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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 AGREEMENTS**

### **LEASE AGREEMENTS**

The Company and the Parent Company entered into certain lease agreements on 17 October 2003, pursuant to which the Parent Company agreed to lease to the Company the land use rights in respect of each of the Land 1, Land 2 and Land 3 for a term of 20 years from 17 October 2003 to 17 October 2023, respectively. On 17 October 2023, the Company (as lessee) and the Parent Company (as lessor) entered into the Lease Agreements for continuing the lease of the land use rights of each of the Land 1, Land 2 and Land 3 for a term of 3 years commencing from 17 October 2023 to 16 October 2026 to enable the Company to continue to carry out its operations in the relevant industrial 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 transactions contemplated under the Lease Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

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

Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all entered into or completed within a 12-month period or are all otherwise related. Accordingly, the transactions contemplated

under the Lease Agreements shall be aggregated with the transaction contemplated under the Xiwaihuan Lease and treated as if they were one transaction, and the aggregated figure shall be used for calculating the applicable percentage ratios.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Lease Agreements, when aggregated with the transaction contemplated under the Xiwaihuan Lease, is more than 0.1% but less than 5%, the aggregated transactions 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.

## **LEASE AGREEMENTS**

The Company and the Parent Company entered into certain lease agreements on 17 October 2003, pursuant to which the Parent Company agreed to lease to the Company the land use rights in respect of each of the Land 1, Land 2 and Land 3 for a term of 20 years from 17 October 2003 to 17 October 2023. On 17 October 2023, the Company (as lessee) and the Parent Company (as lessor) entered into the Lease Agreements for the lease of the land use rights of each of the Land 1, Land 2 and Land 3 for a term of 3 years commencing from 17 October 2023 to 16 October 2026 to enable the Company to continue to carry out its operations in the relevant industrial areas.

### **Material Terms of the Lease Agreements**

Apart from the particulars among Land 1, Land 2 and Land 3 and the corresponding rents, the terms of the Lease Agreements are basically the same.

The material terms of the Lease Agreements are set out as follows:

**1. Date:**

17 October 2023

**2. Parties:**

(a) the Parent Company, as lessor; and

(b) the Company, as lessee

**3. Connected person:**

The Parent Company

#### 4. The Land Area, Location and Consideration:

|            | Area                    | Location  | Consideration<br>(the annual rents) |
|------------|-------------------------|---|-------------------------------------|
| The Land 1 | 333,324.0 square metres | Zouping Industrial Park,<br>Zouping City,<br>Shandong Province, the PRC | RMB2,699,924.4<br>(excluding VAT)   |
| The Land 2 | 361,105.0 square metres | Zouping Industrial Park,<br>Zouping City,<br>Shandong Province, the PRC | RMB2,924,950.5<br>(excluding VAT)   |
| The Land 3 | 165,686.0 square metres | Zouping Industrial Park,<br>Zouping City,<br>Shandong Province, the PRC | RMB1,342,056.6<br>(excluding VAT)   |

#### 5. Term:

A term of 3 years commencing from 17 October 2023 to 16 October 2026.

#### 6. Pricing basis and payment terms:

The annual rents of Land 1, Land 2 and Land 3 are determined with reference to the rents charged by independent third parties for leasing the land use right of land similar to Land 1, Land 2 and Land 3, respectively, under normal commercial terms in Zouping City, Shandong Province, the PRC on the date of the Lease Agreements. If any National Prescribed Price is effective and applicable to the lease under any of the Lease Agreements at any time during the term of the relevant Lease Agreements, such National Prescribed Price will be adopted as the mandatory price under such 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:

The Company may terminate any of the Lease Agreements by serving at least six (6) months' prior written notice to the Parent Company.

Upon expiry of the Lease Agreements, the Company shall have the right to renew the leases 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 1, Land 2 or Land 3 (as the case may be) under normal commercial terms in Zouping City, Shandong Province, the PRC at the time of renewal.

## **INFORMATION OF THE LAND**

Each of the Land 1, Land 2 and Land 3 is located at Zouping Industrial Park, Zouping City, Shandong Province, the PRC. Pursuant to HKFRS 16, the relevant land use right of Land 1, Land 2 and Land 3 will be recognised by the Company as right-of-use assets, of which the value is approximately RMB7,608,000 (unaudited), RMB8,242,000 (unaudited) and RMB3,782,000 (unaudited), respectively. The adjusted present value was measured at the incremental borrowing rate of 3.2%.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENTS**

Part of the Group's industrial areas are situated on Land 1, Land 2 and Land 3, the land use rights of which are owned by the Parent Company. The transactions contemplated under the Lease Agreements will enable the Company to continue to carry out its operations in the relevant industrial areas.

The Directors (including the independent non-executive Directors) consider that the terms of the Lease Agreements are fair and reasonable, the transactions contemplated under the Lease Agreements are 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.

## **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 transactions contemplated under the Lease Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

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

Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all entered into or completed within a 12-month period or are all otherwise related. Accordingly, the transactions contemplated under the Lease Agreements shall be aggregated with the transaction contemplated under the Xiwaihuan Lease and treated as if they were one transaction, and the aggregated figure shall be used for calculating the applicable percentage ratios.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Lease Agreements, when aggregated with the transaction contemplated under the Xiwaihuan Lease, is more than 0.1% but less than 5%, the aggregated transactions 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.

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 Agreements and the transactions 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   |
| “HKFRS”                   | Hong Kong Financial Reporting Standards  |

|                             |   |
|-----------------------------|---|
| “Land 1”                    | A site area of approximately 333,324.0 square metres, which is located at Zouping Industrial Park, Zouping City, Shandong Province, the PRC, and the land use right of which is owned by the Parent Company |
| “Land 2”                    | A site area of approximately 361,105.0 square metres, which is located at Zouping Industrial Park, Zouping City, Shandong Province, the PRC, and the land use right of which is owned by the Parent Company |
| “Land 3”                    | A site area of approximately 165,686 square metres, which is located at Zouping Industrial Park, Zouping City, Shandong Province, the PRC, and the land use right of which is owned by the Parent Company   |
| “Lease Agreements”          | the land lease agreements dated 17 October 2023 entered into between the Company (as lessee) and the Parent Company (as lessor) in relation to the land use right of each of the Land 1, Land 2 and Land 3  |
| “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                       |
| “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  |

“Xiwaihuan Lease” the lease agreement dated 11 August 2023 entered into between the Company and the Parent Company for the lease of land use right of a land by the Parent Company to the Company for a term of 3 years, with an annual rent of RMB2,029,131.89, details of which are set out in the announcement of the Company dated 11 August 2023

“%” Per cent

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

Hong Kong  
17 October 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).*