

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**(1) VERY SUBSTANTIAL ACQUISITION RELATED TO THE
ASSETS ACQUISITION AGREEMENT**

AND

(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

VERY SUBSTANTIAL ACQUISITION

Reference is made to the announcement of the Company dated 18 December 2015, pursuant to which, the Company has entered into a memorandum of understanding with the Vendor regarding a proposed acquisition of the Target Assets in order to promote the proceeding of the proposed acquisition and set out, among other things, the intention of conducting the Acquisition and the payment terms of the deposit for the Acquisition.

The Company is pleased to announce that on 11 March 2016, the Company entered into the Assets Acquisition Agreement with the Vendor, pursuant to which the Company agreed to acquire and the Vendor agreed to sell the Target Assets owned by the Vendor at a total consideration of RMB3,186,425,000 (equivalent to approximately HK\$3,811,513,158, including the deposit amounted RMB300,000,000 that has been paid by the Company to the Vendor) and the Company will satisfy the payment by cash, by installments or in full, within ten (10) business days after the date of Completion. The total amount of investment to be made by the Company is expected to be approximately RMB4,600,000,000 (equivalent to approximately HK\$5,502,392,345, including the consideration under the Assets Acquisition Agreement and the contractual obligations that are expected to be assumed and further performed by the Company for the completion of the construction of the whole project after the Acquisition).

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board hereby announces that a special resolution will be proposed at the EGM to be held on 25 April 2016 to amend the Articles of Association.

LISTING RULES IMPLICATION

As certain applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Therefore, the Acquisition is subject to the reporting, announcement and shareholders' approval requirements set out in Chapter 14 of the Listing Rules.

An EGM will be convened to consider and, if thought fit, approve, among other things, the Assets Acquisition Agreement and the Acquisition contemplated thereunder, and the proposed amendments to the Articles of Association.

A circular containing, among other things, (i) further details of the Assets Acquisition Agreement; (ii) the Valuation Reports; and (iii) the proposed amendments to the Articles of Association, will be despatched to the Shareholders on or before 8 April 2016.

VERY SUBSTANTIAL ACQUISITION

(A) Assets Acquisition Agreement

Material terms of the Assets Acquisition Agreement are set out as follows:

Date

11 March 2016

Parties

- (a) the Company; and
- (b) the Vendor.

The Company is principally engaged in the sale and process of cotton, production, sale and process of cotton spinning, woven fabric, dipdye, knitwear, clothing, export and import business as registered in the registration authorities.

The Vendor is a company incorporated in the PRC and was ultimately controlled by the Management Centre of State-owned Assets of Zouping Economic & Technology Development Zone** (鄒平經濟技術開發區國有資產運營管理中心). The Vendor is principally engaged in the business of process and sale of aluminum products, including aluminum plates and aluminum foils, sale of electricity and export and import business related to its business scope.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Target Assets to be acquired by the Company

Pursuant to the Assets Acquisition Agreement, the Company agreed to acquire and the Vendor agreed to sell the Target Assets owned by the Vendor, including the land use rights, powerhouses, projects under construction and machinery and equipment of thermal power assets** (熱電資產), comprised of three generator sets in construction and one in debugging process with an expected capacity of 1,320 MW that are owned by the Vendor. Details of the Target Assets are set out in "(C) Information of the Target Assets" below.

In December 2015, the Company was approached by the Vendor to consider the Acquisition. The Company conducted due diligence on the Target Assets and requested and reviewed relevant information of the Target Assets, including but not limited to filing documents with Administration for Industry and Commerce, the plan graph of main plants, material construction contracts and payment invoice, supply contracts, design instruction of construction projects and preliminary design information.

Consideration

The total consideration of the Acquisition is RMB3,186,425,000 (equivalent to approximately HK\$3,811,513,158, including the deposit amounted RMB300,000,000 that has been paid by the Company to the Vendor), determined after arm's length negotiations between the Vendor and the Company, taking into account the appraised value of (i) the machinery and equipment of RMB1,793,425,000 (equivalent to approximately HK\$2,145,245,215) and (ii) the property interest of RMB1,393,000,000 (equivalent to approximately HK\$1,666,267,943) of the Target Assets as set out in the Valuation Reports as at 31 December 2015.

