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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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
SUPPLY OF EXCESS ELECTRICITY**

Reference is made to the announcements of the Company dated 1 November 2013 and 23 March 2015. The Old Supply of Excess Electricity Agreement will expire on 31 December 2016. The parties to the Old Supply of Excess Electricity Agreement have agreed to renew the term of the transactions and on 26 October 2016, the Company entered into the Supply of Excess Electricity Agreement with Holding Company for a period of three years commencing on 1 January 2017 and ending on 31 December 2019 (both dates inclusive), pursuant to which the Group will supply excess electricity to Parent Group.

Holding Company currently holds 757,869,600 Domestic Shares, representing approximately 63.45% of the total issued Shares. As Holding Company is a substantial shareholder, Holding Company constitutes a connected person of the Company under the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Excess Electricity Supply Transactions on an annual basis are more than 5% and the expected maximum annual transaction value is more than HK\$10,000,000, the Excess Electricity Supply Transactions are subject to the reporting, annual review, 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 EGM relating to the Excess Electricity Supply Transactions (including the Annual Caps).

Holding Company will abstain from voting at the EGM. Mr. Zhang Shiping and Ms. Zhang Hongxia, both being Directors, are considered to be parties acting in concert with Holding Company and hold approximately 31.59% (directly and indirectly) and 7.00% of the equity interests in Holding Company, respectively, and will also abstain from voting at the EGM.

A circular containing, among others, (i) further details of the Excess Electricity Supply Transactions; (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of EGM, will be dispatched to the Shareholders on or before 16 November 2016.

A. BACKGROUND

The Group is principally engaged in the production, sales and distribution of cotton yarn, grey fabric and denim. Holding Company is principally engaged in the processing and sales of cotton, lint cotton, cotton seed oil, fabrics, cotton yarn, print cloth, retail and distribution of cloth.

Reference is made to the announcements of the Company dated 1 November 2013 and 23 March 2015. The Old Supply of Excess Electricity Agreement will expire on 31 December 2016. The parties to the Old Supply of Excess Electricity Agreement have agreed to renew the term of the transactions and on 26 October 2016, the Company entered into the Supply of Excess Electricity Agreement with Holding Company for a period of three years commencing on 1 January 2017 and ending on 31 December 2019 (both dates inclusive), pursuant to which the Group will supply excess electricity to Parent Group.

B. THE SUPPLY OF EXCESS ELECTRICITY AGREEMENT

1. Date

26 October 2016

2. Parties

(a) the Company; and

(b) Holding Company.

3. Transaction nature

Supply of electricity by the Group, which will be in excess of the Group's actual electricity consumption, to Parent Group for a term commencing on 1 January 2017 and ending on 31 December 2019 (both dates inclusive).

4. Pricing basis

The benchmark price of raw coal is RMB454.35 per ton (VAT inclusive), which is determined based on the price of raw coal procured by the Group in September 2016. Accordingly, the benchmark price of excess electricity to be supplied to Parent Group by the Group shall be RMB0.37 per kWh (VAT inclusive). If any applicable mandatory price for the supply of electricity is prescribed by the PRC government, the benchmark price of excess electricity would be adjusted accordingly. The Company and Holding Company agreed to calculate the actual settlement price of excess electricity at the day before the last day of each month. The actual settlement price of excess electricity in each month will be adjusted by RMB0.01 per kWh on the basis of the benchmark price of excess electricity, at every 5% fluctuation of the weighted average price of raw coal in such month over the benchmark price of raw coal.

5. Payment terms

Holding Company shall pay for the electricity supplied in arrears on a monthly basis based on the actual amount of electricity supplied. The Company will provide the amount due on the last business day of each month and Parent Group shall make the payment before the first 10th days of the following month. To the best knowledge of the Directors, such payment terms are in line with the market practice in Shandong Province, the PRC.

6. Termination and renewal

Either party to the Supply of Excess Electricity Agreement may terminate it by providing at least 30 days prior written notice to the counterparty.

