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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)

**CONNECTED TRANSACTION –
LEASE AGREEMENT**

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Reference is made to the prospectus of the Company dated 15 September 2003. According to the aforesaid prospectus, among others, the Company and the Parent Company entered into a lease agreement on 14 May 2003, pursuant to which the Parent Company agreed to lease to the Company the land use right in respect of the Land for a term of 20 years from 14 May 2003 to 14 May 2023. On 11 August 2023, the Company (as lessee) and the Parent Company (as lessor) entered into the Lease Agreement for the lease of the land use right of the Land for a term of 3 years commencing from 11 August 2023 to 10 August 2026 to enable the Company to continue to carry out its operations at its premises in the relevant production areas.

LISTING RULES IMPLICATIONS

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 transaction contemplated under the Lease Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16 applicable to the Company, the transaction contemplated under the Lease Agreement will be recognised as acquisition of right-of-use asset which will constitute a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transaction contemplated under the Lease Agreement is more than 0.1% but less than 5%, the Lease Agreement and the transaction contemplated thereunder are subject to the announcement and reporting requirements, but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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Material terms of the Lease Agreement

1. Date

11 August 2023

2. Parties

(a) the Parent Company, as lessor; and

(b) the Company, as lessee

3. Connected person:

The Parent Company

4. The Land:

A parcel of land with an area of 250,510.11 square metres located at west of Xiwaihuan Road, Weiqiao Town, Zouping City, Shandong Province, the PRC

5. Term:

A term of 3 years commencing from 11 August 2023 to 10 August 2026

6. Consideration, pricing basis and payment terms:

The annual rent is RMB2,029,131.89 (excluding VAT), which is determined with reference to the rent charged by independent third parties for leasing the land use right of land similar to the Land under normal commercial terms in Zouping City, Shandong Province, the PRC on the date of the Lease Agreement. If any National Prescribed Price is effective and applicable to the lease under the Lease Agreement at any time during the term of the Lease Agreement, such National Prescribed Price will be adopted as the mandatory price under the Lease Agreement.

The Company may choose to pay the rent for the relevant financial year on or before 31 December of that year or by monthly instalment. Shall the Company pay the rent by monthly instalment, the Parent Company shall, on the last business day of each calendar month, prepare an account book of the rent that shall be paid by the Company up to that day. The Company shall, within the first five (5) business days of the following month, pay the amount due in full.

7. Termination and renewal

Either party may terminate the Lease Agreement by serving at least six (6) months' prior written notice to the other party.

Upon expiry of the Lease Agreement, the Company shall have the right to renew the lease and the rent shall be determined with reference to the rent charged by independent third parties for leasing the land use right of land similar to the Land under normal commercial terms in Zouping City, Shandong Province, the PRC at the time of renewal.

INFORMATION OF THE LAND

The Land is located at west of Xiwaihuan Road, Weiqiao Town, Zouping City, Shandong Province, the PRC. Pursuant to HKFRS 16, the Land will be recognised by the Company as right-of-use assets, of which the total value is RMB5,717,000 (unaudited). The adjusted present value was measured at the incremental borrowing rate of 3.2%.

The original acquisition cost of the Land is RMB16,844,300.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT

Part of the Group's production areas are situated on the Land, the land use right of which is owned by the Parent Company. The transaction contemplated under the Lease Agreement will enable the Company to continue to carry out its operations at its premises in the relevant production areas.

The Directors (including the independent non-executive Directors) consider that the terms of the Lease Agreement are fair and reasonable, the transaction contemplated under the Lease Agreement is conducted in the ordinary and usual course of business of the Group and on normal commercial terms and in the interests of the Company and the shareholders of the Company as a whole.

GENERAL

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

The Parent Company is principally engaged in the processing and sales of cotton, lint cotton, cotton seed oil, fabrics, cotton yarn and print cloth, retail and distribution of cloth and supply of industrial water. For details of the shareholdings of the Parent Company, please refer to the circular of the Company dated 24 October 2022.

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Each of Ms. Zhang Hongxia, Ms. Zhang Yanhong, Mr. Wei Jiakun, Ms. Zhao Suwen and Mr. Zhang Jinglei had abstained from voting on the relevant resolution of the Board approving the Lease Agreement and the transaction contemplated thereunder as they and/or their associates concurrently have material interests in and/or that they serve as the directors of the Parent Company.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“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 H 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 under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards
“Land”	A parcel of land with an area of 250,510.11 square metres located at west of Xiwaihuan Road, Weiqiao Town, Zouping City, Shandong Province, the PRC
“Lease Agreement”	the land lease agreement entered into between the Company (as lessee) and the Parent Company (as lessor) in relation to the Land
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“National Prescribed Price”	The price prescribed from time to time by any applicable laws, regulations, orders or directions as promulgated or issued by the PRC government
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“VAT”

Value added tax of the PRC

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

Hong Kong
11 August 2023

As at the date of this announcement, the Board comprises nine Directors, namely Ms. Zhang Hongxia, Ms. Zhang Yanhong, Mr. Wei Jiakun, 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 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).*