According to the Valuation Reports, the valuation of the machinery and equipment of the Target Assets adopted the cost approach, and the valuation of the property interest of the Target Assets adopted the cost approach and the market approach.

The Company will make the payment of RMB2,886,425,000 (equivalent to approximately HK\$3,452,661,483 being the total consideration less the deposit paid) in cash, by installments or in full, within ten (10) business days after the date of Completion.

The total amount of investment to be made by the Company is expected to be approximately RMB4,600,000,000 (equivalent to approximately HK\$5,502,392,345, including the consideration under the Assets Acquisition Agreement and the contractual obligations that are expected to be assumed and further performed by the Company for the completion of the construction of the whole project after the Acquisition amounted to approximately RMB1,390,000,000, equivalent to approximately HK\$1,662,679,426). Such contractual

obligations are arising from over 150 contracts in relation to the construction work and procurement of machinery, equipment and material of construction. The equipment debugging fee of approximately RMB255,000,000 (equivalent to approximately HK\$305,023,923) is expected to be paid by the Company by 2016. The equipment operation fee of approximately RMB555,000,000 (equivalent to approximately HK\$663,875,598) is expected to be paid by the Company in 2016 and 2017. The equipment quality guarantee fee of approximately RMB255,000,000 (equivalent to approximately HK\$305,023,923) by 2017. And the civil engineering construction material fee of approximately RMB325,000,000 (equivalent to approximately HK\$388,755,981) is expected to be paid by the Company after the completion of the construction.

Completion

The Completion is expected to occur upon the satisfaction of the following conditions precedent:

- (i) the Vendor and the Company execute the Assets Acquisition Agreement;
- (ii) the Acquisition is approved by the necessary internal procedures of the Vendor; and
- (iii) the Acquisition is approved by the Board and the Shareholders in the shareholders general meeting of the Company.

Transfer of the Target Assets

The Vendor shall, within ten (10) business days after the date of Completion, transfer the Target Assets and, at the request of the Company, transfer all financial materials and information, whether in written or otherwise, in relation to the Target Assets to the Company, including but not limited to, the original copies of all contracts and ownership certificates of relevant properties, notes, accounting documents and accounting records.

During the period commencing from 31 December 2015, being the base date of appraisal as stated in the Valuation Reports, and ending at the date of Completion, (i) any revenue (if any) generated from the Target Assets shall be attributed to the Vendor and (ii) any increased net asset of the Target Assets, due to the continuing construction of the thermal power assets, shall be acquired by the Company based on the book value of such increased net assets. The Company expects that the total investment amount of RMB4,600,000,000 shall not be exceeded, including any expected payment for such additional net assets.

Upon the Date of Transfer, (i) the Company will acquire complete control rights over the Targets Assets and will be entitled to all rights and assume all liabilities in relation to the Target Assets; and (ii) the Vendor will not be entitled to any rights or assume any liabilities in relation

to the Target Assets. The Vendor shall assist the Company to complete the title change procedures in respect of lands and properties of the Target Assets within sixty (60) business days after the Date of Transfer.

Other significant terms

- (a) The Parties shall bear its own expenses of taxation and take respective legal liabilities on taxation incurred in connection with the Assets Acquisition Agreement;
- (b) If a party breaches any representations, undertakings, warranties or other duties under the Assets Acquisition Agreement, which frustrates the purpose of the Assets Acquisition Agreement, the other party is entitled to terminate the Assets Acquisition Agreement at any time;
- (c) In the event that any claims are brought against the Company after the date of Completion, where the reasons for such claims are derived of business activities conducted before the Completion and the Parties did not expect its happening or the Vendor failed to disclose such claims before the Completion, the Vendor shall take measures and resolve the disputes relating to the claims and keep the Target Assets and the Company from any loss. In the event that such claims cause any loss of the Target Assets or the Company, the Vendor shall indemnify all losses arising from such claims; and
- (d) Where it becomes impossible for a party to perform the Assets Acquisition Agreement due to a force majeure event, which includes but not limited to earthquake, collapse, subsidence, flood, typhoon, fire, explosion, accidents, war, riot, revolution, mutiny, destructive activities or other turmoil, turbulence of the society, the obligations under the Assets Acquisition Agreement for such party shall be suspended and the period for performance shall be automatically extended by a period equivalent to the aforesaid period of such suspension, and it will not be regarded as a breach of the agreement. The party shall notify the other party promptly in writing, together with supporting written evidence of such force majeure event and take all measures necessary to mitigate the effects. If the force majeure delays and prevents the performance of the obligations of any party for a continuous period of over three (3) months, any party may give notice to the other party to terminate each party's obligations under the Assets Acquisition Agreement.

