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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM–listed issuers.

This announcement, 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 (the "GEM Listing Rules") 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 announcement 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 announcement misleading; and (iii) 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.

*   *For identification purpose only*

HIGHLIGHTS
For the year ended 31 December 2007,

- turnover of the Company decreased from approximately RMB416.57 million in year 2006 to approximately RMB384.01 million in year 2007, representing a decrease of approximately 7.82% when compared to the year ended 31 December 2006;

- Profit for the year was approximately RMB5.16 million, and

- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2007.

INCOME STATEMENT

For the year ended 31 December 2007

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 audited results of the Company for the year ended 31 December 2007, together with the comparative results for the corresponding period in 2006 as follows:

	Notes	**2007** *RMB'000*	2006 *RMB'000*
Turnover	*3*	**384,007**	416,572
Cost of sales		**(345,361)**	(387,991)
Gross profit		**38,646**	28,581
Other operating income		**7,888**	11,687
Selling expenses		**(6,315)**	(4,412)
Administrative and operating expenses		**(20,803)**	(16,637)
Finance costs	*5*	**(18,581)**	(19,955)
Profit(loss) before taxation		**835**	(736)
Taxation	*6*	**4,326**	5,219
Profit for the year	*7*	**5,161**	4,483
Dividend	*8*	**–**	–
Earnings per share – basic	*9*	**RMB0.5 cents**	RMB0.4 cents

BALANCE SHEET
As at 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Non-current assets			
Investment properties		**12,045**	12,876
Property, plant and equipment	10	**229,890**	241,786
Prepaid lease payments		**11,568**	11,841
		253,503	266,503
Current assets			
Inventories		**168,362**	106,671
Prepaid lease payments		**273**	273
Trade receivables	11	**128,336**	115,378
Other receivables, deposits and prepayments		**9,089**	16,028
Amount due from a related company	12	**20**	11
Pledged bank deposits		**65,192**	41,617
Fixed bank deposits		**60,565**	102,132
Bank balances and cash		**10,182**	47,514
		442,019	429,624
Current liabilities			
Trade payables	13	**97,438**	66,101
Other payables and accruals		**19,504**	17,466
Amount due to a related company	14	**–**	275
Tax liabilities		**6,040**	9,493
Borrowings – due within one year	15	**254,950**	259,490
		377,932	352,825
Net current assets		**64,087**	76,799
Total assets less current liabilities		**317,590**	343,302
Non-current liabilities			
Borrowings – due after one year	15	**40,000**	70,000
Deferred tax liabilities		**5,436**	6,309
		45,436	76,309
Net assets		**272,154**	266,993
Capital and reserves			
Share capital		**106,350**	106,350
Reserves		**165,804**	160,643
Shareholders' funds		**272,154**	266,993

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share premium	Other reserve	Assets revaluation reserve	Statutory surplus reserve	Statutory welfare fund	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2006	106,350	69,637	7,880	15,959	8,144	4,073	50,467	262,510
Transfer	–	–	–	–	4,352	(4,073)	(279)	–
Profit for the year	–	–	–	–	–	–	4,483	4,483
At 31 December 2006 and 1 January 2007	106,350	69,637	7,880	15,959	12,496	–	54,671	266,993
Profit for the year	–	–	–	–	–	–	5,161	5,161
At 31 December 2007	106,350	69,637	7,880	15,959	12,496	–	59,832	272,154

Notes:

1. Basis of preparation

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

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

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, for the first time, the following new or revised Hong Kong Accounting Standard ("HKAS"), HKFRS, amendment and interpretations ("Ints") (herein collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for the Company's financial year beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Company has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective as at 31 December 2007. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and financial position of the Company.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 March 2007.
[3] Effective for annual periods beginning on or after 1 January 2008.
[4] Effective for annual periods beginning on or after 1 July 2008.

3. Turnover

Turnover of the Company represents the amounts received and receivable for goods sold, which is net of value-added tax during the year.

