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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
STEAM SUPPLY AGREEMENT**

The Board is pleased to announce that, on 3 July 2015, (i) Holding Company and the Company entered into the Holding Company Steam Supply Agreement in relation to the supply of steam by Holding Company to the Weiqiao Production Base of the Company for the period from 3 July 2015 to 31 December 2017 (both days inclusive) for its production use; and (ii) Binzhou Municipal Binbei and Binzhou Industrial Park entered into the Binzhou Steam Supply Agreement in relation to the supply of steam by Binzhou Municipal Binbei to Binzhou Industrial Park for the period from 3 July 2015 to 31 December 2017 (both days inclusive) for its production use.

Holding Company is the controlling shareholder of the Company and it therefore constitutes a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Holding Company Steam Supply Agreement and the transactions contemplated thereunder constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Binzhou Municipal Binbei is an indirectly wholly-owned subsidiary of Hongqiao Group. Mr. Zhang Shiping, a non-executive Director of the Company, is an executive director indirectly holding 78.51% of the issued share capital of Hongqiao Group. Accordingly, Binzhou Municipal Binbei is a connected person of the Company under the Listing Rules. The entering into of the Binzhou Steam Supply Agreement and the transactions contemplated thereunder thus constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

* *For identification purposes only*

As the applicable percentage ratios in respect of the Continuing Connected Transactions are more than 0.1% but less than 5%, the transactions are subject to the announcement, reporting and annual review requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A. SUPPLY OF STEAM BY HOLDING COMPANY TO THE COMPANY

1. **Date:** 3 July 2015
2. **Parties:** (1) Holding Company; and
(2) the Company
3. **Connected person:** Holding Company
4. **Transaction nature:** Holding Company and the Company entered into the Holding Company Steam Supply Agreement on 3 July 2015, pursuant to which, Holding Company has agreed to supply steam to the Weiqiao Production Base of Company for a period from 3 July 2015 to 31 December 2017 (both days inclusive) for its production use.
5. **Pricing basis and Payment Term:** The price shall be RMB150 per ton (including the value-added tax of 13%). The price of steam supplied by Holding Company to the Company are determined by reference to the prices at which comparable types of relevant products are supplied by Holding Company to independent third parties under normal commercial terms in the ordinary course of its business in Zouping County, Shandong Province, the PRC.

The Directors confirmed that the pricing basis agreed between Holding Company and the Company for the supply of steam by Holding Company is fair and reasonable, negotiated on an arm's length basis and constitutes a normal commercial term.

Holding Company would, on the last business day of each calendar month, prepare an account book of the relevant expenses that shall be paid by the Company for that month. The Company shall, within the first 20 business days of the following month, pay the amount due in full.

- 6. Annual cap:** Pursuant to the Holding Company Steam Supply Agreement, the Directors currently estimate that the maximum aggregate consideration payable by the Company for the purchase of steam for the period from 3 July 2015 to 31 December 2015 and for the year ending 31 December 2016 and 2017 are as follows:

For the period from 3 July 2015 to 31 December 2015	For the year ending 31 December	
(RMB million)	2016	2017
<i>(excluding the value-added tax of 13%)</i>	<i>(excluding the value-added tax of 13%)</i>	<i>(excluding the value-added tax of 13%)</i>
13.62	13.62	13.62

The transaction values of the steam purchased by the Company from Holding Company for the period ending 31 December 2015 and for the two financial years ending 31 December 2016 and 2017, respectively, are determined with reference to the estimated use of steam at the maximum rate of the capacity utilization of the textile production equipment of the Weiqiao Production Base of the Company, namely 80%.

B. SUPPLY OF STEAM BY BINZHOU MUNICIPAL BINBEI TO BINZHOU INDUSTRIAL PARK

- 1. Date:** 3 July 2015
- 2. Parties:** (1) Binzhou Municipal Binbei; and
(2) Binzhou Industrial Park
- 3. Connected person:** Binzhou Municipal Binbei
- 4. Transaction nature:** Binzhou Municipal Binbei and Binzhou Industrial Park entered into the Binzhou Steam Supply Agreement on 3 July 2015, pursuant to which, Binzhou Municipal Binbei has agreed to supply steam to Binzhou Industrial Park for a period from 3 July 2015 to 31 December 2017 (both days inclusive) for its production use.

- 5. Pricing basis and Payment Term:** The price of steam shall be RMB170 per ton (including the value-added tax of 13%). The price of steam supplied by Binzhou Municipal Binbei to Binzhou Industrial Park are determined by reference to the prices at which comparable types of relevant products are supplied by Binzhou Municipal Binbei to independent third parties under normal commercial terms in the ordinary course of its business in Binzhou, Shandong Province, the PRC.

The Directors confirmed that the pricing basis agreed between Binzhou Municipal Binbei and Binzhou Industrial Park for the supply of steam is fair and reasonable, negotiated on an arm's length basis and constitutes a normal commercial term.

