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吉 林 奇 峰 化 纖 股 份 有 限 公 司
JILIN QIFENG CHEMICAL FIBER CO., LTD.*

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 549)

CONNECTED TRANSACTION
NON-EXERCISE OF RIGHT OF FIRST REFUSAL

INTRODUCTION

Reference is made to the Prospectus and the announcements of the Company dated 15 November 2006 and 18 December 2013.

Jimont, a jointly controlled entity of the Company, was established as a Sino-foreign equity joint venture enterprise under the laws of the PRC with a registered capital of RMB450.0 million on 21 December 2005. As disclosed in the announcement of the Company dated 15 November 2006, Montefibre entered into an equity transfer agreement to transfer 10.64% of the equity interest in Jimont to SIMEST as part of the financing arrangement between Montefibre and SIMEST. As at the date of this announcement, the equity interest of Jimont is held as to 50.00% by the Company, 39.36% by Montefibre and 10.64% by SIMEST. Jimont is principally engaged in the production and sale of acrylic fiber products in the PRC.

As disclosed in the announcement of the Company dated 18 December 2013, the Company has been notified by Montefibre of its intention to enter into voluntary winding up, and that as part of its proposed voluntary winding up, Montefibre will make its investment in Jimont available for sale.

PROPOSED SALE OF EQUITY INTERESTS BY MONTEFIBRE AND SIMEST

As disclosed in the Prospectus, under the JV Contract, the Company is entitled to the Right of First Refusal with respect to any transfer of equity interest by the other joint venture partner(s) to any third parties, pursuant to which the Company may purchase the equity interest being transferred on the same terms as offered by the third party purchaser.

On 27 February 2015, pursuant to the JV Contract, Montefibre served a formal notice of the proposed sale of the Sale Equity (for itself and on behalf of SIMEST) to the Company of its intention to transfer 50% of the equity interest in Jimont to a third party purchaser (the “**Purchaser**”), which is a company established in the PRC, for a consideration of more than RMB100,000,000. Montefibre has, through this formal notice, also sought the Company’s decision as to whether it will exercise its Right of First Refusal to acquire the 50% equity interest in Jimont at a price equal to or higher than RMB100,000,000.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, the Purchaser and the ultimate beneficial owner(s) of the Purchaser are Independent Third Parties.

The Company announces that the Board resolved not to exercise the Right of First Refusal and notified Montefibre of its decision in writing on 13 March 2015 (after trading hours).

LISTING RULE IMPLICATIONS

As disclosed in the Prospectus, for the purpose of the listing of the Company’s H Shares on the Stock Exchange and good corporate governance, the Company and the then directors of the Company have undertaken to the Stock Exchange to have Jimont generally regulated in a manner consistent with the regulation of subsidiaries of a listed group for the purposes of applying the Listing Rules, and Jimont would be considered as part of the Company for the purposes of applying the connected transaction requirements under the Listing Rules.

Jimont is held as to 39.36% by Montefibre and 10.64% by SIMEST. Other than their respective holding of equity interests in Jimont, each of Montefibre and SIMEST has no other relationship with the Company and its connected persons. As each of Montefibre and SIMEST is a connected person only because of their respective connection with Jimont, each of Montefibre and SIMEST is a connected person at the subsidiary level of the Company under Rule 14A.06(9) of the Listing Rules. Accordingly, the non-exercise of the Right of First Refusal constitutes a connected transaction under Rule 14A.24(2)(b) of the Listing Rules.

Since the non-exercise of the Right of First Refusal is between the Company and Montefibre and SIMEST, who are connected persons at the subsidiary level of the Company, (i) the Board has approved the non-exercise of the Right of First Refusal; and (ii) the independent non-executive directors have confirmed that the terms of the non-exercise of the Right of First Refusal are fair and reasonable, the Board’s decision not to exercise the Right of First Refusal has been made on normal

commercial terms and in the interests of the Company and its shareholders as a whole, the connected transaction is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Nonetheless, as the relevant percentage ratio in respect of the Right of First Refusal is more than 5% and the total consideration is higher than HK\$3,000,000, the non-exercise of the Right of First Refusal is subject to the announcement requirement under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, none of the Directors has any material interest in the transaction. No Director was required to abstain from voting on the board resolution of approving the transaction.

REASONS FOR AND BENEFITS OF NON-EXERCISE OF RIGHT OF FIRST REFUSAL

Taking into account the fact that: (i) Jimont recorded a loss for two consecutive years from 2012 to 2013; (ii) both Jimont and the Company have significant bank borrowings, finance costs and high gearing ratio; (iii) Jimont is not expected to generate significant cash contribution for the Company in at least the short term, the Directors are of the view that exercising the Right of First Refusal will increase the leverage and finance cost of the Company and create additional pressure of the Group's cashflow, which is not in the interest of the Company or its shareholders.

