

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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
SUPPLY OF COTTON YARN, GREY FABRIC AND DENIM**

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 21 October 2014. According to the aforesaid announcement, among others, the Company has agreed to supply or procure its subsidiaries to supply cotton yarn/grey fabric and denim to Parent Group for the production of downstream cotton textile products for a term of three years commencing on 1 January 2015 and ending on 31 December 2017 (both days inclusive).

The Board wishes to announce that the Company, on 17 October 2017, entered into the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement for a term of three years commencing on 1 January 2018 and ending on 31 December 2020 (both days inclusive), pursuant to which the Company will continue to supply or procure its subsidiaries to supply cotton yarn/grey fabric and denim to Parent Group. Terms and conditions of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement are basically the same as those of the Old Cotton Yarn/Grey Fabric and Denim Supply Agreement.

LISTING RULES IMPLICATION

The Holding Company is the controlling shareholder of the Company. It therefore constitutes a connected person of the Company under the Listing Rules.

As certain applicable percentage ratios (as defined under the Listing Rules) in respect of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement are more than 5% and the total consideration is more than HK\$10,000,000, the Continuing Connected Transactions constitute

non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and are subject to the reporting, annual review, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

An EGM will be convened to consider and, if thought fit, approve, among other things, the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps).

A circular containing, among others, (i) further details of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps); (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM will be despatched to the Shareholders on or before 6 November 2017.

I. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

The material terms of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement are set out as follows:

1. Date

17 October 2017

2. Parties

(a) the Company; and

(b) the Holding Company

3. Connected person

the Holding Company

4. Transaction nature

The Company and the Holding Company entered into the Old Cotton Yarn/Grey Fabric and Denim Supply Agreement on 21 October 2014, pursuant to which, the Company agreed to supply or procure its subsidiaries to supply cotton yarn/grey fabric and denim to Parent Group for the production of downstream cotton textile products. On 17 October 2017, the Company and the Holding Company entered into the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement with a term of three years commencing on 1 January 2018 and ending on 31 December 2020 (both days inclusive).

Pursuant to the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement, the Company will continue to supply or will procure its subsidiaries to supply cotton yarn/grey fabric and denim to Parent Group.

5. Pricing basis and payment terms

The prices of cotton yarn/grey fabric and denim supplied by the Group to Parent Group are determined by reference to the prices at which comparable types of relevant products are supplied by the Group to independent third parties under normal commercial terms in the ordinary course of its business in the PRC. The Company shall provide the evidence of such market prices to the Holding Company upon the request of the Holding Company.

The Directors have confirmed that the pricing basis agreed between the Company and the Holding Company for the supply of the cotton yarn/grey fabric and denim is fair and reasonable, negotiated on an arm's length basis and constitutes a normal commercial term. The Group has a wide variety of textile products to be sold to its customers according to an indicative price range for different textile products that is charged on a cost-plus basis and depending on factors, including but not limited to, the prevailing market conditions, sales volume and delivery requirements. The Group's ex-factory price for a single product category was nation-wide uniform. The Directors confirm that the selling prices of comparable types of relevant products sold to Parent Group shall be made with reference to those to the independent third party customers at the same time. The Group usually reviews, adjusts and approves these price lists from time to time, whenever it considers necessary, taking into account of the prevailing market conditions and other relevant factors at that time. Since the Group's ex-factory price for a single product category was nation-wide uniform, the Directors consider that such method shall be able to ensure that the Continuing Connected Transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders.

The Company would, on the last business day of each calendar month, prepare an account book of the relevant costs/expenses that shall be paid by the Holding Company for that month. The expenses undue shall not be included in such account book. The Holding Company 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 Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement may terminate it by providing at least thirty (30) days prior written notice to the counterparty. The Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement is renewable for another term of three years (subject to the compliance of the applicable requirements under the Listing Rules by the Company) unless either party decides not to renew it and give a thirty (30) days prior written notice to the counterparty accordingly.

