FLOW STATEMENT

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Net cash used in operating activities	**(26,182)**	(29,965)
Net cash from investing activities	**46,804**	43,182
Net cash used in financing activities	**(4,970)**	(24,660)
Net increase (decrease) in cash and cash equivalents	**15,652**	(11,443)
Cash and cash equivalents at beginning of the period	**10,182**	47,514
Cash and cash equivalents at end of the period, representing bank balances and cash	**25,834**	36,071

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY

	Paid-up capital	**Share premium**	**Other reserve**	**Assets revaluation reserve**	**Statutory surplus reserve**	**Statutory welfare fund**	**Accumulated profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2007	106,350	69,637	7,880	15,959	12,496	–	54,671	266,993
Net profit for the period	–	–	–	–	–	–	663	663
Balance at 30 June 2007	106,350	69,637	7,880	15,959	12,496	–	55,334	267,656
Balance at 1 January 2008	106,350	69,637	7,880	15,959	12,496	–	59,832	272,154
Net loss for the period	–	–	–	–	–	–	(5,779)	(5,779)
Balance at 30 June 2008	**106,350**	**69,637**	**7,880**	**15,959**	**12,496**	**–**	**54,053**	**266,375**

Notes:

1. Basis of preparation

The Company is a joint stock limited company established in the People's Republic of China (the "PRC") and the H Shares of the Company are listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is principally engaged in the research and development, manufacture, and sale of woven fabrics.

The Company has prepared the condensed financial statements in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

The principal accounting policies used in the preparation of the unaudited results are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2007. The unaudited results are prepared in accordance with accounting principles generally accepted in Hong Kong.

2. Turnover

The Company's turnover represents the amounts received and receivable for goods sold, which is net of value-added tax, less returns and allowances, during the period.

3. Segmental information

The Company is principally engaged in the research and development, manufacture, and sale of woven fabrics. No business segment analysis is presented as management considers this as one single business segment. Accordingly, the Company reports its primary segment information based on geographical market.

Geographical segments

The Company's business is located in the PRC and its segment information by geographical location of its customers who are principally located in the PRC, Europe and Asia other than PRC. Segment information about these geographical markets is presented below:

	Six months ended			
	30 June 2008 Revenue	**30 June 2008 Results**	30 June 2007 Revenue	30 June 2007 Results
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
PRC	**103,968**	**5,062**	109,658	3,640
Europe	**40,810**	**(4,442)**	58,186	3,534
Asia other than PRC	**8,522**	**362**	19,463	1,624
Others	**5,834**	**(669)**	1,049	166
	159,134	**313**	188,356	8,964
Unallocated corporate income		**4,086**		3,187
Unallocated corporate expenses		**(4,477)**		(4,287)
Finance costs		**(10,357)**		(10,426)
Loss before taxation		**(10,435)**		(2,562)
Taxation		**4,656**		3,225
(Loss) profit for the period		**(5,779)**		663

4. Finance costs

	Three months ended 30 June		**Six months ended 30 June**	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Interest on bank borrowings wholly repayable within five years	**5,781**	6,636	**10,357**	11,999
Less: Amounts capitalised in construction in progress	**–**	(809)	**–**	(1,573)
	5,781	5,827	**10,357**	10,426

Borrowing costs capitalised during six months ended 30 June 2007 arose on general borrowing pool and are calculated by applying a capitalised rate of 6.41% during the period to expenditure on qualifying assets.

5. Loss before taxation

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Loss before taxation has been arrived at after charging:				
Depreciation and amortisation	**7,312**	6,492	**12,632**	13,028

6. Taxation

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The (credit) charge comprises:				
Current tax:				
PRC enterprise income tax for the period	**–**	–	**–**	–
(Overprovision) underprovision in previous years	**624**	–	**(1,923)**	(3,453)
	624	–	**(1,923)**	(3,453)
Deferred tax	**(867)**	(454)	**(2,733)**	228
	(243)	(454)	**(4,656)**	(3,225)

No provision for PRC enterprise income tax has been provided for the period as the Company had no estimated assessable profit arising in or derived from the PRC during the three and six months ended 30 June 2008 (three and six months ended 30 June 2007: nil).