4. Segmental information

In accordance with the Company's internal financial reporting, the Company has determined that geographical segments is its primary reporting segment.

Geographical segments

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

	For the year ended 31 December 2007				
	PRC	**Europe**	**Asia other than PRC**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
TURNOVER – external	**231,475**	**113,146**	**37,243**	**2,143**	**384,007**
SEGMENT RESULT	**19,396**	**4,124**	**961**	**252**	**24,733**
Unallocated corporate income					**7,888**
Unallocated corporate expenses					**(13,205)**
Finance costs					**(18,581)**
Profit before taxation					**835**
Taxation					**4,326**
Profit for the year					**5,161**

	For the year ended 31 December 2006				
	PRC	Europe	Asia other than PRC	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
TURNOVER – external	294,173	97,434	23,752	1,213	416,572
SEGMENT RESULT	3,425	7,970	2,566	(23)	13,938
Unallocated corporate income					11,687
Unallocated corporate expenses					(6,406)
Finance costs					(19,955)
Loss before taxation					(736)
Taxation					5,219
Profit for the year					4,483

5. Finance costs

	Year ended 31 December	
	2007	2006
	RMB'000	*RMB'000*
Interest on bank borrowings wholly repayable within five years	**21,726**	22,507
Less: amounts capitalised in construction in progress	**(3,145)**	(2,552)
	18,581	19,955

Borrowing costs capitalised during the year arose on general borrowing pool and are calculated by applying a capitalisation rate of 6.41% (2006: 6.02%) to expenditure on qualifying assets.

6. Taxation

	Year ended 31 December	
	2007	2006
	RMB'000	*RMB'000*
The credit comprises:		
PRC enterprise income tax for the year	**–**	–
Overprovision in previous years	**(3,453)**	(5,676)
	(3,453)	(5,676)
Deferred tax		
– Current year	**656**	457
– Attributable to a change in tax rate	**(1,529)**	–
	(873)	457
	(4,326)	(5,219)

No provision for PRC enterprise income tax for both years as there is no assessable profit for the two years ended 31 December 2007 and 2006.

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 will change from 33% to 25% from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

The income tax credit for the year can be reconciled to the profit (loss) before taxation per the income statement as follows:

	Year ended 31 December	
	2007	2006
	RMB'000	*RMB'000*
Profit (loss) before taxation	**835**	(736)
Tax at the domestic income tax rate of 33% (2006: 33%)	**276**	(243)
Tax effect of expenses that are not deductible in determining taxable profit	**380**	700
Decrease in opening balances of deferred tax resulting from a decrease in tax rate	**(1,529)**	–
Overprovision in previous years	**(3,453)**	(5,676)
Tax credit for the year	**(4,326)**	(5,219)

7. Profit for the year

	Year ended 31 December	
	2007	2006
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Depreciation and amortisation of		
– property, plant and equipment	**25,517**	24,669
– investment properties	**831**	831
	26,348	25,500

8. Dividend

No dividend was paid or proposed during the year ended 31 December, 2007, nor has any dividend been proposed since the balance sheet date (2006: nil).

9. Earnings per share

The calculation of the basic earnings per share for the year is based on the profit for the year of approximately RMB5,161,000 (2006: RMB4,483,000) and the weighted average number of 1,063,500,000 (2006: 1,063,500,000) ordinary shares in issue during the year.

No diluted earnings per share have been presented for the two years ended 31 December 2007 and 2006 as there were no diluting events existed during those years.

10. Movements in property, plant and equipment

During the year ended 31 December 2007, the Company spent approximately RMB13.72 million (2006: RMB9.69 million) on additions of property, plant and equipment.

