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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

CONTINUING CONNECTED TRANSACTIONS

The Board wishes to announce that the Company and Fulida have entered into the Fulida Agreement on 14 January 2008 in respect of the Fulida Transactions for a term of three years from 2008 to 2010. The Board also wishes to announce that the Miroglio Agreement has been entered into between the Company and Miroglio on 15 January 2008 to renew the Miroglio Transactions for a term of three years from 2008 to 2010.

Miroglio is a substantial shareholder and therefore a connected person of the Company within the meaning of the GEM Listing Rules and the Miroglio Transactions constitute continuing connected transactions of the Company. Given that Fulida is owned as to 50% by Miroglio, Fulida is an associate of Miroglio and therefore a connected person of the Company. The Fulida Transactions constitute continuing connected transactions of the Company.

The Fulida Caps and Miroglio Caps for each of the three years ending 31 December 2010 shall not be less than 2.5% of the Percentage Ratios or less than HK\$10,000,000, each of the Fulida Transactions and the Miroglio Transactions is subject to independent shareholder's approval requirements under Chapter 20 of the GEM Listing Rules. Miroglio and its associates will abstain from voting in relation to the ordinary resolutions to be put forward at the EGM for the purpose of approving the Fulida Agreement and the Miroglio Agreement and the transactions contemplated thereunder.

INTRODUCTION

Reference is made to (i) the announcement of the Company dated 27 April, 2007 in respect of the Fulida Transactions, i.e. provision of Dyeing Services from Fulida Dyeing to the Company; and (ii) the circular of the Company dated 14 November 2005 in respect of the Miroglio Transactions, i.e. supply of Textile Products from the Company to Miroglio Group.

The letter agreement and the supplemental letter agreement previously entered into between the Company and Miroglio relating to the Miroglio Transactions expired on 31 December 2007, the Board wishes to announce

that the Miroglio Agreement has been entered into between the Company and Miroglio on 15 January 2008 to renew the Miroglio Transactions for a term of three years from 2008 to 2010. The Board also wishes to announce that the agreement previously entered into between the Company and Fulida relating to the Fulida Transactions expired on 31 December 2007 and the Company and Fulida have entered into the Fulida Agreement on 14 January 2008 in respect of the Fulida Transactions for a term of three years from 2008 to 2010.

FULIDA AGREEMENT

Date

14 January 2008

Parties

1. the Company; and
2. Fulida.

Particulars of the Fulida Agreement

Pursuant to the Fulida Agreement, Fulida will provide Dyeing Services to the Company for the period from 1 January 2008 to 31 December 2010 for not more than 27,686,098.28 square metres of fabric at the unit price which is to be determined with reference to the market price offered by Fulida to independent third parties. The fees for provision of Dyeing Services from Fulida to the Company will be settled by cash through bank transfer within 30 days of issue of invoice in accordance with the terms of the relevant purchase orders.

Proposed Fulida Caps

The amount of transactions, which were exclusive of tax, under the Fulida Transactions for the two financial year ended 31 December 2007 was RMB7,517,961.05 and RMB9,545,295.59 respectively (equivalent to approximately HK\$7,728,564.43 and HK\$9,812,691.43 respectively).

It is expected that the Fulida Caps for the Fulida Transactions for each of the three financial years ending 31 December 2010 will not exceed RMB19,079,021.09, RMB24,802,727.42 and RMB29,763,272.90 respectively (equivalent to approximately HK\$19,613,488.66, HK\$25,497,535.25 and HK\$30,597,042.31 respectively) and have been determined with reference to (i) the amount of transactions for the two financial year ended 31 December 2007; (ii) the expansion of the production capacity of the Company; (iii) the expected growth of the Company from 1 January 2008 to 31 December 2010 in view of the economic growth in the PRC and the growth in demand for textile products.

