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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

**PLACING OF 880,000,000 NEW H SHARES
AND
RESUMPTION OF TRADING**

On 19 September 2007, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company agreed to appoint the Placing Agent as agent for the placing, on a best effort basis, of 880,000,000 new H Shares at a price of HK\$0.55 per Placing Share.

The 880,000,000 Placing Shares to be placed pursuant to the Placing Agreement represent (i) approximately 82.75% of the existing total registered capital of the Company; (ii) approximately 185.07% of the existing H Shares in issue, (iii) approximately 64.92% of the total H Shares in issue as enlarged by the issue of the Placing Shares and (iv) approximately 45.28% of the total registered capital of the Company as enlarged by the issue of the Placing Shares.

The Placing Price was determined after arm's length negotiation between the Company and the Placing Agent and with reference to the prevailing market prices of the H Shares. The Placing Price represents (i) a discount of approximately 9.84% to the closing price of HK\$0.61 per H Share as quoted on the Stock Exchange on the Last Trading Day, and (ii) a discount of approximately 7.72% to the average closing price of approximately HK\$0.596 per H Share for the last five consecutive trading days up to and including the Last Trading Day.

The Placing is conditional upon (a) the CSRC granting approval to the Company for the issue of the Placing Shares; (b) the GEM Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares on GEM; (c) the adoption of (i) special resolution(s) of the shareholders of the Company at a general meeting; (ii) special resolution(s) of the holders of Domestic Shares at a Domestic Share class meeting; and (iii) special resolution(s) of the holders of H Shares at a H Share class meeting; to approve the issue of the Placing Shares.

Shareholders and potential investors should note that the Placing is subject to fulfillment of the conditions precedent on or before the Long Stop Date. Shareholders and potential investors are reminded to exercise caution when dealing in the H Shares.

The Placing is subject to termination on the occurrence of, among other things, the event of force majeure (which include events set out in the paragraph headed "Termination and force majeure for the Placing" below) at or before 10:00 a.m. on the Business Day before the Closing Date.

The net proceeds of the Placing, after deducting the related commission and expenses, will be approximately HK\$470,900,000, representing a net 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 net proceeds arising from the Placing will be used for such potential investment or business opportunities once they are identified.

A circular containing, inter alia, further information on the Placing, together with notices of the EGM and the Class Meetings, will be sent to the Shareholders as soon as possible.

Trading in the H Shares on the GEM was suspended at the request of the Company with effect from 9:30 a.m. on 19 September, 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in its H Shares with effect from 9:30 a.m. on 21 September, 2007.

INTRODUCTION

The Board wishes to announce that the Company has entered into the Placing Agreement with the Placing Agent on 19 September 2007, pursuant to which the Company agreed to appoint the Placing Agent as agent for the Placing, on a best effort basis, of 880,000,000 new H Shares at a price of HK\$0.55 per Placing Share.

THE PLACING AGREEMENT

Date

19 September 2007

Parties involved

The Company and the Placing Agent

Placing Agent

OSK Asia Securities Limited

Pursuant to the Placing Agreement and subject to the terms and conditions of the Placing Agreement, the Placing Agent has agreed to place 880,000,000 Placing Shares on a best effort basis and will receive a placing commission of 2.5% of the amount equal to the Placing Price multiplied by the number of the Placing Shares successfully placed by the Placing Agent, which was determined after arm's length negotiation between the Company and the Placing Agent.

The Placing Agent and its ultimate beneficial owners are not connected persons of the Company and are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Placees

Not less than six independent placees (which will be independent individual, professional or institutional investors, who and whose ultimate beneficial owners (i) are not connected persons (as defined in the GEM Listing Rules) of the Company; and (ii) are independent of the other placees, the Company and its connected persons (as

defined in the GEM Listing Rules). It is expected that no placees will become a substantial Shareholder as a result of the completion of the Placing.

Placing Shares

The 880,000,000 Placing Shares to be placed pursuant to the Placing Agreement represent (i) approximately 82.75% of the existing total registered capital of the Company; (ii) approximately 185.07% of the existing H Shares in issue, (iii) approximately 64.92% of the total H Shares in issue as enlarged by the issue of the Placing Shares and (iv) approximately 45.28% of the total registered capital of the Company as enlarged by the issue of the Placing Shares.

The Placing Shares will, when fully paid, be allotted and issued in accordance with the memorandum and articles of association of the Company and with the relevant rules and regulations applicable to the Company in Hong Kong and will, upon allotment and issue, be free from all liens, charges, encumbrances or third party rights of whatsoever nature and together with all rights attaching thereto at completion of the relevant tranche of the Placing and thereafter.

