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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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
RENEWED STEAM SUPPLY AGREEMENTS**

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 20 October 2017. According to the aforesaid announcement, among others, (i) Hongli Thermal Power and Ming Hong Textile, a wholly-owned subsidiary of the Company, entered into the Old Weiqiao Steam Supply Agreement in relation to the supply of steam by Hongli Thermal Power to Ming Hong Textile for the production needs in the Weiqiao Production Base for the period from 20 October 2017 to 31 December 2019 (both days inclusive); and (ii) Binzhou City Hongnuo and Binzhou Industrial Park, a non-wholly owned subsidiary of the Company, entered into the Old Binzhou Steam Supply Agreement in relation to the supply of steam by Binzhou City Hongnuo to Binzhou Industrial Park for the production needs in the Binzhou Production Base for the period from 1 January 2018 to 31 December 2019 (both days inclusive).

The Board would like to announce that, on 21 October 2019, (i) Hongli Thermal Power and Ming Hong Textile entered into the Renewed Weiqiao Steam Supply Agreement in relation to the supply of steam by Hongli Thermal Power to Ming Hong Textile for the production needs in the Weiqiao Production Base for a term of three years commencing on 1 January 2020 and ending on 31 December 2022 (both days inclusive); and (ii) Binzhou City Hongnuo and Binzhou Industrial Park entered into the Renewed Binzhou Steam Supply Agreement in relation to the supply of steam by Binzhou City Hongnuo to Binzhou Industrial Park for the production needs in the Binzhou Production Base for a term of three years commencing on 1 January 2020 and ending on 31 December 2022 (both days inclusive).

LISTING RULES IMPLICATION

Each of Hongli Thermal Power and Binzhou City Hongnuo is an indirectly wholly-owned subsidiary of China Hongqiao. Given that the Parent Company and China Hongqiao are associates of Ms. Zhang Hongxia and Ms. Zhang Yanhong (both being executive Directors and, together with their other family members, having equity interests in these companies), each of Hongli Thermal Power and Binzhou City Hongnuo is a connected person of the Company under the Listing Rules. The transactions contemplated under the Renewed Steam Supply Agreements thus constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Continuing Connected Transactions contemplated under the Renewed Steam Supply Agreements are aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio in respect of the Continuing Connected Transactions, on aggregate basis, is more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to the announcement, reporting 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. RENEWED WEIQIAO STEAM SUPPLY AGREEMENT

The material terms of the Renewed Weiqiao Steam Supply Agreement are set out as follows:

- 1. Date:** 21 October 2019
- 2. Parties:**
 - (1) Hongli Thermal Power (including its subsidiaries); and
 - (2) Ming Hong Textile (a wholly-owned subsidiary of the Company, including its subsidiaries)
- 3. Connected person:** Hongli Thermal Power

4. Transaction nature: Hongli Thermal Power and Ming Hong Textile entered into the Old Weiqiao Steam Supply Agreement on 20 October 2017, pursuant to which, Hongli Thermal Power agreed to supply steam to Ming Hong Textile for the period from 20 October 2017 to 31 December 2019 (both days inclusive) for its production use. On 21 October 2019, Hongli Thermal Power and Ming Hong Textile entered into the Renewed Weiqiao Steam Supply Agreement, pursuant to which, Hongli Thermal Power agreed to continue to supply steam to Ming Hong Textile for a term of three years commencing on 1 January 2020 and ending on 31 December 2022 (both days inclusive).

5. Pricing basis and payment term: The price of steam to be supplied by Hongli Thermal Power to Ming Hong Textile shall be RMB150 per ton (VAT inclusive), which is determined by reference to the prices at which the same or comparable types of steam used for production are supplied by Hongli Thermal Power to any independent third parties on normal commercial terms in its ordinary and usual course of business in Weiqiao Town, Zouping City, Shandong Province, the PRC. Hongli Thermal Power shall provide the evidence of such market prices to Ming Hong Textile upon the request of Ming Hong Textile. If the price is otherwise mandatorily regulated by the PRC government, the mandatory governmental price shall be adopted by the Renewed Weiqiao Steam Supply Agreement.

