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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
FABRICS, KNITTED FABRICS, APPAREL AND HOME TEXTILES
PRODUCTS SUPPLY AGREEMENT**

ENTERING INTO THE CONTINUING CONNECTED TRANSACTIONS

The Board would like to announce that, on 17 May 2021, the Company and the Parent Company entered into the Fabrics, Knitted Fabrics, Apparel and Home Textiles Products Supply Agreement for a term commencing on 17 May 2021 and ending on 31 December 2023 (both days inclusive), pursuant to which the Parent Company agreed to supply or procure its subsidiaries to supply fabrics, knitted fabrics, apparel and home textiles products (including but not limited to fabrics, knitted fabrics, apparel and home textiles products) to the Group.

LISTING RULES IMPLICATION

The Parent Company is the controlling shareholder of the Company and it therefore constitutes a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Fabrics, Knitted Fabrics, Apparel and Home Textiles Products Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Continuing Connected Transactions, on an annual basis, is more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to the reporting, announcement 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. THE FABRICS, KNITTED FABRICS, APPAREL AND HOME TEXTILES PRODUCTS SUPPLY AGREEMENT

The major terms of the Fabrics, Knitted Fabrics, Apparel and Home Textiles Products Supply Agreement are set out as follows:

1. Date

17 May 2021

2. Parties

- (i) the Company (including its subsidiaries); and
- (ii) the Parent Company (including its subsidiaries, excluding the Company and its subsidiaries)

3. Connected person

The Parent Company is the controlling shareholder of the Company, holding approximately 63.67% of the total issued shares of the Company as at the date of this announcement, and it therefore constitutes a connected person of the Company under the Listing Rules.

4. Transaction nature

The Company and the Parent Company entered into the Fabrics, Knitted Fabrics, Apparel and Home Textiles Products Supply Agreement on 17 May 2021 for a term commencing on 17 May 2021 and ending on 31 December 2023 (both days inclusive), pursuant to which the Parent Company agreed to supply or procure its subsidiaries to supply fabrics, knitted fabrics, apparel and home textiles products (including but not limited to fabrics, knitted fabrics, apparel and home textiles products) to the Group.

5. Pricing basis and payment terms

The prices of fabrics, knitted fabrics, apparel and home textiles products to be supplied by the Parent Company to the Group shall be determined with reference to the prices at which the same or comparable types of fabrics, knitted fabrics, apparel and home textiles products are supplied by the Parent Company to independent third parties on normal commercial terms in its ordinary and usual course of business in the PRC. The Parent Company shall provide the evidence of such market prices to the Group upon the request of the Group.

The Directors confirmed that the pricing basis agreed between the Company and the Parent Company for supply of fabrics, knitted fabrics, apparel and home textiles products is negotiated on an arm's length basis and is fair and reasonable, and constitutes normal commercial terms.

The Parent 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 expenses undue shall not be included in such account book. The Group shall, within the first ten (10) business days of the following month, pay the amount due in full.

6. Termination and renewal

Either party to the Fabrics, Knitted Fabrics, Apparel and Home Textiles Products Supply Agreement may terminate it by providing at least thirty (30) days prior written notice to the counterparty. The Fabrics, Knitted Fabrics, Apparel and Home Textiles Products Supply Agreement is renewable for another term of three (3) years (subject to the compliance of relevant requirements under the Listing Rules by the Company) unless either party decides not to renew it and gives at least thirty (30) days prior written notice to the counterparty accordingly. For the avoidance of doubt, the Fabrics, Knitted Fabrics, Apparel and Home Textiles Products Supply Agreement shall not be renewed without approval from the Board and/or the independent Shareholders, where necessary.

7. Historical transaction values and the Annual Caps

The Company confirms that there were no historical transaction values available since the Company did not enter into any similar transaction agreement with the Parent Company in relation to supply of fabrics, knitted fabrics, apparel and home textiles products in the past.

Set out below are the Annual Caps which are estimated to be payable by the Company to the Parent Company under the Fabrics, Knitted Fabrics, Apparel and Home Textiles Products Supply Agreement for the period from 17 May 2021 to 31 December 2023:

	For the period from 17 May 2021 to 31 December 2021 (RMB) (excluding VAT)	For the financial year ending 31 December 2022 (RMB) (excluding VAT)	For the financial year ending 31 December 2023 (RMB) (excluding VAT)
Annual Caps	50,000,000	60,000,000	72,000,000

The Annual Caps for the period from 17 May 2021 to 31 December 2023 are determined with reference to (i) the estimated purchase amount of the Group for the fabrics, knitted fabrics, apparel and home textiles products; and (ii) the estimated prices for supply of fabrics, knitted fabrics, apparel and home textiles products under the Fabrics, Knitted Fabrics, Apparel and Home Textiles Products Supply Agreement for the period from 17 May 2021 to 31 December 2023.

