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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
SUPPLY OF COTTON YARN, GREY FABRIC AND DENIM
AND
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 17 October 2017. According to the aforesaid announcement, among others, the Company and the Parent Company entered into the Old Cotton Yarn, Grey Fabric and Denim Supply Agreement on 17 October 2017, pursuant to which the Company agreed to supply or procure its subsidiaries to supply cotton yarn, grey fabric and denim to the Parent Group for the production of downstream cotton textile products for the period from 1 January 2018 to 31 December 2020 (both days inclusive).

The Board announces that, on 16 October 2020, the Company entered into the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement with the Parent Company for a term of three years commencing on 1 January 2021 and ending on 31 December 2023 (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 the Parent Group. The 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 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 Renewed Cotton Yarn, Grey Fabric and Denim 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 is more than 5%, 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 under Chapter 14A of the Listing Rules.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

According to the Reply and the Company Law of the PRC (2018 Amendment), the Board proposed to make certain amendments to the current Articles of Association in relation to the notice period, shareholders' proposal right and convening procedures of the general meeting. The Proposed Amendments are subject to the approval of the Shareholders by way of a special resolution at each of the EGM and the Class Meetings and the approval of, and registration or filing with, the relevant competent authorities in the PRC.

EGM AND CLASS MEETINGS

The 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) and the Proposed Amendments. The Class Meetings will be convened to consider and, if thought fit, approve, among other things, the Proposed Amendments.

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) and the Proposed Amendments; (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from Sorrento Capital to the Independent Board Committee and the Independent Shareholders; and (iv) the notices of the EGM and the Class Meetings will be despatched to the Shareholders on or before 9 November 2020.

A. 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

16 October 2020

2. Parties

(a) the Company; and

(b) the Parent Company

3. Connected person

the Parent Company

4. Transaction nature

The Company and the Parent Company entered into the Old Cotton Yarn, Grey Fabric and Denim Supply Agreement on 17 October 2017, pursuant to which the Company agreed to supply or procure its subsidiaries to supply cotton yarn, grey fabric and denim to the Parent Group for the production of downstream cotton textile products for the period from 1 January 2018 to 31 December 2020 (both days inclusive). On 16 October 2020, the Company entered into the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement with the Parent Company for a term of three years commencing on 1 January 2021 and ending on 31 December 2023 (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 the Parent Group.

5. Pricing basis and payment terms

The prices of cotton yarn, grey fabric and denim products supplied by the Group to the Parent Group are the same with their respective prices when 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 Parent Company upon the request of the Parent Company, such as samples of contracts entered into by the Group and independent third parties and relevant invoices.

The Directors have confirmed that the pricing basis agreed between the Company and the Parent 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 indicative price lists for different textile products. Such prices were determined after taking into account of a series of factors, such as product costs and prevailing market conditions. The Group usually reviews, adjusts and approves such price lists from time to time, when and where necessary, taking into account of the prevailing market conditions and other relevant factors at that time. Given that there is an uniform price for a single product category of the Group, the Directors are of the view that the sales prices of the products sold to the Parent Group are the same with those sold to the independent third party customers at the same time and 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 Parent Company for that month. The expenses undue shall not be included in such account book. The Parent 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 at least thirty (30) days prior written notice to the counterparty accordingly.

7. Historical transaction values and Annual Caps

The historical transaction values and historical annual caps for the cotton yarn, grey fabric and denim supplied by the Group to the Parent Group and under the Old Cotton Yarn, Grey Fabric and Denim Supply Agreement for the two financial years ended 31 December 2019 and the financial year ending 31 December 2020 are as follows:

	For the financial year ended/ending 31 December		
	2018	2019	2020
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
	(excluding VAT)	(excluding VAT)	(excluding VAT)
Historical transaction values	458,830,000	374,410,000	290,870,000 ¹
Historical annual caps	599,700,000	791,610,000	1,044,920,000
Utilisation rates	76.5%	47.3%	27.8%

Note 1: For the nine months ended 30 September 2020, the aggregate transaction value for supply of the cotton yarn, grey fabric and denim by the Group to the Parent Group amounted to approximately RMB192,830,000. The Directors currently estimate that the transaction value for each of the three months ending 31 December 2020 will increase by approximately 10% from that for the month ended 30 September 2020 (i.e. RMB29,710,000 (excluding VAT)), and therefore the aggregate transaction value for supply of the cotton yarn, grey fabric and denim for the three months ending 31 December 2020 will be approximately RMB98,040,000 (excluding VAT).

