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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

(1) LATEST DEVELOPMENTS
(2) DEBT AGREEMENTS
AND
(3) TECHNOLOGY DEVELOPMENT AGREEMENT

Financial Adviser to Zhejiang Yonglong Enterprises Co., Ltd.



Reference is made to the announcements of 浙江永隆實業股份有限公司 (Zhejiang Yonglong Enterprises Co., Ltd.*) (the "Company") dated 20 March 2009, 15 May 2009, 24 July 2009, 14 August 2009, 31 August 2009, 13 November 2009, 31 March 2010, 19 April 2010, 20 October 2010 and 13 May 2011, 23 June 2011 and 15 August 2011 and 17 October 2011 respectively.

LATEST DEVELOPMENTS

The Company has been taking actions in relation to the Company's application for resumption of trading in the shares of the Company. The Board expects the Company to announce the "2008 to 2010 Final Results", the "2009 and 2010 Firstly Quarterly Results", the "2009 and 2010 Interim Results", and the "2009 and 2010 Third Quarterly Results" on 31 October 2011 and despatch the reports to the shareholders of the Company in November 2011. An independent auditor will make further comments on the Company's internal control procedures in October 2011. A valuer will complete the Company's asset

valuation report in October 2011. The Company would submit a resumption proposal, which will summarize the Company's financial position and operation in or before November 2011.

DEBT AGREEMENTS

The Board is pleased to announce the signing of Debt Agreements to settle most of the Company's debt caused by the Company's financial crisis in 2008 with the Company's Creditors, namely, Xiongsheng and Xiongfeng, Lingda, Zhiye, Jinggong and Zhejiang Yongli on 20 July 2011, 15 August 2011, 17 August 2011, 13 September 2011, and 15 August 2011 respectively. Under the debt agreement dated 13 September 2011 entered into between the Company and Zhejiang Yongli, the Company shall repay Zhejiang Yongli, commencing from the fifth anniversary after the signing of the debt agreement provided that the amount to be repaid shall not exceed 50% of the year of the operating cash flow on an annual basis until the full repayment of the debt. By clearing all the short-term debts with the creditors and arranging a non-interest-bearing long-term debt with Zhejiang Yongli, the Board expects that these debt agreements will improve the Company's financial position and operation.

TECHNOLOGY DEVELOPMENT AGREEMENT

The Company entered into Technology Development Agreement with CTDC on 15 June 2011 whereby both parties agreed to develop new types of woven fabric material through a long-term cooperation.

LATEST DEVELOPMENTS

The Board wishes to announce that the Company has been actively taking actions to pursue the following to take place in relation to the Company's application for resumption of trading in the shares of the Company:

1. The Board expects the Company to announce the "2008 to 2010 Final Results", the "2009 and 2010 Firstly Quarterly Results", the "2009 and 2010 Interim Results", and the "2009 and 2010 Third Quarterly Results" on 31 October 2011 and despatch the reports to the shareholders of the Company in November 2011. For details please refer to the Company's notice of board of directors' meeting dated 17 October 2011.
2. An independent auditor will make further comments on the Company's internal control procedures in October 2011.
3. A valuer will complete the Company's asset valuation report in October 2011.
4. The Company will submit a resumption proposal, which will summarize the Company's financial position and operation and the above actions/reports in or before November 2011.

DEBT AGREEMENTS

Since September 2008, the Company was in a financial crisis as the Company's fund was misappropriated by the Company's previous majority Shareholders, namely, Mr. Sun and Mrs. Sun and their connected persons including Gabriel. Since December 2010, Zhejiang Yongli has been participating in the debt restructuring of the Company.

Recently, the Company entered into Debt Agreements with each of the Company's five Creditors, namely (1) Xiongsheng and Xiongfeng, (2) Lingda, (3) Zhiye, (4) Jinggong and (5) Zhejiang Yongli on 20 July 2011, 15 August 2011, 17 August 2011, 13 September 2011 and 15 August 2011 respectively to settle the Company's debt owed to these creditors, and each of the five agreements was witnessed by the Local Government. Each of the five creditors agreed to waive a portion of debt and to permanently abandon any claim against the Company for the repayment of the same amount of the debt from the Company. The remaining debt will be settled by Zhejiang Yongli initially, part of which will be compensated subsequently by the Local Government to Zhejiang Yongli by way of governmental subsidies. The breakdowns of these Debt Agreements are summarized in the table below.

RMB

	Creditor	Amount to be settled on the relevant date of the respective agreement	Debt settlement according to Debt Agreements			Debt owed to the Creditor after Debt Agreements
			Waived by the creditor	Settled with * governmental support	Settled by Zhejiang Yongli	
1	Xiongsheng & Xiongfeng	122,753,300	42,963,600	43,135,700	36,654,000	0
2	Lingda	21,563,100	7,547,085	7,577,300	6,438,715	0
3	Zhiye	19,985,518	6,994,931	7,022,900	5,967,687	0
4	Jinggong	118,633,119	52,687,592	33,391,200	32,554,327	0
5	Zhejiang Yongli	312,157,176	58,132,465	95,962,550	158,062,161	239,676,890
	Total: (RMB)	595,092,213	176,764,418	187,089,650	239,676,890	239,676,890

* Settled initially by Zhejiang Yongli and subsequently compensated by the Local Government by way of governmental subsidies.