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law"), which became effective from 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. The tax rate of the Company changed from 33% to 25% from 1 January 2008.

7. Dividend paid

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2008.

8. **(Loss) earnings per share**

The calculation of the basic (loss) earnings per share is based on the following data:

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
(Loss) earnings for the purpose of calculating basic (loss) earnings per share	**(3,385)**	(1,126)	**(5,779)**	663
Number of shares:				
Number of shares for the purpose of basic (loss) earnings per share *(Note)*	**1,063,500,000**	1,063,500,000	**1,063,500,000**	1,063,500,000
Weighted average number of shares for the purpose of calculating (loss) earnings per share	**1,063,500,000**	1,063,500,000	**1,063,500,000**	1,063,500,000

Note:

Diluted (loss) earnings per share has not been calculated for the three months and six months ended 30 June 2008 and the corresponding period as there were no dilutive potential ordinary shares during these periods.

9. **Movements in property, plant and equipment**

During the period for the six months ended 30 June 2008, the Company spent approximately RMB4.19 million (31 December 2007: RMB9.69 million) on additions of property, plant and equipment.

10. **Trade receivables**

The Company allows an average credit period of 30 to 120 days to its trade customers. The aged analysis of trade receivables net of impairment losses at the respective balance sheet dates is as follows:

	30 June 2008	31 December 2007
	RMB'000	*RMB'000*
Within 30days	**37,232**	52,394
31 – 60 days	**16,373**	21,154
61 – 90 days	**15,676**	16,674
91 – 120 days	**10,288**	6,960
121 – 180 days	**15,427**	13,532
181 – 365 days	**17,760**	17,622
Over 365 days	**300**	–
	113,056	128,336

11. Amount due from a related company/Amount due to a related company

(a) Amount due from a related company

Details of amount due from a related party is as follows:

	30 June 2008 *RMB'000*	31 December 2007 *RMB'000*
Sabrina *(Note 1)*	**327**	–
Hongxing *(Note 2)*	**–**	20
	327	20

Notes:

1. At 30 June 2008, the amount of approximately RMB327,000 (31 December 2007: nil) represents balance due by 浙江宏興莎美娜服飾有限公司 (Zhejiang Hongxing Sabrina Garments Co., Ltd.)("Sabrina"). Sabrina is a subsidiary of 浙江加佰利控股集團有限公司 (Zhejiang Gabriel Holdings Group Co., Ltd.)("Gabriel"), in which Messrs. Sun Li Yong, Xia Xue Nian, Sun Jian Feng, Li Cheng Jun and Ms. Fang Xiao Jian, directors of the Company, have beneficial interests. The amount is interest-free, unsecured and repayable on demand. The maximum balance outstanding during the six months ended 30 June 2008 amounted to approximately RMB237,000 (31 December 2007: nil).

2. At 31 December 2007, the amount of approximately RMB20,000 represents balance due by浙江宏興紡織有限公司 (Zhejiang Hongxing Textiles Co., Ltd.) ("Hongxing"). Hongxing is a subsidiary of Gabriel. The amount is interest-free, unsecured and repayable on demand. The maximum balance outstanding during the year ended 31 December 2007 amounted to approximately RMB2,868,000.

(b) Amount due to a related company

Details of amount due from a related company is as follows:

	30 June 2008 *RMB'000*	31 December 2007 *RMB'000*
Hongxing	**1,992**	–

The amount is interest-free, unsecured and repayable on demand.

12. Trade payables

The aged analysis of trade payables at the respective balance sheet dates is as follows:

	30 June 2008	31 December 2007
	RMB'000	*RMB'000*
Within 30days	**12,980**	18,231
31 – 60 days	**2,549**	6,038
61 – 90 days	**1,428**	2,011
91 – 120 days	**1,703**	519
121 – 180 days	**1,881**	1,294
181 – 365 days	**2,963**	1,742
1 – 2 years	**1,485**	2,093
	24,989	31,928

13. Borrowings and facilities

The Company generally finances its operations and capital expenditures with cashflow generated internally and banking facilities provided by its bankers. The bank borrowings carry interests ranging from 6.12% to 8.96% per annum (31 December 2007: from 5.02% to 8.42% per annum).