The Directors confirmed that the pricing basis agreed between Hongli Thermal Power and Ming Hong Textile for the supply of steam is fair and reasonable, negotiated on an arm's length basis and constitutes a normal commercial term.

Hongli Thermal Power would, on the last business day of each calendar month, prepare an account book of the relevant expenses that shall be paid by Ming Hong Textile for that month. The expenses undue shall not be included in such account book. Ming Hong Textile shall, within the first twenty (20) business days of the following month, pay the amount due in full.

- 6. Termination and renewal** Either party to the Renewed Weiqiao Steam Supply Agreement may terminate it by providing at least thirty (30) days prior written notice to the counterparty. The Renewed Weiqiao Steam Supply Agreement is renewable for another term of three years (subject to the compliance of relevant requirements under the Listing Rules) unless either party decides not to renew it and give at least thirty (30) days prior written notice to the counterparty accordingly.
- 7. Maximum annual transaction values:** The historical transaction values, annual caps and purchase volumes for the steam supplied by Hongli Thermal Power to Ming Hong Textile under the Old Weiqiao Steam Supply Agreement for the period from 20 October 2017 to 31 December 2019 are as follows:

	For the period from 20 October 2017 to 31 December 2017 (RMB million) (excluding VAT)	For the financial year ended 31 December 2018 (RMB million) (excluding VAT)	For the financial year ending 31 December 2019 (RMB million) (excluding VAT)
Historical transaction values	1.96	4.68	3.39 ¹
Historical annual caps	8.58	8.58	8.58
Historical purchase volumes (ton)	14,508	34,463	25,000 ¹

Note 1: For the nine months ended 30 September 2019, the purchase volume amounted to 18,527 tons and the transaction value for supply of the steam by Hongli Thermal Power to Ming Hong Textile amounted to approximately RMB2.54 million (excluding VAT). The Directors currently estimate that, for the financial year ending 31 December 2019, the purchase volume will be approximately 25,000 tons and the transaction value for supply of the steam by Hongli Thermal Power to Ming Hong Textile will be approximately RMB3.39 million (excluding VAT), which was calculated by annualising the actual purchase volume and transaction value for the nine months ended 30 September 2019.

Set out below are the estimated maximum transaction values for steam (excluding VAT) which are estimated to be payable by Ming Hong Textile to Hongli Thermal Power and the estimated maximum purchase volumes of steam under the Renewed Weiqiao Steam Supply Agreement for each of the three financial years ending on 31 December 2022:

	For the financial year ending 31 December		
	2020	2021	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
	(excluding VAT)	(excluding VAT)	(excluding VAT)
Estimated maximum transaction values	4.53	4.53	4.53
Estimated maximum purchase volumes (ton)	33,000	33,000	33,000

The estimated maximum transaction values of the steam to be purchased by Ming Hong Textile from Hongli Thermal Power for the three financial years ending on 31 December 2022, are determined with reference to (i) the estimated use of steam at the maximum rate of the capacity utilization of the textile production equipment at the Weiqiao Production Base, i.e. 100% and the rate of the capacity utilization of the textile production equipment at the Weiqiao Production Base for the nine months ended 30 September 2019, i.e. 75%; (ii) the historical purchase volume of the steam under the Old Weiqiao Steam Supply Agreement for the nine months ended 30 September 2019, i.e. 18,527 ton; and (iii) the price of the steam to be supplied by Hongli Thermal Power to Ming Hong Textile under the Renewed Weiqiao Steam Supply Agreement, i.e. RMB150 per ton.