Set out below are the Annual Caps which are estimated to be payable by the Parent Group to the Group under the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement for the three financial years ending 31 December 2023:

For the financial year ending 31 December

	2021	2022	2023
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
	(excluding VAT)	(excluding VAT)	(excluding VAT)

Annual Caps ¹	432,380,000	475,620,000	523,180,000
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Note 1: Taking into consideration that there has been a significant fluctuation in the historical transaction values for the past few years as a result of the fluctuation in the demands for cotton textile products due to the impact of various factors including trade frictions, the Annual Cap for the financial year ending 31 December 2021 represents a growth rate of approximately 10% from the average of the actual annual transaction value for each of the three financial years ended 31 December 2019 (i.e. RMB448,180,000 (excluding VAT) for 2017, RMB458,830,000 (excluding VAT) for 2018 and RMB374,410,000 (excluding VAT) for 2019) and the estimated annual transaction value for the financial year ending 31 December 2020 (i.e. RMB290,870,000 (excluding VAT)). The Annual Cap for each of the two financial years ending 31 December 2023 represents a growth rate of approximately 10% from the previous year.

Such annual growth rate of approximately 10% was determined in consideration that the management of the Parent Group is actively adjusting product mix and improving product quality, and the Directors believe that with the increase of domestic home textile and apparel enterprises, the Parent Group will obtain a bigger domestic market share and will require more supply of the cotton yarn, grey fabric and denim from the Group for the three financial years ending 31 December 2023.

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

The 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. The 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 the 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 Parent Company will stabilize the Company's operation and ensure a broaden stream of revenue source, and therefore is of commercial benefit to the Group as a whole.

Based on the above, the Board represented by the only one non-executive Director (i.e. Ms. Zhao Suhua, excluding Ms. Zhang Hongxia, Ms. Zhang Yanhong, Ms. Zhao Suwen and Mr. Zhang Jinglei who had abstained from voting on the relevant resolution of the Board approving the Continuing Connected Transactions as they concurrently serve as directors of the Parent Company and the independent non-executive Directors whose views will be contained in the circular to be dispatched to the Shareholders after considering the advice from the Independent Financial Adviser) considers 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 Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement (including the Annual Caps) have been negotiated on an arm's length basis, and are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

C. IMPLICATIONS UNDER THE LISTING RULES

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 Renewed Cotton Yarn, Grey Fabric and Denim 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 is more than 5%, 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 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 Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement, and in compliance with the Listing Rules:

- (1) the general manager and/or the executive deputy general manager of the sales department of the Company shall prepare a draft price list for the Group's products based on the prices of raw materials and the prevailing market conditions, and submit such list for review and approval by the chairman of the Board on monthly basis. At the time when the raw material prices fluctuate, the general manager and/or the executive deputy general manager of the sales department of the Company will adjust the draft price list more frequently to reflect the market conditions. Upon approval, the price list shall be announced internally. Any deviation from the price list shall be separately approved by the general manager and the executive deputy general manager of the sales department of the Company, as well as the chairman of the Board;
- (2) the finance department of the Company shall provide the monthly caps, calculated pursuant to the Annual Caps, to the sales department of the Company, which will keep track of the actual transaction sum of the contracts of the Continuing Connected

Transactions under the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement from time to time and will submit a report to the finance department of the Company when the actual transaction amounts may exceed the monthly caps. The finance department of the Company will also monitor the aggregate value of the Continuing Connected Transactions on a monthly basis and ensure it will not exceed the Annual Caps;

- (3) prior to executing any contract of the Continuing Connected Transactions, such contract, including its transaction value and terms, will be provided by the sales department of the Company to the finance department of the Company for their review. Such contract will not be executed unless and until the finance department of the Company has confirmed that the aggregate value of the transaction sums under the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement will not exceed the Annual Caps and the terms of such contract are in compliance with the terms of the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement. If it is contemplated that the Annual Caps will be exceeded as a result of entering into the relevant contracts, such transaction will not be entered into until the Company has complied with the relevant requirements under the Listing Rules;
- (4) the Board will continue to periodically review the Company's internal control systems and their effectiveness, as well as the pricing policy in order to keep it fair and reasonable; and
- (5) the independent non-executive Directors themselves 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. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