The Placing Shares will be allotted and issued under the special mandate proposed to be passed at the EGM. The Placing Shares will rank, upon issue, *pari passu* in all respects with the H Shares in issue at completion of the relevant tranche of the Placing.

Placing Price

The Placing Price was determined after arm's length negotiation between the Company and the Placing Agent and with reference to the prevailing market prices of the H Shares. The Placing Price represents (i) a discount of approximately 9.84% to the closing price of HK\$0.61 per H Share as quoted on the Stock Exchange on the Last Trading Day, and (ii) a discount of approximately 7.72% to the average closing price of approximately HK\$0.596 per H Share for the last five consecutive trading days up to and including the Last Trading Day.

After deducting the expenses to be incurred in respect of the Placing, the net price per Placing Share will be approximately HK\$0.535.

Conditions of the Placing

Completion of the Placing Agreement is conditional upon:

- (a) the CSRC granting approval to the Company for the issue of the Placing Shares;
- (b) the GEM Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the relevant tranches of the Placing Shares on GEM;
- (c) the adoption of the following resolutions to approve the issue of the Placing Shares:
 - (i) special resolution(s) of the Shareholders at a general meeting;
 - (ii) special resolution(s) of the holders of Domestic Shares at a Domestic Share class meeting; and

- (iii) special resolution(s) of the holders of H Shares at a H Share class meeting;
- (d) the Company obtaining all consents and approvals from the relevant governmental authorities in the PRC in relation to the issue and allotment of the Placing Shares; and
- (e) the obligations of the Placing Agent not being terminated in accordance with the terms of this Agreement.

The conditions set out in the Placing Agreement are expected to be fulfilled on or before the Long Stop Date. The Company will seek approvals from the Shareholders that the validity period for the placing of the Placing Shares will expire on a date which is three months from the date of obtaining the approval from CSRC for the placing of the Placing Shares or one year from the date of EGM, whichever is earlier.

Termination and force majeure for the Placing

The Placing Agreement may be terminated by the Placing Agent if at any time at or before 10:00 a.m. on the Business Day before the Closing Date, there occurs:

- (a) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company or adversely prejudices the success of the placing of the Placing Shares to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Placing (such success being the completion of the placing of the Placing Shares to potential investor(s)) or otherwise in the reasonable opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing; or
- (d) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate in any material respect or would in any

material respect be untrue or inaccurate, or if repeated the Placing Agent shall determine in its reasonable opinion that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Company or will otherwise likely to have a material prejudicial effect on the Placing,

then the Placing Agent may upon giving notice to the Company terminate the Placing Agreement with immediate effect. If the Placing Agreement shall be terminated, the obligations of the Placing Agent shall be null and void.

Completion of the Placing

Completion of the Placing is expected to take place within ten Business Days following the satisfaction of the conditions precedent referred to in the paragraph headed “Conditions of the Placing” above or such later date as the Company and the Placing Agent may agree. The Company and the Placing Agent have agreed that completion of the Placing is subject to compliance of public float requirement under the Listing Rules.

The Placing can be completed partially by a maximum of 16 tranches provided that the aggregate number of the Placing Shares for each partial completion shall not be less than 55,000,000 Placing Shares (save for the last tranche of the Placing where the number of the Placing Shares to be issued may be less than 55,000,000 Placing Shares, as the case may be). The Company will make a maximum of 16 listing applications to the GEM Listing Committee of the Stock Exchange for the listing of and permission to deal in the relevant Placing Shares once the Placing Agent confirms to the Company that the number of Placing Shares to be subscribed by the Placees procured by the Placing Agent has reached 55,000,000 Placing Shares and that partial completion of the Placing can take place. However, it is the intention of the Company to consolidate the tranches of Placing Shares so as to minimize the administrative work to be borne by the Company. The issue of the Placing Shares by tranches will provide flexibility to receive the maximum placing of the Placing Shares by the Placing Agent. Announcement will be made by the Company upon each partial completion of the Placing.

Application(s) will be made to the Stock Exchange to grant the listing of, and permission to deal in, the Placing Shares.