The Supply of Excess Electricity Agreement is renewable for another term of three years (subject to the compliance of relevant requirements under the Listing Rules by the Company) unless any party decides not to renew it and give a 30 days prior written notice to the counterparty accordingly.

7. Maximum aggregate annual value

Set out below are the maximum aggregate annual values for electricity (excluding VAT) for the excess electricity to be supplied under the Supply of Excess Electricity Agreement which is estimated to be payable by Parent Group to the Group for each of the three financial years ending 31 December 2019:

	Financial year ending		
	31 December 2017 (RMB)	31 December 2018 (RMB)	31 December 2019 (RMB)
Expected transaction value	3,022,223,000 ¹	3,022,223,000 ¹	3,022,223,000 ¹
Expected electricity amount (kWh)	6,800,000,000	6,800,000,000	6,800,000,000

Note 1: The maximum aggregate annual transaction values for the three years ending 31 December 2019 are determined with reference to the followings:

- (i) the expected excess electricity to be supplied for the year ending 31 December 2017 is estimated to be approximately 6,800,000,000 kWh at an expected growth rate of approximately 5% over the expected aggregate excess electricity to be purchased by Parent Group from the Group for the year ending 31 December 2016 amounting to approximately 6,448,164,000 kWh. Such growth rate is determined with reference to the expected growth in electricity consumption due to an expected slight production growth of Parent Group in the downstream textile industry. As the production capacity of Parent Group is expected to remain stable for the two years ending 31 December 2019, the maximum transaction annual values for the two years ending 31 December 2019 are estimated to be the same with that for the year ending 31 December 2017; and
- (ii) the price of raw coal is materially affected by the governmental policies in the PRC and the prices of raw coal fluctuated significantly in the past eight years. Given such circumstances and for the purpose of determining the Annual Caps, the Company decides to use the price of raw coal amounted to RMB800.00 per ton (VAT inclusive) determined with reference to the comparatively high prices of raw coal in the past eight years. As such price of raw coal for calculating the Annual Caps represents approximately 76% increase compared with the benchmark price of raw coal, the estimated settlement prices of excess electricity will be RMB0.15 per kWh higher than the benchmark price of excess electricity and amount to RMB0.52 per kWh (VAT inclusive) or approximately RMB0.44 per kWh (excluding VAT) based on the pricing basis set out in the Supply of Excess Electricity Agreement.

The historical figures and annual caps for the electricity purchased or to be purchased by Parent Group from the Group are as follows:

	Financial year ended		Financial year ending
	31 December	31 December	31 December
	2014	2015	2016
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Historical figures	1,748,676,000	2,565,567,000	2,755,626,000 ²
Annual caps	2,142,000,000	2,905,000,000	2,905,000,000
Historical purchase volume of electricity (kWh)	4,091,903,000	6,003,427,000	6,448,164,000

Note 2: The transaction value for the year ending 31 December 2016 was calculated based on the actual average monthly transaction value for the nine months ended 30 September 2016 by multiplying 12. The sales of the excess electricity to Parent Group by the Group for the three months ending 31 December 2016 is expected to be stable in comparison with the average transaction value for the nine months ended 30 September 2016.

C. REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLY OF EXCESS ELECTRICITY AGREEMENT

The excess electricity to be purchased by Parent Group under the Supply of Excess Electricity Agreement would (i) optimize the utilization of the power plant assets and thus improve operation efficiency and achieve economies of scale of the Group (by reducing the fixed costs of electricity generation); and (ii) allow the Group to receive an additional stream of income and thus enhance the profits of the Group.

Based on the above, the Board believes that the Excess Electricity Supply Transactions would be conducive to enhancing the operating efficiency and competitiveness of the Group and would result in cost savings and enhancement of the profitability of the Group.