Accordingly, the Directors (including the independent non-executive Directors) are of the view that it is in the interests of the Company and its shareholders as a whole for the Company not to exercise the Right of First Refusal in respect to the proposed sale of equity interests by Montefibre and SIMEST.

The Board has approved the non-exercise of the Right of First Refusal. The independent non-executive Directors have confirmed that the terms of the non-exercise of the Right of First Refusal are fair and reasonable, and the Board's decision not to exercise the Right of First Refusal has been made on normal commercial terms and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE COMPANY AND ITS SUBSIDIARY

The Company is principally engaged in the production and sale of different type of acrylic fiber products, namely, acrylic top, acrylic tow and acrylic staple fiber. The subsidiary of the Company is principally engaged in the production and sale of carbon fiber products.

INFORMATION ON MONTEFIBRE

Montefibre is a company incorporated under the laws of Italy. It is principally engaged in the production and marketing of acrylic and polyester fibers.

INFORMATION ON SIMEST

SIMEST is a development finance institution set up by the Italian Government dedicated to supporting and promoting direct investment by Italian companies outside the European Union.

INFORMATION ON JIMONT

As at the date of this announcement, the equity interest of Jimont is held as to 50.00% by the Company, 39.36% by Montefibre and 10.64% by SIMEST. Jimont is principally engaged in the production and sale of acrylic fiber products in the PRC.

For the two years ended 31 December 2012 and 2013, the audited net loss of Jimont were as follows:

For the year ended 31 December 2012

Net loss (before tax): RMB106 million

Net loss (after tax): RMB80 million

For the year ended 31 December 2013

Net loss (before tax): RMB25 million

Net loss (after tax): RMB30 million

The unaudited total net assets of Jimont were RMB294 million as of 30 June 2014.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the otherwise stated:

“Board”	the board of directors of the Company
“Company”	吉林奇峰化纖股份有限公司 (Jilin Qifeng Chemical Fiber Co., Ltd.*), a foreign invested joint stock limited company converted from 吉林奇峰化纖有限公司 (Jilin Qifeng Chemical Fiber Co., Ltd.*), a Sino-foreign equity joint venture company established in the PRC with limited liability
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Independent Third Party/ies”	third party/ies and their ultimate beneficial owner(s) which is/are independent of and not connected with the Company, its subsidiary and Jimont and their respective connected persons
“Jimont”	吉林吉盟腈綸有限公司 (Jilin Jimont Acrylic Fiber Co., Ltd.#), a Sino-foreign equity joint venture company established in the PRC on 21 December 2005, which is owned by the Company as to 50%, by Montefibre as to 39.64% and by SIMEST S.p.A. as to 10.36%. It is considered as part of the Company for the purpose of applying the requirements in the Listing Rules regarding connected transactions
“JV Contract”	the Joint Venture Contract for the Establishment of Jilin Jimont Acrylic Fiber Co., Ltd. dated 16 October 2005 entered into between the Company and Montefibre pursuant to which Jimont was established
“Montefibre”	Montefibre S.p.A., a company incorporated under the laws of Italy
“PRC”	The People’s Republic of China
“Prospectus”	the prospectus of the Company dated 9 June 2006

“Right of First Refusal”	the Company’s right of first refusal to acquire the equity interests in Jimont held by Montefibre and/or SIMEST under the JV Contract
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	the 50% equity interest in Jimont proposed to be sold by Montefibre and SIMEST
“SIMEST”	Società Italiana per le Imprese all’Estero, a financing institution set up by the Italian government
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

For reference purpose only, the English names of these companies, persons or documents are only a translation of their respective Chinese names. In the event of any discrepancies between the Chinese names and their respective English translations, the Chinese version shall prevail.

By order of the Board
Jilin Qifeng Chemical Fiber Co., Ltd.
Song Dewu
Chairman

Jilin, the PRC, 13 March 2015

** The Company is a non- Hong Kong company under Part 16 of the Company Ordinance (Chapter 622 of the Laws of Hong Kong) registered under the English name “Jilin Qifeng Chemical Fiber Co., Ltd.”.*

As at the date of this announcement, the executive Directors are Mr. Song Dewu, Mr. Yang Xuefeng, and Mr. Pan Xianfeng, the non-executive Directors are Ms. Pang Suet Mui, Mr. Sun Haichao, Mr. Jiang Junzhou and Mr. Ma Jun, and the independent non-executive Directors are Mr. Li Yanxi, Mr. Jin Jie, Mr. Lv Xiaobo, and Ms. Zhu Ping.