11. Trade receivables

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

	2007	2006
	RMB'000	*RMB'000*
Within 30 days	**52,394**	54,142
31 – 60 days	**21,154**	25,242
61 – 90 days	**16,674**	12,672
91 – 120 days	**6,960**	5,444
121 – 180 days	**13,532**	12,536
181 – 365 days	**17,622**	5,299
Over 365 days	**–**	43
	128,336	115,378

12. Amount due from a related company

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

	2007	2006
	RMB'000	*RMB'000*
Sabrina *(Note a)*	**–**	11
Hongxing *(Note b)*	**20**	–
	20	11

Note:

(a) At 31 December 2006, the amount of approximately RMB11,000 represents balance due from 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 Company Limited) ("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 year ended 31 December 2007 amounted to approximately RMB210,000 (2006: RMB1,144,000).

(b) At 31 December, 2007, the amount of approximately RMB20,000 (2006: Nil) represents balance due from 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 amounted to approximately RMB2,868,000.

13. Trade payables

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

	2007	2006
	RMB'000	*RMB'000*
Within 30 days	**48,231**	23,781
31 – 60 days	**23,797**	20,521
61 – 90 days	**8,811**	8,608
91 – 120 days	**11,469**	2,984
121 – 180 days	**1,294**	6,342
181 – 365 days	**1,742**	2,099
1 – 2 years	**2,094**	1,766
Trade payables	**97,438**	66,101

14. Amount due to a related company

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

	2007	2006
	RMB'000	*RMB'000*
Hongxing	**–**	275

Hongxing is a subsidiary of 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 in Gabriel. The amount is interest-free, unsecured and repayable on demand.

15. Borrowings and facilities

The Company generally finances its operations and capital expenditures with cashflow generated internally and banking facilities provided by its bankers.

	2007	2006
	RMB'000	*RMB'000*
Bank borrowings	**294,950**	329,490
Analysed as:		
Secured (see note 16)	**56,230**	109,730
Unsecured	**238,720**	219,760
	294,950	329,490
Denominated in RMB	**294,950**	329,490
Carrying amount repayable:		
Within one year or on demand	**254,950**	259,490
More than one year, but not exceeding two years	**40,000**	70,000
	294,950	329,490
Less: amount due within one year shown under current liabilities	**(254,950)**	(259,490)
Amount due after one year	**40,000**	70,000

The exposure of the Company's fixed-rate and variable rate borrowings and the relevant contractual maturity dates (or repricing dates) are as follows:

	2007	2006
	RMB'000	*RMB'000*
Fixed-rate borrowings		
Within one year or on demand	**164,950**	189,790
More than one year, but not exceeding two years	**40,000**	70,000
	204,950	259,790
Floating-rate borrowings		
Within one year or on demand	**90,000**	69,700
More than one year, but not exceeding two years	**–**	–
	90,000	69,700

The ranges of effective interest rates on the Company's borrowings are as follows:

	2007	2006
Fixed-rate borrowings	**6.12%-8.42%**	5.02%-7.25%
Floating-rate borrowings	**7.23%-7.45%**	6.44%-6.73%

	2007	2006
	RMB'000	*RMB'000*
The borrowings were guaranteed by:		
Mr. Sun Li Yong and Ms. Fang Xiao Jian	**5,200**	–
Gabriel and independent third parties	**80,000**	40,000
Gabriel and directors of the Company	**–**	10,000
Directors of the Company and independent third parties	**10,000**	–
Zhejiang Zhiye, Mr. Sun Li Yong and independent third party *(Note)*	**–**	25,000
Mr. Sun Li Yong, Ms. Fang Xiao Jian and independent third parties	**39,500**	57,000
Mr. Sun Li Yong and independent third parties	**20,000**	–
Independent third parties	**84,020**	130,760
	238,720	262,760

Note:

浙江市置業房地產開發有限公司 (Zhejiang Zhiye Real Estate Development Co., Ltd.) ("Zhejiang Zhiye"), a company in which Gabriel has 32% of controlling interest and Mr. Sun Li Yong is also a director of Zhejiang Zhiye.

During the year, the Company obtained new bank borrowings in the amount of approximately RMB545,356,000 (2006: RMB893,894,000). 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 mainly used to finance for general working capital of the Company.

16. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Company with the following carrying values had been pledged to secure borrowings granted to the Company:

	2007	2006
	RMB'000	*RMB'000*
Pledged bank deposits	**65,192**	41,617
Investment properties	**11,979**	–
Prepaid lease payments	**5,131**	4,899
Buildings	**65,948**	18,805
Plant and machinery	**–**	10,833
Construction in progress	**–**	46,612
	148,250	122,766

17. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2007	2006
	RMB'000	*RMB'000*
Short-term benefits	**352**	352
Post-employment benefits	**10**	5
	362	357

The remuneration of directors and key executives is determined by the Board of Director having regard to the performance of individuals and market trends.

(b) During the year, the Company had the following significant transactions with the related parties:

Name of related company	**Nature**	**2007** ***RMB'000***	2006 *RMB'000*
Sabrina	Sales of goods	**–**	17
	Rental income	**181**	181
	Electricity cost reimbursement	**35**	9
	Purchase of goods	**7**	4
Hongxing	Sales of goods	**–**	3
	Rental income	**983**	328
	Electricity cost reimbursement	**11**	8
	Purchase of goods	**2,674**	8
Miroglio S.p.A. and its subsidiaries ("Miroglio S.p.A. Group") *(Note a)*	Sales of goods	**65,868**	43,338
Miroglio Fulida *(Note b)*	Subcontracting fee	**9,545**	8,796
	Sales of goods	**18**	62

Notes:

a. 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 year ended 31 December 2007 was approximately RMB82,776,000 (2006: RMB65,684,000). Sales recognised by the Company for the year ended 31 December 2007 was approximately RMB65,868,000 (2006: RMB43,338,000). As at 31 December 2007, the amounts due from Miroglio S.p.A. Group (included in trade receivables) were amounted to approximately RMB17,597,000 (2006: RMB12,385,000). The outstanding balance was incurred in the ordinary course of business of the Company and on normal commercial terms, hence, it is receivable according to the relevant contractual terms of the transactions that were incurred.

b. Zhejiang Miroglio Fulida Textile Co., Ltd. (浙江米羅利奧富麗達紡織有限公司) ("Miroglio Fulida") a company established in the PRC, the registered capital of which is owned as to 50% by Miroglio S.p.A. As at 31 December 2007, the amount due to Miroglio Fulida (included in trade payables) was amounted to approximately RMB1,262,000 (2006: RMB2,000,000). The outstanding balance was incurred in the ordinary course of business of the Company and on normal commercial terms, hence, it is repayable according to the relevant contractual terms of the transactions that were incurred.

Details of the guarantee given by related parties to the banks in respect of the loans granted to the Company as at 31 December 2007 set out in Note 15 above.

In addition to the above, balances with related parties as at 31 December 2007 are set out in Notes 12 and 14 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the year ended 31 December 2007, the Company recorded a turnover of approximately RMB384.01 million, representing a decrease of approximately 7.82% as compared with that of the same period in 2006. The sales volume dropped by approximately 25.05% while the overall selling price increased by approximately 23%, as the Company concentrated on sales of high value ended product and provision of high return subcontracting services to potential customers whom provided raw materials for manufacturing during the year. The gross profit for the year was approximately RMB38.65 million, representing a gross profit margin of approximately 10.06%, which was approximately 3.2% higher than that of the corresponding period in 2006 and a gross profit margin of approximately 6.86% for the corresponding period in 2006. Selling expenses increased by approximately 43.13%, which was in line with increase of export sales. Administrative expenses increased by approximately 25.04% mainly due to exchange loss on certain foreign currency cash deposit and accounts receivable during the year ended 31 December 2007. The exchange loss was approximately RMB8 million. Finance cost decreased mainly due to bank borrowings decreased which was resulted from repayment made during the year. Earnings per share amounted to RMB0.5 cents, compared to RMB0.4 cents for the year ended 31 December 2006.