7. Historical transaction values and Annual Caps

The historical transaction values of the cotton yarn/grey fabric and denim supplied by the Group to Parent Group and the annual caps under the Old Cotton Yarn/Grey Fabric and Denim Supply Agreement for the two years ended 31 December 2016 and the financial year ending 31 December 2017 are as follows:

	Financial years ended/ending 31 December		
	2015	2016	2017
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
	(excluding VAT)	(excluding VAT)	(excluding VAT)
Historical transaction values	1,372,536,000	382,080,000	454,320,000 ¹
Annual caps	1,917,380,000	2,876,060,000	3,163,670,000

Note 1: For the nine months ended 30 September 2017, the aggregate transaction value of supply of the cotton yarn/grey fabric and denim by the Group to Parent Group amounted to approximately RMB340,740,000. The Directors currently estimate that the aggregate transaction value of supply of the cotton yarn/grey fabric and denim for the year 2017 will be approximately RMB454,320,000 (exclusive of VAT), which was calculated by annualising the actual transaction value for the nine months ended 30 September 2017.

Set out below are the Annual Caps of the cotton yarn/grey fabric and denim to be supplied by the Group to Parent Group under the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement, which are estimated to be payable by Parent Group to the Group for the three financial years ending 31 December 2020:

	Financial years ending 31 December		
	2018	2019	2020
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
	(excluding VAT)	(excluding VAT)	(excluding VAT)
Annual Caps ¹	599,700,000	791,610,000	1,044,920,000

Note 1: The Annual Caps for each of the three years ending 31 December 2020 represent an average annual growth rate of approximately 30% from the previous year, which is determined with reference to the followings:

- (i) the annual growth rate of approximately 19% from the year ended 31 December 2016 to the year ending 31 December 2017, which was calculated by annualising the actual transaction value for the nine months ended 30 September 2017; and

- (ii) an extra expected annual growth rate of 10% in consideration of the year-on-year increase of approximately 7.3% in the retail sales of apparel, footwear, headwear and knitwear in the PRC for the first eight months ended 31 August 2017.

II. REASONS FOR AND BENEFIT OF ENTERING INTO THE RENEWED COTTON YARN/GREY FABRIC AND DENIM SUPPLY AGREEMENT

Parent Group has a substantial and stable demand for cotton yarn/grey fabric and denim for further processing into downstream cotton textile products for sale to independent third parties. Parent Group is one of the Group's major customers for cotton yarn/grey fabric and denim. The provision of cotton yarn/grey fabric and denim to Parent Group at prices no more favourable than those available to independent third parties falls within the ordinary and usual course of the Group's business. The Directors believe that the establishment of the long-term cooperation relationship with the Holding Company will stabilize the Company's operation, ensure a broaden stream of revenue source and a relatively stable profits rate and therefore is of commercial benefit to the Group as a whole.

III. IMPLICATIONS UNDER THE LISTING RULES

The Holding Company is the controlling shareholder of the Company. It therefore constitutes a connected person of the Company under the Listing Rules.

As certain applicable percentage ratios (as defined under the Listing Rules) in respect of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement are more than 5% and the total consideration is more than HK\$10,000,000, the Continuing Connected Transactions constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and are subject to the reporting, annual review, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

The Directors consider that the terms and conditions of the Renewed Cotton Yarn/Grey Fabric and Denim Supply 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.

IV. INTERNAL CONTROL PROCEDURES

The Company has adopted the following internal control measures to ensure that the Continuing Connected Transactions are in accordance with the pricing policies and the terms of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement, and in compliance with the Listing Rules:

- (1) the finance department of the Company shall monitor all the pricing records as the reference price of the Continuing Connected Transactions to ensure the sales prices of the relevant products offered by the Group to the Holding Company are no more favourable than the prices at which such products are offered by the Group to independent third parties;
- (2) the finance department of the Company shall monitor and ensure that the Continuing Connected Transactions are conducted in accordance with the terms of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Annual Caps are not exceeded;
- (3) the Board will continue to periodically review the Company's internal control systems and their effectiveness; and
- (4) 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.