The formula for calculating the estimated maximum transaction value under the Renewed Weiqiao Steam Supply Agreement is set out below:

$18,527 \text{ ton} \times (12/9) \times (100\%/75\%) \times \text{RMB}150/\text{ton} = \text{RMB}4.94 \text{ million (VAT inclusive)}$

RMB4.94 million/(1 + 9%) = RMB4.53 million (VAT exclusive)

B. RENEWED BINZHOU STEAM SUPPLY AGREEMENT

The material terms of the Renewed Binzhou Steam Supply Agreement are set out as follows:

- 1. Date:** 21 October 2019
- 2. Parties:**
 - (1) Binzhou City Hongnuo (including its subsidiaries); and
 - (2) Binzhou Industrial Park (a non-wholly owned subsidiary of the Company, including its subsidiaries)
- 3. Connected person:** Binzhou City Hongnuo
- 4. Transaction nature:** Binzhou City Hongnuo and Binzhou Industrial Park entered into the Old Binzhou Steam Supply Agreement on 20 October 2017, pursuant to which, Binzhou City Hongnuo agreed to supply steam to Binzhou Industrial Park for the period from 1 January 2018 to 31 December 2019 (both days inclusive) for its production use. On 21 October 2019, Binzhou City Hongnuo and Binzhou Industrial Park entered into the Renewed Binzhou Steam Supply Agreement, pursuant to which, Binzhou City Hongnuo agreed to continue to supply steam to Binzhou Industrial Park for a term of three years commencing on 1 January 2020 and ending on 31 December 2022.
- 5. Pricing basis and payment term:** The price of steam to be supplied by Binzhou City Hongnuo to Binzhou Industrial Park shall be RMB170 per ton (VAT inclusive), which is determined by reference to the prices at which the same or comparable types of the steam used for production are supplied by Binzhou City Hongnuo to any independent third parties on normal commercial terms in its ordinary and usual course of business in Binzhou City, Shandong Province, the PRC. Binzhou City Hongnuo shall provide the evidence of such market prices to Binzhou Industrial Park upon the request of Binzhou Industrial Park. If the price is otherwise mandatorily regulated by the PRC government, the mandatory governmental price shall be adopted by the Renewed Binzhou Steam Supply Agreement.

The Directors confirmed that the pricing basis agreed between Binzhou City Hongnuo and Binzhou Industrial Park for the supply of steam is fair and reasonable, negotiated on an arm's length basis and constitutes normal commercial terms.

Binzhou City Hongnuo would, on the last business day of each calendar month, prepare an account book of the relevant expenses that shall be paid by Binzhou Industrial Park for that month. The expenses undue shall not be included in such account book. Binzhou Industrial Park shall, within the first twenty (20) business days of the following month, pay the amount due in full.

- 6. Termination and renewal** Either party to the Renewed Binzhou Steam Supply Agreement may terminate it by providing at least thirty (30) days prior written notice to the counterparty. The Renewed Binzhou Steam Supply Agreement is renewable for another term of three years (subject to the compliance of relevant requirements under the Listing Rules) unless either party decides not to renew it and give at least thirty (30) days prior written notice to the counterparty accordingly.
- 7. Maximum annual transaction value:** The historical transaction values, annual caps and purchase volumes for the steam supplied by Binzhou City Hongnuo to Binzhou Industrial Park under the Old Binzhou Steam Supply Agreement for the financial year ended 31 December 2018 and the financial year ending 31 December 2019 are as follows:

	For the financial year ended 31 December 2018 (RMB million) (excluding VAT)	For the financial year ending 31 December 2019 (RMB million) (excluding VAT)
Historical transaction values	22.79	19.39 ¹
Historical annual caps	35.49	35.49
Historical purchase volumes (ton)	148,144	125,000 ¹

Note 1: For the nine months ended 30 September 2019, the purchase volume amounted to 93,560 tons and the transaction value for supply of the steam by Binzhou City Hongnuo to Binzhou Industrial Park amounted to approximately RMB14.54 million (excluding VAT). The Directors currently estimate that, for the financial year ending 31 December 2019, the purchase volume

will be approximately 125,000 tons and the transaction value for supply of the steam by Binzhou City Hongnuo to Binzhou Industrial Park will be approximately RMB19.39 million (excluding VAT), which was calculated by annualising the actual purchase volume and transaction value for the nine months ended 30 September 2019.