The terms and conditions of the Excess Electricity Supply Transactions have been negotiated on an arm's length basis. 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 Excess Electricity Supply Transactions 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 dispatched to the Shareholders) is of the view that the Excess Electricity Supply Transactions have been entered into on normal commercial terms in the ordinary and usual course of business of the Group, and that the terms, as well as the Annual Caps applicable thereto, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

D. LISTING RULES IMPLICATIONS

Holding Company currently holds 757,869,600 Domestic Shares, representing about 63.45% of the total issued Shares. As Holding Company is a substantial shareholder, Holding Company constitutes a connected person of the Company under the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Excess Electricity Supply Transactions on an annual basis are more than 5% and the expected maximum annual transaction value is more than HK\$10,000,000, the Excess Electricity Supply Transactions are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

E. EGM

The Company proposes to seek the approvals of the Independent Shareholders at the EGM relating to the Excess Electricity Supply Transactions (including the Annual Caps).

As at the date of this announcement, Holding Company held approximately 63.45% of the total issued Shares, and Mr. Zhang Shiping and Ms. Zhang Hongxia held 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.

According to the Listing Rules, Holding Company will abstain from voting at the EGM. Mr. Zhang Shiping and Ms. Zhang Hongxia, both being Directors, are considered to be parties acting in concert with Holding Company and hold approximately 31.59% (directly and indirectly) and 7.00% of the equity interests in Holding Company, respectively, and will also abstain from voting at the EGM.

The votes to be taken at the EGM in relation to the resolution for approval by the Independent Shareholders of the Excess Electricity Supply Transactions (including the Annual Caps) will be taken by poll.

F. GENERAL

The Independent Board Committee will be established to advise the Independent Shareholders in relation to the Excess Electricity Supply Transactions (including the 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. First Shanghai has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the fairness and reasonableness of the Excess Electricity Supply Transactions (including the Annual Caps).

A circular containing, among others (i) further details of the Excess Electricity Supply Transactions; (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 EGM, will be dispatched to the Shareholders on or before 16 November 2016.

G. DEFINITIONS

In this announcement, the following expressions shall have the respective meanings set opposite thereto:

“Annual Caps”	the maximum aggregate annual transaction values under the Supply of Excess Electricity Agreement for the three years ending 31 December 2019 which are set out in this announcement
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	魏橋紡織股份有限公司 (Weiqiao Textile Company Limited), the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which are subscribed for and paid up in RMB and are not tradable on the Stock Exchange
“EGM”	an extraordinary general meeting of the Company proposed to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Excess Electricity Supply Transactions (including the Annual Caps), details of which will be included in the circular to be dispatched to the Shareholders on or before 16 November 2016
“Excess Electricity Supply Transactions”	the continuing connected transactions contemplated under the Supply of Excess Electricity Agreement
“Group”	the Company and its subsidiaries

“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company, with a Renminbi-denominated par value of RMB1.00 each, and which are subscribed for and traded in Hong Kong dollars on the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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 on 14 April 1998, being a promoter and the controlling shareholder of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising of all the independent non-executive Directors to advise the Independent Shareholders on the Excess Electricity Supply Transactions (including the Annual Caps)
“Independent Financial Adviser” or “First Shanghai”	First Shanghai Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, and being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Excess Electricity Supply Transactions (including the Annual Caps)
“Independent Shareholders”	the Shareholders other than Holding Company, Mr. Zhang Shiping and Ms. Zhang Hongxia
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Old Supply of Excess Electricity Agreement”	the supply of excess electricity agreement entered between the Company and Holding Company on 1 November 2013 with a term of three years commenced on 1 January 2014 and ending on 31 December 2016
“Parent Group”	Holding Company, its subsidiaries and associates (excluding the Group)
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	registered holder(s) of the Shares
“Shares”	Domestic Shares and H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply of Excess Electricity Agreement”	the supply of excess electricity agreement entered into between the Company and Holding Company on 26 October 2016 for the supply of electricity which are in excess of the actual electricity consumed by the Group to Parent Group for a term commencing on 1 January 2017 and ending on 31 December 2019 (both dates inclusive)
“VAT”	value added tax at the rate of 17%

By order of the Board
Wei qiao Textile Company Limited
Zhang Jinglei
Executive Director and Company Secretary

Shandong, the PRC
26 October 2016

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.

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