

*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 disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

## 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)**

## **CONTINUING CONNECTED TRANSACTION**

### **SUMMARY**

On 25 May 2016, the Company entered into the Acrylonitrile Supply Agreement with Fuyunde, a subsidiary of JCF Groupco, pursuant to which Fuyunde will provide acrylonitrile to the Company.

The Acrylonitrile Supply Agreement will constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Each of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the transactions under the Acrylonitrile Supply Agreement is higher than 0.1% but less than 5%, and the annual transaction amount under the Acrylonitrile Supply Agreement is expected to be greater than HK\$3,000,000. Therefore, the Acrylonitrile Supply Agreement and the transactions contemplated under it are subject to the reporting and announcement requirements and the annual review requirements, but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board (including the independent non-executive Directors) considers that the Acrylonitrile Supply Agreement was entered into in the ordinary course of business of the Company, its terms are fair and reasonable and the Acrylonitrile Supply Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

### **INTRODUCTION**

On 25 May 2016, the Company entered into the Acrylonitrile Supply Agreement with Fuyunde pursuant to which Fuyunde will provide acrylonitrile to the Company. The Acrylonitrile Supply Agreement and the transactions contemplated under it will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the Acrylonitrile Supply Agreement are as follows.

## **Relationship between the parties**

JCF Groupco, a substantial shareholder of the Company holding approximately 50.01% interest in the Company, is a connected person of the Company.

To the best of the Company's knowledge, as at the date of this announcement, Fuyunde is owned as to 100% by JCF Groupco. JCF Groupco, which owns 50.01% of the issued share capital of the Company, is the sole shareholder of Fuyunde. Mr. Song Dewu currently serves as the chairman of the Company and JCF Groupco. Save as disclosed above, there is no other overlapping directorship between JCF Groupco and the Company.

Fuyunde is a subsidiary of JCF Groupco, and, being an associate of JCF Groupco, is also a connected person of the Company under the Listing Rules.

Accordingly, the transactions contemplated under the Acrylonitrile Supply Agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

## **THE ACRYLONITRILE SUPPLY AGREEMENT**

The principal terms of the Acrylonitrile Supply Agreement are as follows.

Date of

agreement: 25 May 2016

Parties: Fuyunde as seller

The Company as purchaser

Term: The term of the Acrylonitrile Supply Agreement commenced on 25 May 2016 and will end on 31 December 2016 (both dates inclusive) and, subject to compliance with relevant laws and requirements relating to continuing connected transactions under the Listing Rules (including reporting, announcement and Independent Shareholders' approval where applicable), the term of the Acrylonitrile Supply Agreement may be renewed by the Company for a further term of three years or less after the expiration of its initial term.

- Price:** Pursuant to the Acrylonitrile Supply Agreement, Fuyunde will sell acrylonitrile to the Company at the prevailing market price of acrylonitrile and the price is to be agreed between the parties from time to time. Since the Company will continue to purchase acrylonitrile from its existing suppliers, the Company will compare the prices offered by Fuyunde to the prices offered by other Independent Third Party suppliers to ensure the prices offered by Fuyunde to the Company are fair and reasonable. Fuyunde undertakes that, for products of comparable quality, the price of acrylonitrile sold to the Company will not be higher than those Fuyunde sold to Independent Third Parties. The Company shall pay the purchase price in cash for the acrylonitrile purchased from the Company's working capital. The Company shall pay the purchase price upon the acceptance of the acrylonitrile delivered by Fuyunde after inspection.
- Proposed annual cap:** The maximum aggregate annual sales from Fuyunde to the Company under the Acrylonitrile Supply Agreement (i.e. the annual cap) is estimated not to exceed RMB20.0 million (equivalent to approximately HK\$23.8 million) for the year ending 31 December 2016. The annual cap for the Acrylonitrile Supply Agreement as set out above is determined with reference to, among other things, the historical transaction amounts, the expected production volume of the Company and the corresponding demand for acrylonitrile and forecasted future market prices and supply of acrylonitrile. The Group had not purchased acrylonitrile from Fuyunde before it entered into the Acrylonitrile Supply Agreement with Fuyunde. During the years ended 31 December 2013, 2014 and 2015, the total amount of purchases of acrylonitrile by the Group were RMB983 million, RMB1,304 million and RMB984 million, respectively.