The Annual Cap for each of the two financial years ending 31 December 2023 represents a growth rate of approximately 20% from the previous year. Such annual growth rate of approximately 20% was determined in consideration that with the expansion of domestic home textile market scale and the efforts made by the Group to develop new customers, it is expected that the Group will obtain a bigger domestic market share and will require more supply of fabrics, knitted fabrics, apparel and home textiles products from the Parent Company for the three financial years ending 31 December 2023.

B. REASONS FOR AND BENEFITS OF ENTERING INTO THE FABRICS, KNITTED FABRICS, APPAREL AND HOME TEXTILES PRODUCTS SUPPLY AGREEMENT

In order to expand the domestic market and ensure the quality of fabrics, knitted fabrics, apparel and home textiles products, the Company and the Parent Company entered into the Fabrics, Knitted Fabrics, Apparel and Home Textiles Products Supply Agreement after considering, among others, the following reasons:

- (i) the close location between the Parent Company and the Company makes it convenient and efficient for supply of fabrics, knitted fabrics, apparel and home textiles products; and
- (ii) the Parent Company has advanced technology to produce fabrics, knitted fabrics, apparel and home textiles products of high quality, and is able to provide fabrics, knitted fabrics, apparel and home textiles products with flexible adjustment for the sales plan of the Company, which is favourable to the stable operation and expansion of the Group's business.

The Directors (including the independent non-executive Directors) consider that the Continuing Connected Transactions are and will be conducted in the ordinary and usual course of business of the Group and the terms of the Fabrics, Knitted Fabrics, Apparel and Home Textiles Products Supply Agreement (including the Annual Caps) have been negotiated on an arm's length basis, and are on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

C. LISTING RULES IMPLICATION

The Parent Company is the controlling shareholder of the Company and it therefore constitutes a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Fabrics, Knitted Fabrics, Apparel and Home Textiles Products Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Continuing Connected Transactions, on an annual basis, is more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to the reporting, announcement 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, Ms. Zhao Suwen and Mr. Zhang Jinglei had abstained from voting on the relevant resolution of the Board for approving the Continuing Connected Transactions as they concurrently serve as directors of the Parent Company.

D. INTERNAL CONTROL PROCEDURES

The Company has adopted the following internal control measures to ensure that the Continuing Connected Transactions are and will be conducted in accordance with the pricing policies and the terms of the Fabrics, Knitted Fabrics, Apparel and Home Textiles Products Supply Agreement, and in compliance with the relevant Listing Rules:

- (i) the finance department of the Company shall obtain and monitor all the quotations and/or pricing records as reference prices of the Continuing Connected Transactions to ensure the prices of fabrics, knitted fabrics, apparel and home textiles products to be supplied by the Parent Company to the Company are no less favourable to the Group than the prices at which the same or comparable types of fabrics, knitted fabrics, apparel and home textiles products are supplied by independent third parties to the Group;
- (ii) the finance department of the Company shall monitor and ensure that the Continuing Connected Transactions are and will be conducted in accordance with the terms of the Fabrics, Knitted Fabrics, Apparel and Home Textiles Products Supply Agreement and the Annual Caps are not exceeded;
- (iii) the Board will continue to periodically review the Company's internal control systems and their effectiveness; and
- (iv) the independent non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual review of the Continuing Connected Transactions and the Annual Caps in accordance with the requirements of the Listing Rules.

E. GENERAL INFORMATION

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

The Parent Company is principally engaged in the processing and sale of cotton, lint cotton, cotton seed oil, fabrics, cotton yarn and print cloth, retail and distribution of cloth and supply of industrial water.

F. DEFINITIONS

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

“Annual Caps”	the annual caps for the Continuing Connected Transactions contemplated under the Fabrics, Knitted Fabrics, Apparel and Home Textiles Products Supply Agreement for the period from 17 May 2021 to 31 December 2023
“Board”	the board of Directors
“Company”	魏橋紡織股份有限公司 (Weiqiao Textile Company Limited*), a joint stock limited company incorporated in the PRC with limited liability and the Shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 2698)
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the Fabrics, Knitted Fabrics, Apparel and Home Textiles Products Supply Agreement
“Director(s)”	the director(s) of the Company
“Fabrics, Knitted Fabrics, Apparel and Home Textiles Products Supply Agreement”	the fabrics, knitted fabrics, apparel and home textiles products supply agreement entered into between the Company and the Parent Company on 17 May 2021 for a term commencing on 17 May 2021 and ending on 31 December 2023 (both days inclusive)
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Parent 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
“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
“VAT”	value added tax at the rate of 13% which is subject to adjustment from time to time according to the tax laws and regulations in the PRC
“%”	per cent

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

17 May 2021
Shandong, the PRC

As at the date of this announcement, the Board comprises eight Directors, namely Ms. Zhang Hongxia, Ms. Zhang Yanhong, Ms. Zhao Suwen and Mr. Zhang Jinglei as executive Directors; Ms. Zhao Suhua as non-executive Director; and Mr. George Chan Wing Yau, Mr. Chen Shuwen and Mr. Liu Yanzhao 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).*