Business and operation review

During the year under review, the Company was still under severe cost pressure arising from the negative operating environment, through various initiatives implemented in enhancing its operating efficiency and searched for and development of high profile and potential customers, the Company has improved the gross profit margin from product. Hence, the respective gross profit and gross profit margin for the year ended 31 December 2007 was approximately RMB38.65 million (2006: RMB28.58 million) and 10.02% (2006: 6.86%). During the year under review, for the domestic market development, the Company successfully developed certain high profile and potential customers, such as provided fabrics for manufacturing of uniform for the military of the PRC. During the year ended 31 December 2007, the sales turnover and provision of subcontracting services to the PRC government for manufacturing of uniform for the military was approximately RMB71.92 million and RMB6.7 million, of which the sales turnover represented approximately 31.07% and 18.73% of the total domestic sales and the total sales turnover for the year. On the other hand, the Company experienced significant growth in its export sales by approximately 24.62% to RMB152.53 million (2006: RMB122.40 million). The growth in the export sales mainly contributed from sales to the Europe and Asia region, which were approximately RMB113.15 million (2006: RMB97.43 million) and RMB37.24 million (2006: RMB23.75 million) respectively. The Company will continue to search for high value ended customers and new market in order to diversify the risk and maximise 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

In order to fulfill the high quality requirement of high profile customers, the Company continues to innovate and develop new products and employ experience and talent staff. In order to improve the quality of the product, the Company engages and cooperates with experience consultants such as the research and development department of the PRC government for manufacturing of uniform to the military for the technical support.

Sales and marketing

During the year ended 31 December 2007, the Company actively participated in various trade fairs held in PRC and overseas so as to gain exposure in the fabrics market and to popularise the Company's new products. The marketing strategy for year 2008 will emphasis on the U.S. market, while still continue to keep strong position in the Europe market.

Outlook

The challenges arising from heightening production cost pressure is expected to continue in the year 2008, especially stemming from the upward movement of raw material prices, wages levels and energy prices. Facing these challenges, the Company is undertaking various productivity and operating efficiency enhancement projects with a view to alleviate the negative factors in a proactive manner. Given these enhancement initiatives, strong market demand and the gradual price adjustment for its products, the Directors are cautiously optimistic about the Company's performance in the fiscal year.

It is the Company's strategy to keep the strong position in the Europe. On the other hand, the Company continues to develop and explore high profile market and high value ended customers. In additions, the Company will continue the strategy and target of 60% and 40% respectively for domestic sale and direct export sales in order to balance the market share. During the year ended 31 December 2007, the domestic sales and direct export sales were 60.28% (2006: 70.62%) and 39.72% (2006: 29.38%) respectively. The Company continues to search for the ultimate ended user customers like Zara, Mango, H&M, Next, Marks & Spencer in Europe and like Target, NYC, Sears, Fishman Toblin, JC Penny etc in USA and reduce the portion of customers that are trading companies, import and export companies and agency companies. Hence, the Company will strengthen the sales and marketing department and research and development department in order to search for high potential end users and develop new and high value ended product.

In additions, in order to broaden the shareholders of the Company and capital base and provide funding to the Company to capture suitable investment opportunities so as to increase profit of the Company, the Company is planning to place a maximum of 880,000,000 new H Shares at a placing price of HK$0.55 per H Share ("Placing") in 2008. The net proceeds of the Placing, after deducting the related commission and expenses, will be approximately HK$470,900,000, representing a net placing price of approximately HK$0.535 per H Share. Up to the date of this announcement, the procedures of placing has not completed as it is still under the relevant government authorities' approval.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

As at 31 December 2007, the Company had net current assets of approximately RMB64.09 million (2006: RMB76.80 million).

As at 31 December 2007, the current assets comprised inventories of approximately RMB168.36 million (2006: RMB106.67 million), prepaid lease payments of approximately RMB0.27 million (2006: RMB0.27 million), trade receivables of approximately RMB128.34 million (2006: RMB115.38 million), other receivables, deposits and prepayments of approximately RMB9.09 million (2006: RMB16.03 million), amount due from a related company of approximately RMB0.02 million (2006: RMB0.01 million), pledged bank deposits of approximately RMB65.19 million (2006: RMB41.62 million), fixed bank deposits of approximately RMB60.57 million (2006: RMB102.13 million), and bank balances and cash of approximately RMB10.18 million (2006: RMB47.51 million).