The Fulida Caps will exceed 2.5% under the applicable Percentage Ratios and will be more than HK\$10,000,000, therefore the Fulida Transactions are subject to the reporting, announcement and Independent

Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Reasons for and benefits of the entering into of the Fulida Agreement

The Company is principally engaged in the research and development, manufacture and sale of woven fabrics. Fulida is a company engaged in provision of dyeing services in Zhejiang Province, the PRC. Given that the quality of the Dyeing Services provided by Fulida Dyeing is satisfactory and the provision of Dyeing Services is based on market price, the Company continues to engage Fulida Dyeing to provide Dyeing Services. In addition, the Directors consider that the entering into of the Agreement will secure a source of provision of dyeing service to the Company.

The consideration payable for the Dyeing Services under the Fulida Agreement is determined after arm's length negotiations between the parties thereto and will be no less favourable than terms the Company can otherwise obtain in the market. The Directors are of the view that the terms of the Fulida Agreement are fair and reasonable so far as the Independent Shareholders are concerned and that the Fulida Agreement is on normal commercial terms and in the interest of the Company and its Shareholders as a whole.

MIROGLIO AGREEMENT

Date

15 January 2008

Parties

1. the Company; and
2. Miroglio.

Particulars of the Miroglio Agreement

Pursuant to the Miroglio Agreement, Miroglio will purchase not less than 16,700,000 metres of Textile Products from the Company at the average purchase price of USD2.72 per metre during the three years ending 31 December 2010.

The unit price for Textile Products under each purchase order is determined with reference to the prevailing market price of similar products offered to independent third parties. The fees for Textile Products supplied to Miroglio Group will be settled by letter of credit within 90 days in accordance with the terms of the relevant purchase orders.

Proposed Miroglio Caps

The amount of transactions, which were exclusive of tax, under the Miroglio Transactions for the three financial years ended 31 December 2007 was USD4,113,011.50, USD8,274,909.42 and USD10,892,270.16 respectively (equivalent to approximately HK\$32,081,489.70, HK\$64,544,293.48 and HK\$84,959,707.25 respectively).

It is expected that the Miroglio Caps for the Miroglio Transactions for each of the three financial years ending 31 December 2010 will not exceed USD14,144,000,, USD15,232,000 and USD16,048,000 respectively (equivalent to approximately HK\$110,323,000, HK\$118,809,600 and HK\$125,174,400 respectively) and have been determined with reference to (i) the amount of Miroglio Transactions for the three financial year ended 31 December 2007; (ii) the expansion of the production capacity of the Company; (iii) the expected growth of the Company from 1 January 2008 to 31 December 2010 in view of the economic growth in the PRC and the growth in demand for textile products.

The Miroglio Caps will exceed 2.5% under the Percentage Ratios and will be more than HK\$10,000,000, therefore the Miroglio Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Reasons for and benefits of the entering into of the Miroglio Agreement

Miroglio is an enterprise engaging in the textile and garment businesses in Europe. The Company has been providing Textile Products to Miroglio since January, 2004. Provision of the Textile Products have been conducted in the ordinary and usual course of business of the Company and are on normal commercial terms.

The Directors consider that supply of Textile Products to Miroglio Group will maintain the long-term co-operation relationship with Miroglio and secure the turnover of the Company. By continuing to export its products to Europe, the Company may keep on increasing its market share in Europe and exploring the possibility to expand its distribution network in overseas markets.

The terms of the Miroglio Agreement is determined after arm's length negotiations between the parties thereto and will be no less favourable than terms the Company can otherwise obtain in the market. The Directors are of the view that the terms of the Miroglio Agreement are fair and reasonable so far as the Independent Shareholders are concerned and that the Miroglio Agreement is on normal commercial terms and in the interest of the Company and its Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

Miroglio is a substantial shareholder holding approximately 19.70% of the total issued share capital of the Company as at the date hereof. Miroglio is regarded a connected person of the Company within the meaning of the GEM Listing Rules and any transactions between the Company and Miroglio will constitute connected transactions of the Company. Fulida is a company established in the PRC, the registered capital of which is owned as to 50% by Miroglio and 50% by 浙江富利達控股集團有限公司 (Zhejiang Fulida Holdings Group Limited*), a third party independent of the Company and connected person of the Company. Given that

Fulida is owned as to 50% by Miroglio, Fulida is an associate of Miroglio and therefore a connected person of the Company. The provision of Dyeing Services by Fulida Dyeing to the Company constituted continuing connected transactions of the Company.