The Company also entered into a debt agreement with Zhejiang Yongli on 13 September 2011, which contains the following repayment terms:

(1) The Company shall owe the sum of RMB239,676,890 (equivalent to HK\$287,612,268) (as shown in the table above) to Zhejiang Yongli, and Zhejiang Yongli shall permanently abandon any claim

against the Company for the repayment of debt amounting to RMB187,089,650 (equivalent to HK\$224,507,580), which will be compensated by the Local Government to Zhejiang Yongli by way of governmental subsidies (as shown in the table above);

- (2) The Company shall repay Zhejiang Yongli, commencing from the fifth anniversary after the signing of the debt agreement provided that the amount to be repaid shall not exceed 50% of the year of the operating cash flow on an annual basis until the full repayment of the debt;
- (3) Unless obtaining prior written agreement from both parties, Zhejiang Yongli shall not demand any early repayment of the debt notwithstanding the occurrence of one or a multiple of material adverse events affecting Zhejiang Yongli's financial position, such as, among other things, serious operation problems, deterioration in financial situation and material litigation;
- (4) No interest shall be incurred during the repayment period; and
- (5) Zhejiang Yongli undertakes to assume all the contingent debts of the Company incurred at all times and permanently abandon any claim against the Company for the repayment of such contingent debts of the Company.

In addition to the five Creditors, the Company entered into an agreement with Ms Zhu on 16 June 2011 which provides that, after Ms Zhu has obtained the repayment of a portion of debts through the winding up procedure of Gabriel and the court enforcement against the Company, the Company shall pay all outstanding amount to Ms Zhu totaling approximately RMB13,000,000 (equivalent to HK\$15,600,000) before 20 June 2011. At present, the Company has settled the accumulated debts due to Ms. Zhu in the amount of approximately RMB16,153,880 (equivalent to HK\$19,384,656) which included the above mentioned amount of approximately RMB13,000,000 (equivalent to HK\$15,600,000) and the cost incurred in relation to such litigation. Furthermore, in respect of another creditor of the Company, Yatai, the Company will settle an outstanding debt in the maximum sum of RMB10,000,000 (equivalent to approximately HK\$12,000,000) according to the civil affair mediation letter issued by the local court at Shaoxing County in Zhejiang Province on 9 October 2009.

Reasons for entering the debt agreements

The Debt Agreements would allow the Company to settle most of the Company's debt caused by the financial crisis in 2008. Regarding the five Creditors, part of the debts would be compensated by the Local Government by way of governmental subsidies. The Board considers that these Debt Agreements would improve the Company's financial position and business operation.

The Debt Agreements, together with the debt agreement dated 13 September 2011 between the Company and Zhejiang Yongli, will also allow the Company to convert most of the short-term debts to a non-interest-bearing long-term debt. For the Company's remaining debt caused by the financial crisis in 2008, the creditor would be Zhejiang Yongli only, which agreed to allow the Company to start to repay such debts from the fifth anniversary after the signing of the debt agreement dated 13 September 2011 between the Company and Zhejiang Yongli. The Board expects that these debt agreements will improve the Company's financial position, and increase the Company's short-term working capital. In addition, this arrangement will provide the Company with the flexibility to repay any debt amount at any time

within five years after 13 September 2011.

TECHNOLOGY DEVELOPMENT AGREEMENT

On 15 June 2011, the Company entered into Technology Development Agreement with CTDC whereby both parties agreed to develop new types of woven fabric material through a long-term cooperation in the areas including the application of raw material, fabric manufacturing art craft and product design. Under the Technology Development Agreement, which is valid from 15 June 2011 to 15 June 2015, the Company agreed to provide the initial capital, the subsequent research and development capital, product tests, and the place, equipment and material for the development, while CTDC agreed to provide researchers for joint development and to train the Company's technicians. Either party will support the other party or the third party appointed by the other party. Both parties will prepare research budgets later.

Both parties agreed to focus on the following three main areas of development:

- (i) Development and application of new types of fabric;
- (ii) Functional fabric manufacturing art craft and product design; and
- (iii) Study and application of the post finishing technology of woven fabrics

Both parties agreed that (1) the Company will own the technology result, patent registration right and patent right if the Company is primarily responsible for the R&D; (2) the Company and CTDC will own 40% and 60% respectively of the technology result, patent registration right and patent right if CTDC is primarily responsible for the R&D, while the Company will have the exclusive right to product, use and sell the products and the priority right to purchase CTDC's patent right; and (3) the Company and CTDC will jointly own the technology result, patent registration right and patent right if both are responsible for the R&D. For (2) and (3), if the technology result, patent registration right or patent right is transferred to a third party or is allowed to be used by a third party, consent from the Company and CTDC will be required.