	30 June 2008	31 December 2007
	RMB'000	*RMB'000*
Borrowings comprise:		
Bank loans	**289,980**	294,950
Analysed as:		
Secured *(note 14)*	**56,230**	56,230
Unsecured	**233,750**	238,720
	289,980	294,950
Denominated in RMB	**289,980**	294,950
The bank and other borrowings carry interest at fixed rate and are repayable as follows:		
Within one year or on demand	**249,980**	254,950
More than one year, but not exceeding two years	**40,000**	40,000
	289,980	294,950
Less: amount due within one year shown under current liabilities	**(249,980)**	(254,950)
Amount due after one year	**40,000**	40,000

	30 June 2008	31 December 2007
	RMB'000	*RMB'000*
The borrowings were guaranteed by:		
Mr. Sun Li Yong and Ms. Fang Xiao Jian	**5,200**	5,200
Gabriel and independent third parties	**80,000**	80,000
Directors of the Company and independent third parties	**10,000**	10,000
Mr. Sun Li Yong, Ms. Fang Xiao Jian and independent third parties	**39,500**	39,500
Mr. Sun Li Yong and independent third parties	**20,000**	20,000
Independent third parties	**79,050**	84,020
	233,750	238,720

During the period, the Company obtained new bank loans in the amount of approximately RMB235.28 million (31 December 2007: RMB545,356,000). The loans bear fixed interest at prevailing market rates and repayable in installments over a period of three months to two years. The proceeds were used to finance the acquisition of property, plant and equipment, and for general working capital of the Company.

14. Pledge of assets

At 30 June 2008, certain assets of the Company with the following carrying values has been pledged to secure borrowings granted to the Company:

	30 June 2008	31 December 2007
	RMB'000	*RMB'000*
Pledged bank deposits	**75,900**	65,192
Investment properties	**11,566**	11,979
Prepaid lease payments	**5,069**	5,131
Buildings	**57,186**	65,948
	149,721	148,250

15. Related party transactions

During the period for the six months ended 30 June 2008, the Company had the following transactions with the related parties:

Name of related party	Nature	Six months ended 30 June **2008** *RMB'000*	2007 *RMB'000*
Sabrina	Rental income	**90**	90
	Sales of goods	**11**	–
	Electricity cost reimbursement	**9**	–
Hongxing	Sales of goods	**4**	–
	Rental income	**492**	492
	Electricity cost reimbursement	**28**	2
	Purchase of goods	**3**	2,666
Miroglio and its subsidiaries ("Miroglio S.p.A. Group") *(note i)*	Sales of woven fabrics	**17,730**	25,780
Miroglio Fulida *(note ii)*	Subcontracting fee	**8,643**	5,017
	Sales of goods	**389**	–

Notes:

(i) Since 24 March 2005, Miroglio S.p.A. became a substantial shareholder of the Company. The sales order placed by Miroglio S.p.A. Group to the Company for the six months ended 30 June 2008 was approximately RMB38.82 million (2007: RMB42,517,000). Sales recognized by the Company for the six months ended 30 June 2008 was approximately RMB17.73 million (2007: RMB25,780,000). As at 30 June 2008, amounts due from Miroglio S.p.A. Group (included in trade receivables) amounted to approximately RMB4.89 million (31 December 2007: RMB17,597,000).

(ii) 浙江米羅利奧富麗達紡織有限公司(Zhejiang Miroglio Fulida Textile Co. Ltd.) ("Miroglio Fulida") is owned as to 50% by Miroglio, a substantial shareholder of the Company, and 50% by an independent third party. The Company has engaged Miroglio Fulida to provide dyeing services for the weaving fabrics of the Company since 29 May 2007. As at 30 June 2008, amount due to Miroglio Fulida (included in trade payables) amounted to approximately RMB2.33 million (31 December: RMB1,262,000).

Details of the guarantee given by related parties to the banks in respect of the loans granted to the Company as at 30 June 2008 and 31 December 2007 are set out in note 13.

