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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**

On 11 May 2015, the Company entered into the Agreement with Zhejiang Yongli Thermal, a subsidiary of Zhejiang Yongli, the holding company of the Company. Zhejiang Yongli and its associates are connected persons of the Company under the GEM Listing Rules. The entering into of the Continuing Connected Transactions shall constitute continuing connected transactions of the Company and will therefore be subject to the requirements under Chapter 20 of the GEM Listing Rules.

As the maximum amount of the Continuing Connected Transactions will exceed 5% under one or more of the Percentage Ratios and the annual consideration is more than HK\$10,000,000, the transactions contemplated thereunder are therefore subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules.

The EGM will be convened at which ordinary resolutions will be proposed to approve, among others, the Agreement and the transactions contemplated thereunder and the Annual Caps. A circular containing, among others, details of the 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 despatched to the Shareholders on or before 1 June 2015 in accordance with the GEM Listing Rules.

## **I. INTRODUCTION**

References are made to the announcements of the Company dated 10 January 2012 and 11 April 2012 and the circular of the Company dated 24 February 2012 in relation to, among others, the 2011 Agreement. Pursuant to the 2011 Agreement, Zhejiang Yongli Thermal provided electricity and steam to the Company for the three years ended 31 December 2014. Accordingly, the Company and Zhejiang Yongli Thermal entered into the Agreement so as to continue to regulate the provision of electricity and steam by Zhejiang Yongli Thermal to the Company thereunder. The principal terms of the Agreement are set out below.

## **II. THE AGREEMENT**

### **Date**

11 May 2015

### **Parties**

1. the Company; and
2. Zhejiang Yongli Thermal.

### **Particulars of the Agreement**

Pursuant to the Agreement, Zhejiang Yongli Thermal agreed to supply electricity and steam to the Company at an average rates of RMB0.49 kW per hour and RMB170 per ton respectively for a term commencing from 1 January 2015 up to 31 December 2017 at the following rate:

- (1) for the period from 1 January 2015 to 31 December 2015, Zhejiang Yongli Thermal will supply to the Company not more than 17,000,000 kW electricity amounting to RMB8,330,000 (equivalent to approximately HK\$10,579,100) and not more than 2,200 tons of steam amounting to RMB374,000 (equivalent to approximately HK\$474,980), with a total amount of RMB8,704,000 (equivalent to approximately HK\$11,054,080);

- (2) for the period from 1 January 2016 to 31 December 2016, Zhejiang Yongli Thermal will supply to the Company not more than 20,000,000 kW electricity amounting to RMB9,800,000 (equivalent to approximately HK\$12,446,000) and not more than 2,400 tons of steam amounting to RMB408,000 (equivalent to approximately HK\$518,160), with a total amount of RMB10,208,000 (equivalent to approximately HK\$12,964,160); and
- (3) for the period from 1 January 2017 to 31 December 2017, Zhejiang Yongli Thermal will supply to the Company not more than 30,000,000 kW electricity amounting to RMB14,700,000 (equivalent to approximately HK\$18,669,000) and not more than 2,600 tons of steam amounting to RMB442,000 (equivalent to approximately HK\$561,340), with a total amount of RMB15,142,000 (equivalent to approximately HK\$19,230,340).

The abovementioned average rates for kW per hour of electricity and each ton of steam were determined with reference to the prevailing market prices of electricity and steam suppliers in the local area. Pursuant to the Agreement, such rates can be adjusted in accordance with the on-grid electricity tariffs and the price prescribed by the relevant price bureau in the PRC for provision of steam and the rates payable by the Company to Zhejiang Yongli Thermal under the Agreement shall be no less favourable than the rates from Independent Third Parties. The actual fees will be calculated on a monthly basis based on the actual consumption of the amount of electricity and steam and shall be payable by the Company to Zhejiang Yongli Thermal within 90 days after the end of each month.

### **Annual Caps**

The amount of the relevant transactions under the 2011 Agreement for the three financial years ended 31 December 2014 were approximately RMB9,134,000, RMB8,335,000 and RMB7,874,000 respectively (equivalent to approximately HK\$11,600,180, HK\$10,585,450 and HK\$9,999,980 respectively).

The Annual Caps regarding the Agreement for each of the three financial years ending 31 December 2015, 31 December 2016 and 31 December 2017 will not exceed RMB8,704,000, RMB10,208,000 and RMB15,142,000 respectively (equivalent to approximately HK\$11,054,080, HK\$12,964,160 and HK\$19,230,340 respectively). The Annual Caps have been determined with reference to (i) the annualised usage of electricity and steam by the Company and the amount of relevant transactions under the 2011 Agreement for the three financial years ended 31 December 2014; (ii) the market price of the electricity and steam; and (iii) the current production plan in accordance with the current production capacity and the expected increase in sales revenue of the Company. In estimating the annualised expected usage in 2015 to 2017, it is expected that the consumption of electricity and steam will increase in line with the expected increase in production volume. The Company and Zhejiang Yongli Thermal will enter into new agreement if the transactions under the Agreement exceed the Annual Caps.

Zhejiang Yongli Thermal will continue to supply electricity and steam to the Company for the period from 1 January 2015 to the date of the EGM. However, the Directors expect that the amount for transactions thereunder will not exceed 5% under the relevant Percentage Ratios and the total consideration will be less than HK\$3,000,000 and therefore fall within the de minimis threshold under Chapter 20 of the GEM Listing Rules and would hence be exempted from reporting, announcement and Independent Shareholders' approval requirements. If the amount of transactions exceed the aforesaid de minimis threshold during such period, the Company will take necessary steps to ensure compliance with all applicable rules under Chapter 20 of the GEM Listing Rules.