According to the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies (Guo Han [2019] No. 97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)) (the “**Reply**”), the requirements on the notice period, shareholders' proposal right and convening procedures of the general meeting for joint stock companies incorporated in the PRC and listed overseas shall be governed by the relevant provisions under the Company Law of the PRC, instead of the provisions under the Articles 20 to 22 of the Special Provisions of the State Council on Overseas Share Raising and Listing of Joint Stock Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》).

According to the Reply and the Company Law of the PRC (2018 Amendment), the Board proposed to make certain amendments to the current Articles of Association in relation to the notice period, shareholders' proposal right and convening procedures of the general meeting.

Details of the Proposed Amendments are as follows:

Existing Articles of Association	Revised Articles of Association
<p>Article 6.9 Change of the shareholders' register arising from share transfer shall not be registered within 30 days before convening of a general meeting or 5 days before the benchmark date on which the Company decides to distribute dividends.</p>	<p>Article 6.9 If the laws, administrative regulations, rules of department, normative documents and rules of relevant stock exchanges or regulatory authorities in the place where the Company's shares are listed provide for the period of suspension of share transfer registration prior to the holding of a general meeting or the reference date set by the Company for the purpose of distribution of dividends, such provisions shall prevail.</p>

Existing Articles of Association	Revised Articles of Association
<p>Article 8.2 A general meeting shall exercise the following functions and powers:</p> <p>(I) To resolve on the Company’s business guidelines and investment plans;</p> <p>(II) To elect and replace directors and to decide on matters relating to the remuneration of directors;</p> <p>(III) To elect and replace supervisors who are representatives of shareholders and to decide on matters relating to the remuneration of supervisors;</p> <p>(IV) To consider and approve reports of the board of directors;</p> <p>(V) To consider and approve reports of the supervisory committee;</p> <p>(VI) To consider and approve the annual financial budgets and financial statements of the Company;</p> <p>(VII) To consider and approve the Company’s profit distribution plan and loss recovery plan;</p> <p>(VIII) To resolve on increase or decrease of the registered capital of the Company;</p> <p>(IX) To resolve on the merger, division, dissolution and liquidation of the Company;</p> <p>(X) To resolve on the issue of bonds of the Company;</p> <p>(XI) To resolve on the appointment, removal or non-reappointment of the Company’s certified public accountants;</p> <p>(XII) To amend these Articles of Association;</p> <p>(XIII) To consider proposals of shareholders representing more than 5% (inclusive) of the voting shares of the Company; and</p> <p>(XIV) To resolve on other matters which, in accordance with the laws, administrative regulations and these Articles of Association, must be approved by a general meeting.</p>	<p>Article 8.2 A general meeting shall exercise the following functions and powers:</p> <p>(I) To resolve on the Company’s business guidelines and investment plans;</p> <p>(II) To elect and replace directors and to decide on matters relating to the remuneration of directors;</p> <p>(III) To elect and replace supervisors who are representatives of shareholders and to decide on matters relating to the remuneration of supervisors;</p> <p>(IV) To consider and approve reports of the board of directors;</p> <p>(V) To consider and approve reports of the supervisory committee;</p> <p>(VI) To consider and approve the annual financial budgets and financial statements of the Company;</p> <p>(VII) To consider and approve the Company’s profit distribution plan and loss recovery plan;</p> <p>(VIII) To resolve on increase or decrease of the registered capital of the Company;</p> <p>(IX) To resolve on the merger, division, dissolution and liquidation of the Company;</p> <p>(X) To resolve on the issue of bonds of the Company;</p> <p>(XI) To resolve on the appointment, removal or non-reappointment of the Company’s certified public accountants;</p> <p>(XII) To amend these Articles of Association;</p> <p>(XIII) to consider and approve the proposals put forward by shareholders individually or jointly holding 3% or more of the Company’s shares; and</p> <p>(XIV) To resolve on other matters which, in accordance with the laws, administrative regulations and these Articles of Association, must be approved by a general meeting.</p>