Both parties agreed to keep the information, technology secrets, the result of technology development and patents confidential, and to consider setting up a research and development centre known as Zhejiang Yonglong Enterprises Fabric Material Research and Development Center in due course.

Benefits to the Company

CTDC is a national enterprise, and a national grade textile product development and promotion institute. It is a research and development consulting agency which possesses a broad range of information resources and product innovation capabilities. It comprises information collection, trend announcement, product development, quality testing, market promotion, and so forth. Its aim is to pursue textile product development in China, to lead the product development of China's textile industry, to assist enterprises in enhancing technology innovation and product development capability, and to raise the market competitiveness of China's textile products globally. With this partner, the Company would have the following potential benefits.

The Technology Development Agreement would strengthen the Company's position and capability in R&D and increase the Company's technology component. The Company will obtain long-term research and development support from CTDC to develop new technology and accelerate the development and application of new technology.

The Technology Development Agreement will also increase the market competitiveness of the Company. The Company will differentiate itself from its competitors and gain potentially higher profits resulting from the joint technology development, patent registration, the ownership and/or use of the patents, and the right to sell the developed products domestically and globally. .

The proposed new product development with a national institute will enhance the Company's image and brand awareness.

Information about CTDC

CTDC works within a joint office with CTIC, an intermediary organization serving the national textile industry and a member of China National Textile and Apparel Council. More information about CTDC can be found at www.fabricschina.com.cn.

SUSPENSION OF TRADING

Trading in the shares of the Company will remain suspended until all the resumption conditions required by the Stock Exchange as set out in the announcement of the Company dated 20 March 2009 have been fulfilled.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors of the Company;
“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;
“Creditor(s)”	1. Xiongsheng and Xiongfeng 2. Lingda 3. Zhiye 4. Jinggong and 5. Zhejiang Yongli;
“CTDC”	China Textiles Development Center (紡織產品開發中心);
“CTIC”	China Textile Information Center (中國紡織資訊中心);

“Debt Agreement(s)”	the debt agreement(s) entered into between, inter alia, the Company and the Creditor(s);
“Director(s)”	director(s) of the Company, including the independent non-executive directors of the Company;
“Gabriel”	浙江加佰利控股集團有限公司 (Zhejiang Gabriel Holdings Group Co., Ltd.*), a company established in the PRC;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Jinggong”	精功集團有限公司(Jinggong Group Co., Ltd.*), one of the Creditors;
“Lingda”	浙江凌達實業有限公司 (Zhejiang Lingda Industry Co., Ltd.*), one of the Creditors;
“Local Government”	浙江省紹興縣楊汛橋鎮人民政府 (the People’s Government of Yang Xun Qiao Town, Shaoxing County, Zhejiang Province*)
“Mr. Sun”	Mr. Sun Li Yong;
“Mrs. Sun”	Ms. Fang Xiao Jian, the spouse of Mr. Sun;
“Ms Zhu”	Ms. Zhu Li Mei;
“PRC”	the People’s Republic of China;
“R&D”	research and development;
“RMB”	Reminbi, the lawful currency of the PRC;
“Shareholders”	shareholders of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
“Technology Development Agreement”	the agreement dated 15 June 2011 entered into between the Company and CTDC;
“Xiongsheng and	浙江雄盛實業有限公司 (Zhejiang Xiongsheng Holding Co., Ltd.*) and

Xiongfeng”	雄峰控股集團有限公司 (Xiongfeng Holding Group Co., Ltd.*), one of the Creditors;
“Yatai”	紹興縣亞太投資有限公司 (Shaoxing Yatai Investment Co., Ltd.*), a company established in the PRC;
“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; one of the Creditors;
“Zhejiang Yonglong Enterprises Fabric Material Research and Development Center”	浙江永隆實業面料開發中心 , a new center under consideration;
“Zhiye”	浙江置業房產集團有限公司 (Zhejiang Zhiye Real Estate Group Co., Ltd.*), one of the Creditors;

By Order of the Board
Zhejiang Yonglong Enterprises Co., Ltd.*
Ru Guan Jun
Chairman

18 October 2011, Zhejiang, the PRC

As at the date of this announcement, the executive Directors are Mr. Ru Guan Jun, Mr. Xia Xian Fu, Mr. Sun Jian Feng and Mr. Xia Xue Nian; the independent non-executive Directors are Mr. Zhu Yu Lin, Mr. Zong Pei Min and Mr. Lu Guo Qing.

This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors of the Company having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: - (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the “Latest Company Announcement” page of the GEM website for at least 7 days from the date of its publication.

For the purpose of this announcement, all amounts denominated in RMB has been converted in HK\$ at the rate of RMB1.00 : HK\$1.20 for illustration purpose.

** For identification purposes only*