The Fulida Caps and Miroglio Caps for each of the three years ending 31 December 2010 shall not be less than 2.5% of the Percentage Ratios or less than HK\$10,000,000, each of the Fulida Transactions and the Miroglio Transactions are subject to independent shareholder's approval requirements under Chapter 20 of the GEM Listing Rules. Miroglio and its associates will abstain from voting in relation to the ordinary resolutions to be put forward at the EGM for the purpose of approving the Fulida Agreement and the Miroglio Agreement and the transactions contemplated thereunder.

GENERAL

The EGM will be convened at the Conference Room of the Company at Yangxun Qiao Town, Shaoxing County, Zhejiang Province, the PRC, at 10:30 a.m. on 18 March 2008 at which ordinary resolutions will be proposed to approve, among others, the Miroglio Agreement and the Fulida Agreement and the transactions contemplated thereunder. Miroglio and its associates will abstain from voting at the EGM.

A circular containing, inter alia, details of the Miroglio Agreement, the Fulida Agreement, a letter from the independent board committee and a letter of advice from the independent financial adviser together with the notice of EGM will be sent to the shareholders of the Company in accordance with the requirements under the GEM Listing Rules as soon as practicable.

Shareholders of the Company whose names appeared on the register of members of the Company at the close of business on 15 February 2008 are entitled to attend and vote at the EGM. The register of members of the Company will be closed from 17 February 2008 to 18 March 2008, both days inclusive, during such period no transfer of shares of the Company will be registered.

TERMS USED IN THIS ANNOUNCEMENT

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

“Board”	the board of Directors
"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), including the independent non-executive directors of the Company
“Dyeing Services”	the services of dyeing of woven fabric provided by Fulida to the Company
“EGM”	the extraordinary general meeting of the Company to be held at the Conference Room of the Company at Yangxun Qiao Town, Shaoxing County, Zhejiang Province, the PRC, at 10:30 a.m. on 18 March 2008

“Fulida”	Zhejiang Miroglio Fulida Dyeing Co. Ltd., a company established in the PRC
“Fulida Agreement”	the agreement dated 14 January 2008 entered into between the Company and Fulida for the provision of Dyeing Services
“Fulida Caps”	the proposed maximum annual aggregate value of the transactions to be contemplated under the Fulida Agreement
“Fulida Transactions”	the provision of Dyeing Services by Fulida to the Company under the Fulida Agreement
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Miroglio”	Miroglio S.p.A., a company established and existing under the laws of Italy and is engaging in the textile and garment businesses
“Miroglio Agreement”	the agreement entered into between the Company and Miroglio dated 15 January 2008 in respect of the purchase of Textile Products
“Miroglio Caps”	the proposed maximum annual aggregate value of the transactions to be contemplated under the Miroglio Agreement
“Miroglio Group”	Miroglio and its subsidiaries
“Miroglio Transactions”	the continuing connected transactions entered into between the Company and Miroglio for the provision of Textile Products
“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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
“Textile Products”	the woven fabrics provided by the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“USD”	United States dollars, the lawful currency of the United States

By Order of the Board
Sun Li Yong
Chairman

Zhejiang, the PRC, 16 January 2008

The executive Directors as at the date of this announcement are Mr. Sun Li Yong, Ms. Fang Xiao Jian, Mr. Sun Jian Feng, Mr. Xia Xue Nian, Mr. Li Cheng Jun, Mr. Marco Borio and the independent non-executive Directors are Mr. Zong Pei Min, Mr. Luk Guo Qing and Mr. Zhu Yu Lin.

Translation of Renminbi into Hong Kong dollars and Hong Kong dollars into United State Dollars are based on the exchange rate of HK\$1.00 = RMB0.97275 (being the average exchange rate for the period from 1 January 2007 to 31 December 2007) and USD1.00 = HK\$7.80 respectively

This announcement, for which the Directors 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 issuer. The Directors, 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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** For identification purposes only*