Existing Articles of Association	Revised Articles of Association
<p>Article 8.4 General meetings are classified into annual general meetings and extraordinary general meetings. General meetings shall be convened by the board of directors.</p> <p>Annual general meetings shall be convened once a year within 6 months after the end of the preceding fiscal year.</p> <p>.....</p>	<p>Article 8.4 General meetings are classified into annual general meetings and extraordinary general meetings. General meetings shall be convened by the board of directors.</p> <p>Annual general meetings shall be convened once a year within 6 months after the end of the preceding fiscal year.</p> <p>.....</p>
<p>Article 8.5 Where the Company convenes a general meeting, a written notice shall be given 45 days prior to the date of the meeting to notify all the shareholders in the shareholders' register of the issues to be considered at the meeting, and the date and venue of the meeting. Any shareholder intending to attend the meeting shall deliver to the Company a written reply showing his intention to attend at least 20 days before the meeting.</p>	<p>Article 8.5 When the Company convenes an annual general meeting, it shall notify shareholders by way of announcement 20 business days prior to the meeting; and when the Company convenes an extraordinary general meeting, it shall notify shareholders by way of announcement 15 days or 10 business days (whichever is longer) prior to the meeting.</p> <p>The business day referred to in the Articles of Association shall mean any day on which the Hong Kong Stock Exchange is open for the business of dealing in securities.</p> <p>When the Company convenes a class general meeting, the notice period and notice method shall be subject to the provisions of Chapter IX of the Articles of Association.</p>
<p>Article 8.6 When the Company convenes an annual general meeting, shareholders holding more than 5% (inclusive) of the total voting shares of the Company shall have the right to submit proposals in writing to the Company, and the Company shall place the proposals on the agenda for the said annual general meeting if the said proposals fall within the functions and powers of general meetings.</p>	<p>Article 8.6 To be deleted</p>

Existing Articles of Association	Revised Articles of Association
<p data-bbox="204 193 815 868">Article 8.7 The Company shall, based on the written replies received from shareholders 20 days prior to the date of the general meeting, calculate the number of voting shares held by shareholders intending to attend the meeting. Where the number of voting shares represented by shareholders intending to attend the meeting amounts to more than one half of the Company’s voting shares, the Company may convene the general meeting; if not, the Company shall, within 5 days, notify shareholders again of the issues to be considered, date and venue of the meeting in the form of public announcements. The Company may then convene the general meeting after such announcements.</p> <p data-bbox="204 921 815 995">An extraordinary general meeting shall not decide to announce matters not specified.</p>	<p data-bbox="847 193 1177 225">Article 8.7 To be deleted</p>

Existing Articles of Association	Revised Articles of Association
<p>Article 8.9 The notice of a general meeting shall be sent to shareholders (whether or not they are entitled to vote at the general meeting) by personal delivery or by pre-paid mail to their addresses as recorded in the shareholders' register. For holders of domestic shares, the notice of a general meeting may be issued in the form of public announcement.</p> <p>Public announcement referred to in the preceding paragraph shall be published in one or more newspaper(s) designated by the securities regulatory authority under the State Council during the period between 45 days to 50 days prior to the date of the meeting. Once the announcement has been published, all holders of domestic shares shall be deemed to have received the notice of relevant general meeting.</p> <p>Where the Company intends to give a notice of a general meeting, it shall ensure that holders of foreign shares registered in Hong Kong have enough time to exercise their rights or act in accordance with the notice.</p>	<p>Article 8.7 The notice of a general meeting shall be sent to shareholders (whether or not they are entitled to vote at the general meeting) by personal delivery or by pre-paid mail to their addresses as recorded in the shareholders' register. For holders of domestic shares, the notice of a general meeting may be issued in the form of public announcement.</p> <p>Public announcement referred to in the preceding paragraph shall be published in one or more newspaper(s) designated by the securities regulatory authority under the State Council. Once the announcement has been published, all holders of domestic shares shall be deemed to have received the notice of relevant general meeting.</p> <p>Where the Company intends to give a notice of a general meeting, it shall ensure that holders of foreign shares registered in Hong Kong have enough time to exercise their rights or act in accordance with the notice.</p>