As at 31 December 2007, the current liabilities comprised trade payables of approximately RMB97.44 million (2006: RMB66.10 million), other payables and accruals of approximately RMB19.50 million (2006: RMB17.47 million), amount due to a related company of approximately of RMB nil (2006: RMB0.28 million), tax liabilities of approximately RMB6.04 million (2006: RMB9.49 million) and borrowings due within one year of approximately RMB254.95 million (2006: RMB259.49 million).

Borrowings and banking facilities and charges of company assets

The Company generally finances its operations and capital expenditures and other capital requirements with cashflow generated internally and banking facilities provided by its bankers.

As at 31 December 2007, the Company had bank loans due within one year and bank loans due after one year of approximately RMB254.95 million (2006: RMB259.49 million) and RMB40.00 million (2006: RMB70.00 million) respectively. The loans bear interest at prevailing market rates range from approximately 6.12% per annum to 8.42% per annum (2006: 5.02% per annum to 7.25% per annum) and repayable in installments over a period of six months to two years.

The unsecured loans were jointly guaranteed by the Directors of the Company, Zhejiang Gabriel Holdings Group Company Limited ("Gabriel"), a related company which Mr. Sun Li Yong, Ms Fang Xiao Jian, Mr. Sun Jian Feng, Mr. Li Cheng Jun and Mr. Xia Xue Nian are also directors and shareholders of this company, and independent third parties.

The secured loans were pledged by bank deposits of approximately RMB65.19 million, prepaid lease payments of approximately RMB5.13 million, buildings and investment properties situated in the PRC of net book values as at 31 December 2007 of approximately RMB65.95 million and RMB11.98 million respectively.

CAPITAL STRUCTURE

As at 31 December 2006 and 2007, the Company has 588,000,000 shares and 475,500,000 shares of Domestic Shares and H Shares in issued respectively. The par value of the Domestic Shares and H Shares is RMB0.1 each.

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

As at 31 December 2007, the Company had commitments of approximately RMB0.75 million (2006: RMB2.77 million) for capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment.

MATERIAL ACQUISITIONS/DISPOSALS

During the year ended 31 December 2007, the Company did not have any material acquisitions/disposals.

SEGMENTAL INFORMATION

Segmental information of the Company is set out in note 4 above.

EMPLOYEE AND EMOLUMENT POLICIES

As at 31 December 2007, the Company had 1,462 employees (2006: 1,560), comprising 12 (2006: 12) in research and development, 46 (2006: 44) in sales and marketing, 1,174 (2006: 1,254) in production, 211 (2006: 228) in quality control, 10 (2006: 10) in management, and 9 (2006: 12) 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 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. The remuneration committee comprises three independent non-executive Directors and Mr. Sun Li Yong, the Chairman and an executive Director of the Company.

Based on the advice provided by the remuneration committee, 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 AND USE OF NET PROCEEDS FROM THE ISSUING OF THE NEW SHARES

The shareholders of the Company passed a special resolution on the extraordinary general meeting that was held on 13 November 2007 and approved the Company to place a maximum of 880,000,000 new H Shares at a placing price of HK$0.55 per H Share ("Placing"). The net proceeds of the Placing, after deducting the related commission and expenses, will be approximately HK$470,900,000, representing a net placing price of approximately HK$0.535 per H Share. The Company intends to use such net proceeds for working capital and future investments purposes. The Company has been exploring potential investment and business opportunities and the new proceeds arising from the Placing will be used for such potential investment or business opportunities once they are identified. Up to the date of this announcement, the procedures of the Placing has not completed as it is still under the relevant government authorities' approval.

