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魏橋紡織股份有限公司

Weiqiao Textile Company Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2698)

**CONTINUING CONNECTED TRANSACTIONS
SUPPLY OF EXCESS ELECTRICITY – REVISION OF ANNUAL CAPS**

Reference is made to the announcements of the Company dated 1 November 2013 and 21 October 2014, respectively, and the circulars of the Company dated 12 November 2013 and 24 November 2014, respectively.

Based on reasons mentioned in this announcement, it is expected that the volume of excess electricity to be supplied by the Group to Parent Group will increase. The Directors estimate that the maximum transaction value for the excess electricity to be supplied by the Group to Parent Group under the Agreement for each of the two years ending 31 December 2015 and 2016 will exceed the Original Annual Caps as disclosed in the announcement dated 1 November 2013 and the circular dated 12 November 2013. The Board therefore proposes to revise the Original Annual Caps under the Agreement for each of the two years ending 31 December 2015 and 2016.

Given that each of the applicable percentage ratios in respect of the Revised Annual Caps for the continuing connected transactions under the Agreement, on an annual basis, is more than 5%, the transactions are subject to the reporting, annual review and announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company proposes to seek the approval of the Independent Shareholders at the forthcoming AGM relating to the Revised Annual Caps.

A circular containing, among others, (i) further details of the Revised Annual Caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders and (iv) the notice of the AGM will be despatched to the Shareholders on or before 13 April 2015.

THE CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcements of the Company dated 1 November 2013 and 21 October 2014, respectively, and the circulars of the Company dated 12 November 2013 and 24 November 2014, respectively.

The Agreement

On 1 November 2013, the Company and Holding Company, same as the parties to the Old Supply of Excess Electricity Agreement, agreed to renew the terms of the transaction and entered into the Agreement for a period of three years commencing on 1 January 2014 to 31 December 2016 (both dates inclusive) pursuant to which the Group will supply excess electricity to Parent Group.

Original Annual Caps

As disclosed in the announcement dated 1 November 2013 and the circular dated 12 November 2013, the Original Annual Caps (excluding VAT at the rate of 17%) for each of the two years ending 31 December 2015 and 2016 under the Agreement were expected to be not more than RMB2,142 million and RMB2,142 million, respectively.

REVISED ANNUAL CAPS

Based on the reasons mentioned in this announcement, it is expected that the volume of excess electricity to be supplied by the Group to Parent Group will increase. The Directors estimate that the maximum transaction value under the Agreement for each of the two years ending 31 December 2015 and 2016 will exceed the Original Annual Caps as disclosed in the announcement dated 1 November 2013 and the circular dated 12 November 2013. The Board therefore proposes to revise the Original Annual Caps under the Agreement for each of the two years ending 31 December 2015 and 2016.

The Original Annual Caps and the Revised Annual Caps (excluding VAT at the rate of 17%) under the Agreement proposed by the Board are as follows:

	For the year ending 31 December	
	2015	2016
	<i>(RMB million)</i>	<i>(RMB million)</i>
Original Annual Caps	2,142	2,142
Revised Annual Caps	2,905	2,905

Basis of the Revised Annual Caps

The above Revised Annual Caps are determined with reference to:

- (a) the higher operation efficiency and larger electricity generation capacity of the Thermal Power Plant with an installed capacity of 1,320 MW, calculated according to effective use of 6,500 hours per year;
- (b) the expected stable amount of self-consumption electricity of the Group for each of the years ending 31 December 2015 and 2016; and
- (c) a floating space of 10% to the maximum transaction value.

Historical Amounts

Based on the Group's latest unaudited management accounts, the supply of excess electricity under the Agreement from 1 January 2015 to 28 February 2015 amounted to approximately RMB465 million (excluding VAT at the rate of 17%), representing approximately 21.71% of the Original Annual Cap for the year ending 31 December 2015. Based on the Group's latest unaudited management accounts, the actual transaction amount for the year ended 31 December 2014 under the Agreement amounted to approximately RMB1,749 million (excluding VAT at the rate of 17%), which had not exceeded the Original Annual Cap for the year ended 31 December 2014.

REASONS FOR AND BENEFITS OF REVISION OF ANNUAL CAPS FOR THE EXISTING CONTINUING CONNECTED TRANSACTIONS

Having considered the higher operation efficiency and larger electricity generation capacity of the Thermal Power Plant and the stable electricity self-consumption of the Group, the Company thus expects that the volume of excess electricity to be supplied by the Group to Parent Group will increase. The Board therefore proposes the Revised Annual Caps.

The Board (excluding Mr. Zhang Shiping, Ms. Zhang Hongxia and Ms. Zhang Yanhong, who abstained from voting on the Board resolution of the Company in respect of the Revised Annual Caps due to their equity interests in Holding Company, and the members of the Independent Board Committee, the opinion of which, after taking into account of the advice from the independent financial adviser, will be included in the circular to be despatched to the Shareholders of the Company) is of the view that the Revised Annual Caps are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE GROUP AND PARENT GROUP

The Group is principally engaged in the production, sale and distribution of cotton yarn, grey fabric and denim.