SHAREHOLDING STRUCTURE BEFORE AND IMMEDIATELY AFTER THE PLACING

Holders of Shares	Before the Placing		Immediately after completion of the Placing	
	No. of Shares	(Approximate percentage of shareholding of the total registered capital (%))	No. of Shares	Approximate percentage of shareholding of the total registered capital (%)
Domestic Shares				
Sun Li Yong	382,200,000	35.94	382,200,000	19.67
Fang Xiao Jian	182,280,000	17.14	182,280,000	9.38
Fang Han Hong	11,760,000	1.11	11,760,000	0.60
Sun Jian Feng	5,880,000	0.55	5,880,000	0.30
Xia Xue Nian	5,880,000	0.55	5,880,000	0.30

Total Domestic Shares	588,000,000	55.29	588,000,000	30.25
H Shares				
- H Shares held by the public	266,000,000	25.01	266,000,000	13.69
- H Shares held by Miroglio S.p.A.	209,500,000	19.70	209,500,000	10.78
- new H Shares to be issued under the Placing	-	-	880,000,000	45.28
Total H Shares	475,500,000	44.71	1,355,500,000	69.75
Total Shares issued	1,063,500,000	100.00	1,943,500,000	100.00

Upon completion of the Placing, the Company will maintain the public float of its H Shares as required under the GEM Listing Rules. To the best knowledge of the Directors, no holder of the Domestic Shares is a state-owned enterprise and therefore there are no state-owned shares in the Company.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

There were no fund raising activities conducted during the past 12 months immediately preceding the date of this announcement.

REASONS FOR AND BENEFIT OF ENTERING INTO OF THE PLACING AGREEMENT AND USE OF PROCEEDS

The Company is principally engaged in the research and development, manufacture and sale of woven fabrics in the PRC. The Placing will enlarge the shareholder and capital bases of the Company and strengthen the financial position of the Company.

The Board considers that the Placing is conducted in the best interest of the Company in view of the prevailing market conditions and that the recent market sentiment represents a good timing for the Placing. In addition, the Placing gives the opportunity to the Company to broaden its shareholder and capital base and provide funding to the Company to capture suitable investment opportunities once they are identified.

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 net proceeds arising from the Placing will be used for such potential investment or business opportunities once they are identified.

The Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement are fair and reasonable based on the current market condition and are in the interests of the Company and its Shareholders as a whole.

GENERAL

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting at the EGM and the Class Meetings. A circular containing, inter alia, further information on the Placing, together with notices of the EGM and the Class Meetings, will be sent to the Shareholders as soon as possible.

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

Trading in the H Shares on the GEM was suspended at the request of the Company with effect from 9:30 a.m. on 19 September 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in its H Shares with effect from 9:30 a.m. on 21 September 2007.

TERMS USED IN THIS ANNOUNCEMENT

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

“associates”	has the meanings ascribed in the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	means any day (excluding a Saturday) on which licensed banks generally are open for business in Hong Kong;
“CSRC”	China Securities Regulatory Commission
“Class Meetings”	the respective class meetings of the holders of H Shares and holders of Domestic Shares to be convened and held for the purposes of approving, among other things, the Placing and the transactions contemplated thereunder
“Closing Date”	means any time within ten Business Days after fulfilment of the conditions precedent as referred to in sub-paragraph headed “conditions of the Placing” of this announcement or such other date as the Company and the Placing Agent may agree in writing
"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 thereto in the GEM Listing Rules;
“Director(s)”	director(s) of the Company
“Domestic Shares”	domestic shares of nominal value RMB0.10 each in the share capital of the Company, which are subscribed for or credit as fully paid up in RMB

“EGM”	the extraordinary general meeting of the holders of Domestic Shares and holders of H Shares of the Company to be convened and held for the purpose of approving, among other things, the Placing and the transactions contemplated thereunder
“GEM”	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
“H Shares”	overseas listed foreign share(s) in the registered capital of the Company with nominal value RMB0.1 each in the capital of the Company which are listed on GEM and subscribed for and traded in HK\$
“Last Trading Day”	18 September 2007, being the last trading day prior to the release of this announcement
“Long Stop Date”	31 March 2008 being the last day on which the conditions precedent for the Placing Agreement are fulfilled or such other day, as may be agreed between the Company and the Placing Agent
“Placing”	the placing of the Placing Shares on a best effort basis pursuant to the Placing Agreement
“Placing Agent”	OSK Asia Securities Limited, a licensed corporation to carry on business in type 1 and type 4 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the placing agreement entered into between the Company and the Placing Agent on 19 September 2007 in relation to the Placing
“Placing Price”	the price of HK\$0.55 per Placing Share
“Placing Shares”	880,000,000 new H Shares to be issued by the Company pursuant to the Placing
“PRC”	the People’s Republic of China
“Shareholders”	shareholders of the Company
“Shares”	the Domestic Shares and the H Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

By Order of the Board
Sun Li Yong
Chairman

Zhejiang, the PRC, 20 September 2007

This announcement, for which the directors of the Company 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 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.

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