(B) Reasons for and Benefit of Entering into the Assets Acquisition Agreement

The reasons for entering into the Assets Acquisition Agreement are set out below:

- (i) the Target Assets are located in the Economic & Technology Development Zone of Zouping in the coverage of the power grid of the Company and other than the Vendor, to the knowledge of the Company, there is no other comparative thermal power assets for sale in the coverage of the power grid of the Company;

- (ii) due to the deeper reform of the electricity industry and gradually open regulatory policies of sales of electricity, it is the appropriate time for the Acquisition so as to further develop the business of sales of electricity, to increase the revenue from external sales of electricity and reduce related cost of the Group; and
- (iii) given the development and expansion of the textile and aluminum industry clustering around the location of the Company, the demand for electricity in the industry clustering in the Economic & Technology Development Zone of Zouping is increasing rapidly and significantly.

Based on the above, the Board believes that the terms of the Assets Acquisition Agreement and the Acquisition thereunder are fair and reasonable and beneficial to the Group and are in the interests of the Shareholders as a whole.

(C) Information of the Target Assets

Target Assets	Assets location	Expected Capacity (MW)
Thermal power assets** (熱電資產)	Changshan Town, Zouping County, Shandong Province, the PRC	1,320MW

According to the Valuation Reports issued by an independent valuer, the appraised value of the machinery and equipment and the property interest of Target Assets amounted to RMB1,793,425,000 (equivalent to approximately HK\$2,145,245,215) and RMB1,393,000,000 (equivalent to approximately HK\$1,666,267,943), respectively, as at 31 December 2015. Electricity generated by the Target Assets is expected to be used for supplying companies located in the Economic Development Zone of Zouping County with electricity after the Completion.

The net profit before and after taxation of the Target Assets for the financial years ended 31 December 2014 and 31 December 2015 is unavailable as the Target Assets have not started operation as of the date of this announcement.

As of 31 December 2015, approximately 70% of the total construction was completed, where approximately 80% of the civil engineering was completed and approximately 60% of machinery was delivered and equipped. The first generation set has entered the debugging process and is expected to be fully operated and to generate income in the second quarter of 2016. The construction of the other three generation sets is expected to be completed one after another in the fourth quarter of 2016 and the income generated from the Target Assets is expected to be increasing. The Target Assets will be fully operated and generate income in first quarter of 2017.

Pursuant to the Assets Acquisition Agreement, the Vendor shall be responsible for all relevant licences and permits which shall be obtained pursuant to relevant PRC laws before the Completion, including but not limited to project approval or filing, land use permit, planning certificate, construction and environmental related approval or filings, and the Company will be responsible for relevant licences and permits which shall be obtained pursuant to relevant PRC laws after the Completion, including but not limited to filings in relation to the Completion and other permits relating to the operation of the Target Assets, such as environment and safety production permits and the Vendor shall provide necessary assistance in this regard and shall be liable for any loss or damages to the Company arising from the Vendor's failure to perform such obligations. The management of the Company confirms that based on their understanding of the current PRC laws, there is no legal difficulty for the Company to obtain relevant licences and permits relating to operation of the Target Assets.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board hereby announces that a special resolution will be proposed at the EGM to be held on 25 April 2016 to amend the Articles of Association. According to the Opinions on the Implementation of the Reform of Sales of Electricity** (關於推進售電側改革的實施意見) issued by relevant PRC governmental authority in November 2015, the sales of electricity will be opened for participation by social enterprises** (向社會資本開放售電業務) with an view to provide more options for users and improve the service quality of sales of electricity. The proposed amendments to the Articles of Association are for the purposes to grasp such opportunity to expand electricity sales business of the Group in anticipation of the Acquisition. The Board proposes to amend Article 2.2 of the Articles of Association.

The original Article 2.2 is:

“The business scope of the Company is: cotton spinning, weaving, printing and dyeing, and production, processing and sale of knitgoods and clothes; and self-operated import and export within the approved scope of practice.