Set out below are the estimated maximum transaction values for steam (excluding VAT) which is estimated to be payable by Binzhou Industrial Park to Binzhou City Hongnuo and the estimated maximum purchase volumes of steam under Renewed Binzhou Steam Supply Agreement for each of the three financial years ending 31 December 2022:

	For the financial year ending 31 December		
	2020	2021	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
	(excluding VAT)	(excluding VAT)	(excluding VAT)
Estimated maximum transaction values	27.02	27.02	27.02
Estimated maximum purchase volumes (ton)	173,000	173,000	173,000

The estimated maximum transaction values of the steam to be purchased by Binzhou Industrial Park from Binzhou City Hongnuo for the three financial years ending 31 December 2022, are determined with reference to (i) the estimated use of steam at the maximum rate of the capacity utilization of the textile production equipment at the Binzhou Production Base, i.e. 100% and the rate of the capacity utilization of the textile production equipment at the Binzhou Production Base for the nine months ended 30 September 2019, i.e. 72%; (ii) the historical purchase volume of the steam under the Old Binzhou Steam Supply Agreement for the nine months ended 30 September 2019, i.e. 93,560 ton; and (iii) the price of steam to be supplied by Binzhou City Hongnuo to the Binzhou Industrial Park under the Renewed Binzhou Steam Supply Agreement, i.e. RMB170 per ton.

The formula for calculating the estimated maximum transaction value under the Renewed Binzhou Steam Supply Agreement is set out below:

$$93,560 \text{ ton} \times (12/9) \times (100\%/72\%) \times \text{RMB}170/\text{ton} = \text{RMB}29.45 \text{ million (VAT inclusive)}$$
$$\text{RMB}29.45 \text{ million}/(1 + 9\%) = \text{RMB}27.02 \text{ million (VAT exclusive)}$$

C. REASONS FOR AND BENEFITS OF ENTERING INTO THE RENEWED STEAM SUPPLY AGREEMENTS AND THE CONTINUING CONNECTED TRANSACTIONS

Taking into account of the production needs of the Group in respect of steam and considering the fact that Hongli Thermal Power and Binzhou City Hongnuo are the nearest suppliers of steam to the Weiqiao Production Base and the Binzhou Production Base, respectively, entering into the Renewed Steam Supply Agreements between Hongli Thermal Power and Ming Hong Textile and between Binzhou City Hongnuo and Binzhou Industrial Park, would allow Ming Hong Textile and Binzhou Industrial Park to secure a long-term stable supply of steam.

The terms of the Renewed Weiqiao Steam Supply Agreement (including the annual caps) and the Renewed Binzhou Steam Supply Agreement (including the annual caps) were arrived at after arm's length negotiations between the parties with reference to, among others, the Group's demand and business needs of steam.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under each of the Renewed Weiqiao Steam Supply Agreement and the Renewed Binzhou Steam Supply Agreement are conducted in the ordinary and usual course of business of the Company and the terms of the Renewed Steam Supply Agreements are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

D. INTERNAL CONTROL PROCEDURES

The Company has adopted the following internal control measures to ensure the compliance with the Listing Rules and that the Continuing Connected Transactions are in accordance with the pricing policies and the terms of the Renewed Steam Supply Agreements:

- (1) the finance department of the Company shall obtain and monitor all the quotations and/or pricing records as reference price of the Continuing Connected Transactions to ensure the purchase prices of the steam offered by Hongli Thermal Power and Binzhou City Hongnuo are no less favourable to the Group than the prices at which such steam are supplied by independent third parties to the Group;

- (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 Steam Supply Agreements and the relevant 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 relevant annual caps in accordance with the requirements of the Listing Rules.

E. IMPLICATIONS UNDER THE LISTING RULES

Each of Hongli Thermal Power and Binzhou City Hongnuo is an indirectly wholly-owned subsidiary of China Hongqiao. Given that the Parent Company and China Hongqiao are associates of Ms. Zhang Hongxia and Ms. Zhang Yanhong (both being executive Directors and, together with their other family members, having equity interests in these companies), each of Hongli Thermal Power and Binzhou City Hongnuo is a connected person of the Company under the Listing Rules. The transactions contemplated under the Renewed Steam Supply Agreements thus constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Continuing Connected Transactions contemplated under the Renewed Steam Supply Agreements are aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio in respect of the Continuing Connected Transactions, on aggregate basis, is more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to the announcement, reporting 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 and Mr. Zhang Jinglei had abstained from voting on the relevant resolutions of the Board approving the Continuing Connected Transactions as they concurrently have equity interests or hold relevant positions in China Hongqiao.