V. EGM

The Company will convene the EGM as soon as possible for the purpose of seeking the approval by the Independent Shareholders of (i) the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions thereunder and (ii) the Annual Caps for the three years ending on 31 December 2020.

As at the date of this announcement, the Holding Company held approximately 63.45% of the total issued Shares, and Mr. Zhang Shiping and Ms. Zhang Hongxia held approximately 0.44% and 1.48%, respectively, of the total issued Shares. To the best of the knowledge and belief of the Directors, none of the Holding Company, Mr. Zhang Shiping and Ms. Zhang Hongxia, has any associate (other than amongst themselves) who is a Shareholder.

According to the Listing Rules, the Holding Company will abstain from voting at the EGM. Mr. Zhang Shiping and Ms. Zhang Hongxia, both being Directors, are considered to be parties acting in concert with Holding Company and hold approximately 31.59% (directly and indirectly) and 9.73% (directly and indirectly) of the equity interests in the Holding Company, respectively, and will also abstain from voting at the EGM.

Save as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquires, no Shareholder has a material interest in the Continuing Connected Transactions, and no Shareholder is required to abstain from voting to approve the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement or the Annual Caps at the EGM.

The votes to be taken at the EGM in relation to the above proposed resolution(s) will be taken by poll.

The Independent Board Committee will be established to advise the Independent Shareholders in relation to their voting on the resolutions relating to the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps).

First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps).

A circular containing, among others, (i) further details of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps); (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM will be despatched to the Shareholders on or before 6 November 2017.

VI. GENERAL

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

The 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.

VII. DEFINITIONS

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

“Annual Caps”	the annual caps for the Continuing Connected Transactions contemplated under the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement for a term of three years commencing on 1 January 2018 and ending on 31 December 2020
“Board”	the board of Directors
“Company”	魏橋紡織股份有限公司 (Weiqiao Textile Company Limited), the Shares of which are listed on the main board of the Stock Exchange

“Continuing Connected Transactions”	the continuing connected transactions contemplated under the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement
“Director(s)”	the director(s) of the Company
“Domestic Shares”	ordinary shares issued by the Company, with a RMB-denominated par value of RMB1.00 each, which are subscribed for and paid up in RMB and are not tradable on the Stock Exchange
“EGM”	an extraordinary general meeting of the Company proposed to be convened and held as soon as possible for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps)
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company, with a RMB-denominated par value of RMB1.00 each, and which are subscribed for and traded in Hong Kong dollars on the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors to advise the Independent Shareholder on the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement (including the Annual Caps)

“Independent Financial Adviser”	First Shanghai Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, and being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Continuing Connected Transactions (including the Annual Caps)
“Independent Shareholders”	the Shareholders other than the Holding Company, Mr. Zhang Shiping and Ms. Zhang Hongxia for the purpose of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Old Cotton Yarn/Grey Fabric and Denim Supply Agreement”	the old cotton yarn/grey fabric and denim supply agreement entered into between the Company and the Holding Company dated 21 October 2014 for a term of three years ending on 31 December 2017
“Parent Group”	the Holding Company, its subsidiaries, associated companies and associates (as defined in the Listing Rules) (excluding the Group)
“PRC”	the People’s Republic of China
“Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement”	the cotton yarn/grey fabric and denim supply agreement entered into between the Company and the Holding Company dated 17 October 2017 for a term of three years commencing on 1 January 2018 and ending on 31 December 2020 (both days inclusive)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	registered holder(s) of the shares of the Company
“Shares”	Domestic Shares and H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“VAT”

value added tax at the rate of 17%

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

Shandong, the PRC
17 October 2017

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.

* *For identification purposes only. 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).*