### ***Reasons for and benefits of the Acrylonitrile Supply Agreement***

Acrylonitrile is the major raw material used in the production of the Group's acrylic fibre products. The Group has been purchasing acrylonitrile directly from China National Petroleum Corporation Jilin Chemical Group Company and other suppliers in the PRC in the past. The Company will also purchase acrylonitrile from Fuyunde to diversify its sources of raw materials to ensure a more stable supply of acrylonitrile and to further reduce the raw material costs of the Company.

The Board (including the independent non-executive Directors) considers that the Acrylonitrile Supply Agreement was entered into in the ordinary course of business of the Company, its terms are fair and reasonable and the Acrylonitrile Supply Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

As no Director has a material interest in the transaction under the Acrylonitrile Supply Agreement, none of the Directors has abstained from voting on the relevant board resolution approving the Acrylonitrile Supply Agreement.

### ***Pricing policy and Internal Control***

In order to ensure that the terms of the Acrylonitrile Supply Agreement are not less favourable than those available from Independent Third Parties, the Company has adopted the following measures:

1. For the purpose of ascertaining the market price of acrylonitrile, the Company will compare the purchase of acrylonitrile to the purchase prices in the transactions between the Company and two Independent Third Parties for similar products of comparable quantity.
2. The relevant personnel of the Company will oversee and regularly review the price of the acrylonitrile offered by Fuyunde and to ensure that the purchase price under the Acrylonitrile Supply Agreement is in line with the market price and is not less favourable than those offered by Independent Third Parties.
3. The independent non-executive Directors and the auditors of the Company will review the transactions under the Acrylonitrile Supply Agreement annually to ensure that the Acrylonitrile Supply Agreement is entered into in the ordinary course of business of the Company, and that its terms are fair and reasonable and on normal commercial terms.

### **Listing Rules Implications**

Each of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the transactions under the Acrylonitrile Supply Agreement is higher than 0.1% but less than 5%, and the annual transaction amount under the Acrylonitrile Supply Agreement is expected to be greater than HK\$3,000,000. Accordingly, the Acrylonitrile Supply Agreement and the transactions contemplated under it are subject to the reporting and announcement requirements and the annual review requirements, but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## GENERAL

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

Fuyunde is principally engaged in the wholesale and retail sale of, among other things, chemical products and textile raw materials.

## DEFINITIONS

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

“Acrylonitrile Supply Agreement”	the acrylonitrile supply agreement dated 25 May 2016 pursuant to which Fuyunde agreed to sell and the Company agreed to purchase acrylonitrile
“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
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Fuyunde”	吉林化纖福潤德紡織有限公司 (Jilin Chemical Fiber Fuyunde Textile Co., Ltd.#), a company established in the PRC and owned as to 100% by JCF Groupco
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party/ies”	third party/ies and their ultimate beneficial owner(s) which is/are independent of the Company and their respective connected persons

“Independent Shareholders”	has the meaning ascribed thereto under Chapter 13 of the Listing Rules
“JCF Groupco”	吉林化纖集團有限責任公司 (Jilin Chemical Fiber Group Co., Ltd. <sup>#</sup> ), a company with limited liability established in the PRC and the Controlling Shareholder of the Company
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules

<sup>#</sup> *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.*

*Unless otherwise defined, an exchange rate of HK\$1.00 = RMB0.84 is adopted in this announcement, for illustration purposes only.*

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

Jilin, the PRC, 25 May 2016

*\* The Company is registered as a non-Hong Kong company under Part 16 of the Company Ordinance (Chapter 622 of the Laws of Hong Kong) 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 Mr. Ma Jun, Mr. Jiang Junzhou, Ms. Pang Suet Mui and Mr. Wu Song, and the independent non-executive Directors are Mr. Li Yanxi, Mr. Jin Jie, Mr. Lv Xiaobo and Ms. Zhu Ping.*