F. GENERAL INFORMATION

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

Hongli Thermal Power is principally engaged in the production and sale of heating power and electricity.

Binzhou City Hongnuo is principally engaged in the manufacture and sale of aluminium products.

China Hongqiao is a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1378.HK), and is principally engaged in the manufacture and sale of aluminum products.

G. DEFINITIONS

“Binzhou City Hongnuo”	濱州市宏諾新材料有限公司 (Binzhou City Hongnuo New Materials Co., Limited), previously known as 濱州市濱北新材料有限公司 (Binzhou City Binbei New Materials Co., Limited), a limited liability company established in the PRC on 2 November 2011 and an indirectly wholly-owned subsidiary of China Hongqiao
“Binzhou Industrial Park”	濱州魏橋科技工業園有限公司 (Binzhou Weiqiao Technology Industrial Park Limited), a limited liability company established in the PRC on 26 November 2001, being directly held as to 98.50% by the Company and 1.50% by the Parent Company, respectively
“Binzhou Production Base”	two production areas of Binzhou Industrial Park located in Binzhou City, Shandong Province, the PRC
“Board”	the board of Directors of the Company
“China Hongqiao”	China Hongqiao Group Limited (中國宏橋集團有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1378)
“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 (Stock Code: 2698)
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the Renewed Steam Supply Agreements
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Hongli Thermal Power”	鄒平縣宏利熱電有限公司 (Zouping County Hongli Thermal Power Co., Ltd.), a limited liability company established in the PRC on 22 April 2016 and an indirectly wholly-owned subsidiary of China Hongqiao
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ming Hong Textile”	山東銘宏紡織科技有限公司 (Shandong Ming Hong Textile Technology Co., Ltd.), a limited liability company established in the PRC on 27 January 2016 and a directly wholly-owned subsidiary of the Company
“Old Binzhou Steam Supply Agreement”	the steam supply agreement dated 20 October 2017 and entered into between Binzhou City Hongnuo and Binzhou Industrial Park for the period from 1 January 2018 to 31 December 2019 (both days inclusive)
“Old Weiqiao Steam Supply Agreement”	the steam supply agreement dated 20 October 2017 and entered into between Ming Hong Textile and Hongli Thermal Power for the period from 20 October 2017 to 31 December 2019 (both days inclusive)
“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 and the controlling shareholder of the Company
“PRC”	the People’s Republic of China
“Renewed Binzhou Steam Supply Agreement”	the steam supply agreement dated 21 October 2019 and entered into between Binzhou City Hongnuo and Binzhou Industrial Park in relation to the supply of steam by Binzhou City Hongnuo to Binzhou Industrial Park for the production needs in the Binzhou Production Base for a term of three years commencing on 1 January 2020 and ending on 31 December 2022 (both days inclusive)
“Renewed Steam Supply Agreements”	the Renewed Binzhou Steam Supply Agreement and the Renewed Weiqiao Steam Supply Agreement

“Renewed Weiqiao Steam Supply Agreement”	the steam supply agreement dated 21 October 2019 and entered into between Hongli Thermal Power and Ming Hong Textile in relation to the supply of steam by Hongli Thermal Power to Ming Hong Textile for the production needs in Weiqiao Production Base for a term of three years commencing on 1 January 2020 and ending on 31 December 2022 (both days inclusive)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	registered holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	value added tax at the rate of 11% from 1 July 2017 to 30 April 2018, at the rate of 10% from 1 May 2018 to 31 March 2019 and at the rate of 9% since 1 April 2019
“Weiqiao Production Base”	two production areas of the Group located in Weiqiao Town, Zouping City, Shandong Province, the PRC
“%”	per cent

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

Shandong, the PRC
21 October 2019

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).*