In addition to the above, balances with related parties as at 30 June 2008 and 31 December 2007 are set out in note 11.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the six months ended 30 June 2008, the Company recorded a turnover of approximately RMB159.13 million, representing a decrease of approximately 15.51% as compared with that of the same period in 2007. The sales volume increased by approximately 8.57% while on the other hand, the average selling price dropped by approximately 22.18%. The gross profit for the period was RMB5.64 million, representing a gross profit margin of approximately 3.55%, which was approximately 4.73% lower than the gross profit of approximately RMB15.60 million and a gross profit margin of approximately 8.28% for the corresponding period in 2007. The dropping of sales turnover and gross profit margin for the six months ended 30 June 2008 mainly due to Snowing Disaster incurred during the first quarter of 2008 and Chinese New Holidays that led to insufficient production in these periods. The Snowing Disaster also prevented the product being transported to the customers for local sales and the dock for exporting. In additions, the continuous appreciation of Renminbi led to depreciation of export sales. Furthermore, the continuous rising of raw material cost, energy price, dyeing cost and labour costs (due to new labour laws implemented in the PRC) led to manufacturing cost that increased substantially. Moreover, the insufficient production in the first quarter of 2008 caused higher fixed overheads that being absorpted to each meter of fabrics. Selling expenses decreased by approximately 43.94%, which was in line with decrease of export sales. Administrative expenses increased slightly by approximately 2.33% mainly due to appreciation of Renminbi which led to exchange loss on bank deposit in foreign currency. The exchange loss was approximately RMB2.27 million.

Business and operation review

During the period under review, the difficult operating environment for manufacturing companies in the PRC persisted. Except the keen competition, the Company's profitability continued to be adversely affected by rising of raw material costs, energy prices, appreciation of Renminbi, and increasing of labour cost due to introduction of new labour laws in the PRC. In additions, the Snowing Disaster in the first quarter of 2008 also led to dropping of sales turnover and rising of cost of sales of the Company. Compared with most of the fellow textile manufacturers in the PRC, the impact on the Company's operation and profitability was lower as the Company has already been adopting various proactive improvement measures in enhancing market sharing, operating and productivity efficiency since 2006. Hence, the Company has been able to maintain a stable level of overall gross profit margin on local sales. During the six months ended 30 June 2008, the sales turnover and provision of subcontracting services to the PRC government for manufacturing uniform of the military was approximately RMB20.98 million (2007: RMB32.80 million) and RMB1.64 million (2007: nil) respectively. The sales turnover represented approximately 20.18% (2007: 29.91%) of the total domestic sales. On the other hand, the export sales for the six months ended 30 June 2008 decreased by approximately 29.90% and the result was negative. It was mainly affected by the appreciation of Renmenibi that led to decrease of sales value as all the export sale of the Company were conducted in USD and Euro; and Snowing Disaster that led to defer of production and delay of export. In view of the continuous challenging and unpredictable macro-economic environment and severe cost pressure, the Company will continue to implement cost effective measures and search for high value ended customers and new market in order to diversify the risk and maximize profit of the Company.

Production facilities

The Company continues to search for the opportunities to enter the area of down stream dyeing and finishing.

Product Research and Development

The Company continues to innovate and develop new product so as to meet the customers' need and search for the opportunities to co-operate with international partner for sharing the various valuable technical knowledge and experience in designing fabrics. In order to enhance the quality of research and development, the Company continues to employ experienced and talent staff and also pays more so as to retain high calibre staff. Training is also provided to the staff.

Sales and marketing

During the six months ended 30 June 2008, the Company actively participated in various trade fairs held in PRC and overseas so as to gain exposure in the fabrics market and to popularize the Company's new products.