Existing Articles of Association	Revised Articles of Association
<p>Article 9.6 Where the Company convenes a class general meeting, a written notice shall be given 45 days prior to the date of the meeting to notify all the shareholders of the said class in the shareholders' register of the issues to be considered at the meeting, and the date and venue of the meeting. Any shareholder intending to attend the meeting shall serve to the Company a written reply showing his intention to attend at least 20 days before the meeting.</p> <p>In the event that the shareholders who intend to attend such a meeting represent more than half of the total number of voting shares of that class, the Company may hold the class general meeting; otherwise, the Company shall within 5 days notify the shareholders of the class, again by public notice, of the issues to be considered as well as the date and venue of the class meeting. The Company may then hold the class general meeting after the publication of such notice.</p>	<p>Article 9.6 When the Company convenes a class general meeting, it shall issue a written notice 20 business days prior to the date of an annual general meeting and 15 days or 10 business days (whichever is longer) prior to the date of an extraordinary general meeting informing all the shareholders who are registered as holders of that class in the register of shareholders of the matters to be considered at the meeting as well as the date and place of the meeting.</p>

Save for the Proposed Amendments set out above, other provisions in the Articles of Association remain unchanged.

The Articles of Association and the Proposed Amendments are written in Chinese and English. If there is any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.

The Proposed Amendments are subject to the approval of the Shareholders by way of a special resolution at each of the EGM and Class Meetings and the approval of, and registration or filing with, the relevant competent authorities in the PRC.

Special resolutions will be put to the Shareholders at the forthcoming EGM and Class Meetings for approving, among other things, the Proposed Amendments.

F. EGM AND CLASS MEETINGS

The 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) and the Proposed Amendments. The Class Meetings will be convened to consider and, if thought fit, approve, among other things, the Proposed Amendments.

As at the date of this announcement, the Parent Company held approximately 63.67% of the total issued Shares. According to the Listing Rules, the Parent Company will abstain from voting on the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) at the EGM. Ms. Zhang Hongxia, being a Director, serves as a director of the Parent Company and holds approximately 9.73% (directly and indirectly) of the equity interest in the Parent Company. She and her family members (jointly holding approximately 1.92% of the equity interest in the Company) will also abstain from voting on the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) at the EGM.

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

The votes to be taken at the EGM and the Class Meetings in relation to the above proposed resolutions will be taken by poll.

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

Sorrento Capital 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) and the Proposed Amendments; (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from

Sorrento Capital to the Independent Board Committee and the Independent Shareholders; and (iv) the notices of the EGM and the Class Meetings will be despatched to the Shareholders on or before 9 November 2020.

G. GENERAL

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

H. 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 the three financial years ending on 31 December 2023
“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Class Meetings”	the class meeting for holders of H Shares to be held immediately after the conclusion of the EGM and the class meeting for holders of Domestic Shares to be held immediately after the conclusion of the said class meeting for holders of H Shares to consider and, if thought fit, approve, among other things, the Proposed Amendments
“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)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules

“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 Share(s)”	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) and the Proposed Amendments
“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
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the 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 and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps)

“Independent Financial Adviser” or “Sorrento Capital”	Sorrento 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 Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholders”	the Shareholders other than the Parent Company, Ms. Zhang Hongxia and her family members for the purpose of the Renewed Cotton Yarn, Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Old Cotton Yarn, Grey Fabric and Denim Supply Agreement”	the cotton yarn, grey fabric and denim supply agreement entered into between the Company and the Parent Company on 17 October 2017 for the period from 1 January 2018 to 31 December 2020 (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, being the controlling shareholder of the Company
“Parent Group”	the Parent Company, its subsidiaries and associates (excluding the Group)
“PRC”	the People’s Republic of China
“Proposed Amendments”	the proposed amendments to the Articles of Association as set out in this announcement
“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 Parent Company on 16 October 2020 for a term of three years commencing on 1 January 2021 and ending on 31 December 2023 (both days inclusive)
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	registered holder(s) of the Shares
“Shares”	Domestic Shares and H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	value added tax at the rate of 17% from 1 July 2017 to 30 April 2018, at the rate of 16% from 1 May 2018 to 31 March 2019 and at the rate of 13% since 1 April 2019
“%”	per cent

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

Shandong, the PRC
16 October 2020

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.

* *For identification purposes only. The Company is registered in Hong Kong as an 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).*