Binzhou Municipal Binbei would, on the last business day of each calendar month, prepare an account book of the relevant expenses that shall be paid by Binzhou Industrial Park for that month. Binzhou Industrial Park shall, within the first 20 business days of the following month, pay the amount due in full.

- 6. Annual cap:** Pursuant to the Binzhou Steam Supply Agreement, the Directors currently estimate the maximum aggregate consideration payable by Binzhou Industrial Park for the purchase of steam for the period from 3 July 2015 to 31 December 2015 and for the year ending 31 December 2016 and 2017 are as follows:

For the period from 3 July 2015 to 31 December 2015	For the year ending 31 December	
<i>(RMB million)</i>	2016	2017
<i>(excluding the value-added tax of 13%)</i>	<i>(excluding the value-added tax of 13%)</i>	<i>(excluding the value-added tax of 13%)</i>
44.13	44.13	44.13

The transaction values of the steam purchased by Binzhou Industrial Park from Binzhou Municipal Binbei for the period ending 31 December 2015 and for the two financial years ending 31 December 2016 and 2017, respectively, are determined with reference to the estimated use of steam at the maximum rate of the capacity utilization of the textile production equipment of the Binzhou Production Base of the Binzhou Industrial Park, namely 85%.

C. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Taking into account of the production needs of the Group in respect of steam and considering the fact that Holding Company and Binzhou Municipal Binbei are the nearest suppliers of steam to Weiqiao Production Base and Binzhou Production Base, respectively, entering into the relevant steam supply agreements between Holding Company and the Company and between Binzhou Municipal Binbei and Binzhou Industrial Park, allows the Company and Binzhou Industrial Park to secure a long-term stable supply of steam.

The terms of the Holding Company Steam Supply Agreement and the Binzhou Steam Supply Agreement (including the annual caps) were arrived at after arm's length negotiations between the parties with reference to, among others, the Group's demand and business needs of steam.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Holding Company Steam Supply Agreement and the Binzhou Steam Supply Agreement are in the ordinary and usual course of business of the Company and the terms of steam supply agreements are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

D. IMPLICATIONS UNDER THE LISTING RULES

Holding Company is controlling shareholder of the Company and it therefore constitutes a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Holding Company Steam Supply Agreement and the transactions contemplated thereunder constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Binzhou Municipal Binbei is an indirectly wholly-owned subsidiary of Hongqiao Group. Mr. Zhang Shiping, a non-executive Director of the Company, is an executive director indirectly holding 78.51% of the issued share capital of Hongqiao Group. Accordingly, Binzhou Municipal Binbei is a connected person of the Company under the Listing Rules. The entering into of the Binzhou Steam Supply Agreement and the transactions contemplated thereunder thus constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Continuing Connected Transactions are more than 0.1% but less than 5%, the transactions are subject to the announcement, reporting and annual review requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Each of Ms. Zhang Hongxia, Ms. Zhang Yanhong and Mr. Zhang Shiping is interested in the Continuing Connected Transactions and had abstained from voting on the relevant resolution of the Board approving the same.

E. GENERAL INFORMATION

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

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.

Binzhou Municipal Binbei is principally engaged in the manufacture and sale of aluminium products.

F. DEFINITIONS

“Board”	the board of directors of the Company
“Binzhou Industrial Park”	濱州魏橋科技工業園有限公司 (Binzhou Weiqiao Technology Industrial Park Limited*), a limited liability company established in the PRC on 26 November 2001, being held as to 98.50% to the Company and 1.50% to Holding Company
“Binzhou Municipal Binbei”	濱州市濱北新材料有限公司 (Binzhou Municipal Binbei New Material Co., Limited*), a limited liability company established in the PRC on 2 November 2011, being indirectly wholly-owned by Hongqiao Group
“Binzhou Production Base”	two production areas of Binzhou Industrial Park located in Binzhou Municipal, Shandong Province, the PRC
“Binzhou Steam Supply Agreement”	the steam supply agreement dated 3 July 2015 and entered into between Binzhou Municipal Binbei and Binzhou Industrial Park for a term that will end on 31 December 2017
“Company”	魏橋紡織股份有限公司 (Weiqiao Textile Company Limited*)
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the supply of steam agreement entered into between Holding Company and the Company and between Binzhou Municipal Binbei and Binzhou Industrial Park, respectively

“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 on 14 April 1998, being the controlling shareholder of the Company
“Holding Company Steam Supply Agreement”	the steam supply agreement dated 3 July 2015 and entered into between Holding Company and the Company for a term that will end on 31 December 2017
“Hongqiao Group”	China Hongqiao Group Limited (中國宏橋集團有限公司), a company listed on the Stock Exchange (Stock Code: 1378)
“Listing Rules ”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	registered holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Weiqiao Production Base”	two production areas of the Group located in Weiqiao Town, Zouping County, Binzhou Municipal, Shangdong Province, the PRC
“%”	per cent

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

Shandong, the PRC
3 July 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.

** 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).*