Outlook

It is indicated that economic activities in Europe and the U.S. are slowing down, particular concern and uncertainty as to the extent to which the crisis in the U.S. housing and financial sectors will adversely affect consumer sentiment in the U.S. and the global economy. In additions, the challenges arising from heightening production cost pressure is expected to continue in the near future, especially stemming from the upward movement of raw material prices, wages levels and energy prices. Facing these challenges, the Company continues to undertake various productivity and operating efficiency enhancement projects with a view to alleviate the negative factors in a proactive manner. There measures including reasonable selling price adjustment, refining product mix to more focus on high value ended product for better profit margin, tighter cost controls and continuous streaming of product development and manufacturing process. In additions, the Company continues to develop and explore high profile market and high value ended customers. Hence, the Company will keep strengthening research and development of new and high value ended product so as to fulfill the customers' requirements.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2008, the Company had net current assets of approximately RMB64.02 million (31 December 2007: RMB64.09 million). The Shareholders' fund of the Company as at 30 June 2008 was approximately RMB266.38 million (31 December 2007: RMB272.15 million). The total bank borrowings of the Company as at 30 June 2008 were approximately RMB289.98 million (31 December 2007: RMB294.95 million). The Company generally finances its operations and capital expenditures and other capital requirements with cashflow generated internally and banking facilities provided by its bankers. The Directors are confident that the financial position of the Company will remain stable, and the Company has sufficient liquidity and financial resources to meet its present commitments and future expansion plans.

CAPITAL COMMITMENTS

As at 30 June 2008, the Company had commitments of approximately RMB0.44 million (31 December 2007: approximately RMB0.75 million) for capital expenditure contracted for but not provided in the financial statement in respect of acquisition of property, plant and equipment.

MATERIAL ACQUISITIONS/DISPOSALS

During the six months ended 30 June 2008, the Company did not have any material acquisitions/ disposals.

SEGMENTAL INFORMATION

Segmental information of the Company is set out in note 3.

EMPLOYEE AND EMOLUMENT POLICIES

As at 30 June 2008, the Company had 1,452 employees (31 December 2007: 1,462), comprising 12 (31 December 2007: 12) in research and development, 60 (31 December 2007: 46) in sales and marketing, 1,103 (31 December 2007: 1,174) in production, 256 (31 December 2007: 211) in quality control, 10 (31 December 2007: 10) in management, and 11 (31 December 2007: 9) 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.

The Company has established a remuneration committee in January 2007 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. The remuneration committee comprises three independent non-executive Directors and Mr. Sun Li Yong, the chairman and an executive Director of the Company.

The emoluments of the directors of the Company are recommended by the board of directors, having regard to their duties and responsibilities and approved by the shareholders of the Company.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

According to the Company's announcement dated 24 March 2007, the Company issued 205,000,000 of H shares to its customer, Miroglio and placed 16,000,000 of H shares to other independent third parties in order to maintain the public float of the H Shares of the Company as required under the GEM Listing Rules. The net proceeds from the issue of H shares to Miroglio and independent third parties after deduction of expenses in connection with the issue of shares was approximately RMB55.9 million. It is planned that approximately RMB33.5 million will be used for the acquisition of a dying factory in the PRC, approximately RMB11.2 million will be used for research and development of technology of the Company and approximately RMB11.2 million will be used as the general working capital of the Company.

For the period from 24 March 2005 to 30 June 2008, the Company has used approximately RMB1,426,000 (For the six months ended 30 June 2008: RMB236,000) in research and development. The Company is in progress of searching for appropriate dying factory in the PRC as at 30 June 2008.

GEARING RATIO

The gearing ratio (total debts over total assets) of the Company as at 30 June 2008 was approximately 60.03% (31 December 2007: approximately 60.87%).

FOREIGN EXCHANGE EXPOSURE

The Company operates in the People's Republic of China (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 or other means to hedge its foreign currency exposure. The Company considers it has no material foreign exchange risk to the Company.

CONTINGENT LIABILITIES

As at 30 June 2008, the Company did not have any significant contingent liabilities.