The business scope of the Company shall be as approved by the industrial and commercial administration authority. The Company may, as per market changes and the Company's own needs and upon approval of the examination and approval authority, adjust the business and operation method, and establish branches in and outside China.”

Amended as:

“The business scope of the Company is: cotton spinning, weaving, printing and dyeing, and production, processing and sale of knitgoods and clothes; sale of electricity; and self-operated import and export within the approved scope of practice.

The business scope of the Company shall be as approved by the industrial and commercial administration authority. The Company may, as per market changes and the Company's own needs and upon approval of the examination and approval authority, adjust the business and operation method, and establish branches in and outside China.”

It is proposed that the Shareholders shall authorize the Board to do all such things as necessary in respect of the amendments to the Articles of Association pursuant to the requirements (if any) under domestic or overseas laws or under the rules of any stock exchange on which any securities of the Company is listed.

The Board confirms that there is nothing unusual about the proposed amendments to the Articles of Association for a company listed in Hong Kong.

The proposed amendments to the Articles of Association are subject to approval of the Shareholders by way of special resolution at the EGM and the approval of and registration or filing with the relevant PRC government authorities.

IMPLICATIONS UNDER THE LISTING RULES

As certain applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Therefore, the Acquisition is subject to the reporting, announcement and shareholders' approval requirements set out in Chapter 14 of the Listing Rules.

The Directors consider that the terms and conditions of the Assets Acquisition Agreement have been negotiated on an arm's length basis, and are normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will convene the EGM on 25 April 2016 for the purpose of seeking the approval by the Shareholders of the Assets Acquisition Agreement and the Acquisition contemplated thereunder, and the proposed amendments to the Articles of Association.

To the best knowledge, information and belief of the Directors, having made all reasonable enquires, no Shareholder has a material interest in the Acquisition and no Shareholder is required to abstain from voting to approve the Assets Acquisition Agreement at the EGM.

The votes to be taken at the EGM in relation to the above proposed resolutions will be taken by poll.

A circular containing, among others, (i) further details of the Assets Acquisition Agreement; (ii) the Valuation Reports; and (iii) the proposed amendments to the Articles of Association, will be despatched to the Shareholders on or before 8 April 2016.

DEFINITIONS

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

“Acquisition”	the acquisition of the Target Assets owned by the Vendor by the Company as contemplated under the Assets Acquisition Agreement
“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Assets Acquisition Agreement”	the assets acquisition agreement entered into between the Parties regarding the acquisition of the Target Assets dated 11 March 2016
“Board”	the board of Directors of the Company
“Company”	魏橋紡織股份有限公司 (Weiqiao Textile Company Limited ^{**})
“Completion”	the completion of the Acquisition
“Date of Transfer”	the day when the Vendor transfer the Target Assets and, at the request of the Company, all financial materials and other information of the Target Assets to the Company within ten (10) business days after the date of Completion
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company proposed to be convened and held on 25 April 2016 for the Shareholders to consider and, if thought fit, approve, among other things, the Assets Acquisition Agreement and the Acquisition thereunder, and the amendments to the Articles of Association
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MW”	megawatt

“Parties”	parties to the Assets Acquisition Agreement, being the Vendor and the Company
“PRC”	the People’s Republic of China and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	registered holder(s) of the shares of the Company
“Target Assets”	the thermal power assets** (熱電資產) wholly owned by the Vendor with an expected capacity of 1,320MW for three generator sets in construction and one in debugging process in Changshan Town, Zouping County, Shandong Province. Electricity generated by the Target Assets is expected to be used for supplying companies located in the Economic & Technology Development Zone of Zouping
“Transfer”	the transfer by the Vendor of the Target Assets and, at the request of the Company, all financial materials and other information of the Target Assets to the Company
“Valuation Reports”	the valuation reports on the appraised value of the Target Assets as of 31 December 2015 issued by an independent valuer
“Vendor”	the owner of the Target Assets, Zouping Changshan Industry Co., Ltd.** (鄒平長山實業有限公司), a limited liability company incorporated in the PRC
“%”	per cent

For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the exchange rate of RMB0.836 = HK\$1.00

By order of the Board
Weiqiao Textile Company Limited**
Zhang Jinglei
Executive Director and Company Secretary

Shandong, the PRC
11 March 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 “Weiqiao Textile Company Limited” and the Chinese name of the Company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).*

*** For identification purposes only*