### **Conditions**

The Agreement is conditional upon the Company obtaining approval of the Independent Shareholders at the EGM in respect of, inter alia, the Agreement and the transactions contemplated thereunder.

### **Reasons for and benefits of the entering into of the Agreement**

The Company is a joint stock limited company incorporated in the PRC and the H Shares of which are listed on GEM. The Company is principally engaged in (i) the manufacture and sale of woven fabrics; and (ii) provision of subcontracting services.

Zhejiang Yongli Thermal is principally engaged in the provision of (i) electricity to the local government and group companies, and (ii) steam, a by-product of electricity production, to the local enterprises and its group companies. The provision of electricity and steam services is in the usual and ordinary course of business of Zhejiang Yongli Thermal.

As the 2011 Agreement has expired on 31 December 2014 and in order to (i) enhance a stable supply of electricity and steam for the production of the Company, (ii) insulate the Company from the potential increase and fluctuations in the market rate of electricity and steam, and (iii) enable the Company to stay competitive in the fabric industry, the Board believes that it is for the benefit of the Company to enter into the Agreement.

The Directors have also confirmed that the terms of the Agreement have been determined after arm's length negotiations between the parties thereto. The Directors (excluding the independent non-executive Directors whose views will be based on the opinion of the Independent Financial Adviser) are of the view that the terms of the Agreement (including the Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and that the Agreement is on normal commercial terms and in the interest of the Company and its Shareholders as a whole.

Save and except for Mr. Wang Xinyi who is the son-in-law of Mr. Zhou Yongli, the controlling Shareholder of Zhejiang Yongli and has abstained from voting on relevant board resolutions approving the Agreement, none of the Directors has a material interest in the transaction contemplated under the Agreement.

### **III. GEM LISTING RULES IMPLICATIONS**

Zhejiang Yongli Thermal is a subsidiary of Zhejiang Yongli, the holding company of the Company interested in approximately 53.08% of the total issued share capital of the Company and therefore Zhejiang Yongli and its associates are connected persons of the Company under the GEM Listing Rules.

The entering into of the Continuing Connected Transactions shall constitute continuing connected transactions of the Company and will therefore be subject to the requirements under Chapter 20 of the GEM Listing Rules.

As the maximum amount of the Continuing Connected Transactions will exceed 5% under one or more of the Percentage Ratios and the annual consideration is more than HK\$10,000,000, the transactions contemplated thereunder are therefore subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 20 of the GEM Listing Rules.

### **IV. EGM**

The EGM will be convened at which ordinary resolutions will be proposed to approve, among others, the Agreement and the transactions contemplated thereunder and the Annual Caps. Zhejiang Yongli 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 Continuing Connected Transactions.

An Independent Board Committee, comprising all the independent non-executive Directors, will be established to advise the Independent Shareholders in respect of the Agreement, the transactions contemplated thereunder and the proposed Annual Caps. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

A circular containing, among others, details of the 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 despatched to the Shareholders on or before 1 June 2015 in accordance with the GEM Listing Rules.

## V. DEFINITIONS

“2011 Agreement”	the electricity and steam supply agreement dated 30 December 2011 entered into between the Company and Zhejiang Yongli Thermal in respect of, among others, the supply of electricity and steam from Zhejiang Yongli Thermal to the Company
“Agreement”	the electricity and steam supply agreement dated 11 May 2015 entered into between the Company and Zhejiang Yongli Thermal in respect of, among others, the supply of electricity and steam from Zhejiang Yongli Thermal to the Company
“Annual Cap(s)”	the maximum annual amount of the Continuing Connected Transactions to be transacted for each of the three years ending 31 December 2017
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“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
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Continuing Connected Transactions”	those continuing connected transactions contemplated under the Agreement
“Directors”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held to consider the ordinary resolutions to be proposed to approve, inter alia, the Agreement, the transactions contemplated thereunder and the proposed Annual Caps
“GEM”	the Growth Enterprise Market
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange

“H Share(s)”	overseas listed foreign shares in the ordinary share capital of the Company, with a nominal value of RMB0.10 each, which are listed on the GEM and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board established for the purpose of reviewing the Continuing Connected Transactions
“Independent Financial Adviser”	Alliance Capital Partners Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Zhejiang Yongli and its associates
“Independent Third Party(ies)”	party(ies) who and whose ultimate beneficial owners are third parties independent of the Group and connected persons (as defined under the GEM Listing Rules) of the Group
“kW”	kilowatt
“Percentage Ratios”	the percentage ratios under Rule 19.07 of the GEM Listing Rules, other than the equity capital ratio and profits ratio
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of RMB0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Zhejiang Yongli”	浙江永利實業集團有限公司 (Zhejiang Yongli Industry Group Co., Ltd.*), a company established in the PRC
“Zhejiang Yongli Thermal”	浙江永利熱電有限公司 (Zhejiang Yongli Thermal Electricity Company Limited*), a company established in the PRC
“%”	per cent.

By Order of the Board  
**Zhejiang Yonglong Enterprises Co., Ltd.\***  
**Wang Xinyi**  
*Chairman*

11 May 2015, Zhejiang, the PRC

*As at the date of this announcement, the executive Directors are Mr. Wang Xinyi (Chairman), Ms. He Lianfeng (Deputy Chairman and Chief Executive Officer) and Mr. Hu Hua Jun; the non-executive Director is Mr. Chen Dong Chun and the independent non-executive Directors are Mr. Xu Wei Dong, Mr. Li Hui Peng and Mr. Qin Fu.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and on the Company’s website at [www.zj-yonglong.com](http://www.zj-yonglong.com).*

*For the purpose of this announcement, all amounts denominated in RMB have been converted in HK\$ at the rate of RMB1 = HK\$1.27 for illustrative purpose.*

*\* For identification purposes only*