DIRECTORS' CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY

As at 30 June 2008, the interests and short positions of the Directors, chief executives and supervisors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are require (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 under such provisions of the SFO); or (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 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares of the Company

Name of Directors	Capacity	Number of domestic shares held	Approximate percentage of interests in domestic shares in issue as at 30 June 2008	Approximate percentage of interests in total issued share capital as at 30 June 2008
Mr. Sun Li Yong	Beneficial owner			
	Interest of spouse *(Note 1)*	382,200,000	65%	35.94%
		182,280,000	31%	17.14%
		564,480,000	96%	53.08%
Ms. Fang Xiao Jian	Beneficial owner	382,200,000	65%	17.14%
	Interest of spouse *(Note 2)*	182,280,000	31%	35.94%
		564,480,000	96%	53.08%
Mr. Sun Jian Feng	Beneficial owner	5,880,000	1%	0.55%
Mr. Xia Xue Nian	Beneficial owner	5,880,000	1%	0.55%

Notes:

1. Mr. Sun Li Yong is the husband of Ms. Fang Xiao Jian and is deemed by virtue of the SFO be interested in the 182 280,000 shares beneficially owned by Ms. Fang Xiao Jian.

2. Ms. Fang Xiao Jian is the wife of Mr. Sun Li Yong and is deemed by virtue of the SFO to be interested in the 382,200,000 shares beneficially owned by Mr. Sun Li Yong.

Save as disclosed above, as at 30 June 2008, none of the Directors, chief executives or supervisors had interest or short position 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 under such provisions of the SFO); or (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 5.68 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS IN SHARES OF THE COMPANY

So far as was known to the Director or chief executive or Supervisors of the Company, as at 30 June 2008, the interests and short positions of in the shares or underlying shares of the Company, other than 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 is interested directly or indirectly in 5% 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

Name of shareholder	Capacity	Number of H shares held	Approximate percentage of interests in H shares in issue as at 30 June 2008	Approximate percentage of interests in total issued share capital as at 30 June 2008
Miroglio S.p.A.	Beneficial owner	209,170,000	43.99%	19.67%

Other than the interest disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2008.

Save as disclosed above, as at 30 June 2008, there was no other person, other than the Directors or Supervisors of the Company, who was recorded in the register of the Company having interests or short positions in the shares or underlying shares of the Company under Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' AND SUPERVISORS' INTERESTS IN THE UNDERLYING SHARES PURSUANT TO EQUITY DERIVATIVES

Save as disclosed above, during the six months ended 30 June 2008, none of the Directors, chief executives or supervisors of the Company was granted options to subscribe for H shares of the Company. As at 30 June 2008, none of the Directors, chief executives or the supervisors of the Company nor their spouses or children under the age of 18 had any rights to acquire H shares in the Company or had exercised any such right during the period.

COMPETING INTERESTS

None of the Directors or the management shareholders (as defined under the GEM Listing Rules) of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Company under the period under review.

AUDIT COMMITTEE

The Company has established an 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. Luk Guo Qing, Mr. Zong Pei Min and Mr. Zhu Yu Lin. Mr. Luk Guo Qing is the chairman of the audit committee.

Up to the date hereof, the audit committee has conducted three meetings in this quarter. The audit committee has reviewed the interim report of for the six months ended 30 June 2008.

CORPORATE GOVERNANCE

The Company has complied, through the six months ended 30 June 2008, with all the code provisions set out in Appendix 15 Code on Corporate Governance Practices ("CG Code") of the GEM Listing Rules except for the following derivations:

1. Code Provision A.2.1. stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Sun Li Yong is the chairman and chief executive of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals and meets regularly every month to discuss issues affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Sun and believes that his appointment to the posts of chairman and chief executive is beneficial to the business prospects of the Company.

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors of the Company, all Directors of the Company confirm that they complied with such code of conduct throughout the six months ended 30 June 2008.

The Company has complied with the requirement to appoint a sufficient number of independent non-executive director as set out in Rule 5.05 (1) of the GEM Listing Rules.

The Company confirmed that annual confirmations of independence were received from each of the Company's independent non-executive directors pursuant to Rule 5.09 of the GEM Listing Rules and all independent non-executive directors are considered to be independent.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not purchase, sell or redeem any of the Company's listed shares during the six months ended 30 June 2008.

By Order of the Board
Sun Li Yong
Chairman

Zhejiang, the PRC, 11 August, 2008

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. Luk Guo Qing.

This announcement will appear on the GEM website at http://www.hkgem.com on the "Latest Company Announcement" page for at least 7 days from the day of its posting thereon.