On 24 March 2005, the Company issued 205,000,000 of H shares to its customer, Miroglio S.p.A. ("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 transaction cost attributable to issue of the new shares was approximately RMB55.8 million. It is planned that 60% (equivalent approximately RMB33.48 million) will be used for the acquisition of a dying factory in the PRC, 20% (equivalent approximately RMB11.16 million) will be used for research and development of technology of the Company and 20% (equivalent approximately RMB11.16 million) will be used as the general working capital of the Company.

For the period from 24 March 2005 to 31 December 2007, the Company has used approximately RMB1,190,000 (For the year ended 31 December 2007: approximately RMB711,000) in research and development. The Company is in progress of searching for appropriate dying factory in the PRC as at 31 December 2007.

GEARING RATIO

The gearing ratio (total debts over total assets) of the Company as at 31 December, 2007 was 60.87% (2006: 61.6%).

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 ("USD"), Euro and Hong Kong Dollars, are required to settle the Company's expenses and additions on plant and equipment and all the direct export sales of the Company are denominated in USD. 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 31 December 2007, the Company did not have any significant contingent liabilities.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SECURITIES

At 31 December 2007, the interests and short positions of the directors, chief executives and supervisors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (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 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

Long positions

Name of directors	Capacity	Number of domestic shares held	Approximate percentage of interests in domestic shares	Approximate percentage of interests in total registered capital
Mr. Sun Li Yong	Beneficial owner	382,200,000	65%	35.94%
	Held by spouse *(Note 1)*	182,280,000	31%	17.14%
		564,480,000	96%	53.08%
Ms. Fang Xiao Jian	Beneficial owner	182,280,000	31%	17.14%
	Held by spouse *(Note 2)*	382,200,000	65%	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%

Short positions

None

Notes:

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

Save as disclosed above, as at 31 December 2007, none of the directors, chief executives or supervisors 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed in "Directors' and Supervisors' Interests In Securities", the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Long positions

H-shares of RMB0.10 each of the Company

Name of shareholder	Capacity	Number of H-share held	Approximate percentage of interests in H-share in issue	Approximate percentage of interests in total registered capital
Miroglio S.p.A.	Beneficial owner	209,500,000	44.06%	19.70%

Other than the interests 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 31 December 2007.

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.

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. Zhong Pei Min and Mr. Zhu Yu Lin. Mr. Luk Guo Qing is the chairman of the audit committee.

The quarterly results for the three months ended 31 March 2007, 30 June 2007, 30 September 2007 of the Company and the financial statements of the Company for the year ended 31 December 2007 have been reviewed by the audit committee. The audit committee had held four meetings during the current financial year.

SCOPE OF WORK OF SHINEWING

The figures in respect of the preliminary announcement of the Company's results for the year ended 31 December 2007 have been agreed by the Company's auditors, SHINEWING (HK) CPA Limited ("SHINEWING'), to the amounts set out in the Company's draft financial statements for the year. The work performed by SHINEWING in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING on the preliminary announcement.

CORPORATE GOVERNANCE

Compliance with the Board practice and procedures of the GEM Listing Rules

The Company has complied with the board practices and procedures as set out in rules 5.34 to 5.45 of the GEM Listing Rules throughout the year ended 31 December 2007.

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.

Compliance with Code Provisions of the Code on Corporate Governance Practices

Mr. Sun Li Yong is the Chairman of the Board and General Manager of the Company. Saved that, the Company has complied with the code provisions of the Code on Corporate Practice as set out by the Stock Exchange in Appendix 15 to the GEM Listing Rules throughout the year ended 31 December 2007.

Code of Conduct regarding Securities Transactions by Directors

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 rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors and supervisors, all directors and supervisors confirmed that they have complied with the required standard and the code of conduct regarding securities transactions by directors and supervisors adopted by the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this announcement, the Company has maintained the prescribed public float under the GEM Listing Rules

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, 2007.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the People's Republic of China (the "PRC"), which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

By Order of the Board
Sun Li Yong
Chairman

Zhejiang, the PRC, 26 March 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. Luk Guo Qing, Mr. Zong Pei Min and Mr. Zhu Yu Lin.

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.