Holding Company is a company incorporated in the PRC on 14 April 1998 with limited liability. Holding Company is principally engaged in the processing and sale of cotton, lint cotton, cotton seed oil, fabrics, cotton yarn, print cloth, retail and distribution of cloth.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company will have to re-comply with the provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transactions.

Holding Company is a connected person of the Company, the transactions under the Agreement therefore constitute continuing connected transactions of the Company under Rule 14A.25 of the Listing Rules.

Given that each of the applicable percentage ratios in respect of the Revised Annual Caps for the continuing connected transactions under the Agreement, on an annual basis, is more than 5%, the transactions are subject to the reporting, annual review and announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

AGM

The Company proposes to seek the approval of the Independent Shareholders at the forthcoming annual general meeting (“AGM”) relating to the Revised Annual Caps.

According to the Listing Rules, Holding Company will abstain from voting in respect of the resolution relating to the Revised Annual Caps at the AGM. Mr. Zhang Shiping, Ms. Zhang Hongxia and Ms. Zhang Yanhong, all being Directors, are considered to be parties acting in concert with Holding Company and hold approximately 31.59% (indirectly and directly), 7.00% and 5.63% of the equity interests in Holding Company, respectively, will also abstain from voting at the AGM.

As at the date of this announcement, Holding Company holds approximately 63.45% of the total issued Shares, and Mr. Zhang Shiping and Ms. Zhang Hongxia hold approximately 0.44% and 1.48%, respectively, of the total issued Shares. To the best of the knowledge and belief of the Directors, none of Holding Company, Mr. Zhang Shiping and Ms. Zhang Hongxia has any associate (other than amongst themselves) who is a Shareholder.

The votes to be taken at the AGM in relation to the resolutions for approval by the Independent Shareholders of the Revised Annual Caps will be taken by poll.

GENERAL

The Independent Board Committee will be established to advise the Independent Shareholders in relation to the Revised Annual Caps. Mr. Wang Naixin, Mr. Chen Shuwen and Mr. George Chan Wing Yau have been appointed by the Board to serve as members of the Independent Board Committee. An independent financial adviser will be appointed by the Company pursuant to the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in relation to the fairness and reasonableness of the Revised Annual Caps.

A circular containing, among others, (i) further details of the Revised Annual Caps; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders and (iv) the notice of the AGM will be despatched to the Shareholders on or before 13 April 2015.

DEFINITIONS

“Agreement”	the agreement dated 1 November 2013 and entered into between the Company and the Holding Company for a term of three years commencing on 1 January 2014 to 31 December 2016 (both dates inclusive) pursuant to which the Group will supply excess electricity to Parent Group
“Board”	the board of directors of the Company
“Company”	魏橋紡織股份有限公司 (Weiqiao Textile Company Limited*)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Holding Company”	山東魏橋創業集團有限公司 (Shandong Weiqiao Chuangye Group Company Limited*), a limited liability company established in the PRC, being the controlling shareholder of the Company
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Wang Naixin, Mr. Chen Shuwen and Mr. George Chan Wing Yau, established to give an opinion on the Revised Annual Caps
“Independent Shareholders”	Shareholders who do not have any material interests in the Agreement other than by virtue of their respective shareholdings in the Company

“Listing Rules ”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	megawatt
“Old Supply of Excess Electricity Agreement”	the supply of excess electricity agreement entered into between the Company and Holding Company on 4 November 2010 with a term of three years ending 31 December 2013
“Original Annual Cap(s)”	the original annual cap amounts for the transactions under the Agreement for the two years ending 31 December 2015 and 2016 as disclosed in the announcement dated 1 November 2013 and the circular dated 12 November 2013
“Parent Group”	Holding Company, its subsidiaries, associated companies and associates (as defined in the Listing Rules) (excluding the Group)
“PRC”	the People’s Republic of China
“Revised Annual Cap(s)”	the revised annual cap amounts proposed by the Company in respect of the Agreement, being RMB2,905 million for each of the two years ending 31 December 2015 and 2016
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	registered holder(s) of the shares of the Company
“Shares”	Domestic Shares and H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Thermal Power Assets Swap Agreement”	the agreement dated 21 October 2014 and entered into between the Company and the Holding Company
“Thermal Power Plant”	the thermal power plant located in Changshan Town, Zouping County, Shandong Province, the PRC, including the thermal power facilities and the land use rights for the land underneath, acquired by the Company from the Holding Company pursuant to the Thermal Power Assets Swap Agreement

“VAT” value added tax

“%” per cent

On behalf of the Board
Weiqiao Textile Company Limited*
Zhang Jinglei
Executive Director and Company Secretary

Shandong, the People’s Republic of China
23 March 2015

As at the date of this announcement, the Board comprises nine directors, namely Ms. Zhang Hongxia, Ms. Zhao Suwen, Ms. Zhang Yanhong and Mr. Zhang Jinglei as executive directors, Mr. Zhang Shiping and Ms. Zhao Suhua as non-executive directors and Mr. Wang Naixin, Mr. Chen Shuwen and Mr. George Chan Wing Yau as independent non-executive directors.

* *For identification purpose only. The Company is registered in Hong Kong as a non-Hong Kong company under the English name “Weiqiao Textile Company Limited” and the Chinese name of the Company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).*