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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)

MAJOR AND CONTINUING CONNECTED TRANSACTIONS FUND COOPERATION FRAMEWORK AGREEMENT

FUND COOPERATION FRAMEWORK AGREEMENT

On 10 November 2017 (after trading hours), the Parent Company and the Company entered into the Fund Cooperation Framework Agreement, pursuant to which, the Company and the Parent Company agreed to provide short-term funds to the other party to satisfy the demand for short-term funds of such party provided that it is in compliance with relevant laws and regulations, for a term commencing on 1 January 2018 and ending on 31 December 2020.

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 entering into of the Fund Cooperation Framework Agreement and the Fund Transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest ratio of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Fund Transactions, on an aggregate basis, is more than 25%, the Fund Transactions to be provided by the Company constitute major and continuing connected transactions under Chapter 14 and Chapter 14A of the Listing Rules and are therefore subject to the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. As the Board considers the Fund Transactions to be provided by the Parent Group (excluding the Group) to the Group are on normal commercial terms or better for the Company, and no security will be provided over the assets of the Group in relation to such Fund Transactions, pursuant to Rule 14A.90 of the Listing Rules, the Fund Transactions to be

provided by the Parent Group (excluding the Group) to the Group shall be exempt from reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

EGM

The Company proposes to seek (i) the approval of the Fund Cooperation Framework Agreement and the Fund Transactions to be provided by the Group (including the Annual Caps) by the Independent Shareholders at the EGM, and (ii) the approval and ratification of the Past Fund Transactions by the Independent Shareholders at the EGM. The Parent 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 the Parent Company and hold approximately 31.59% (directly and indirectly) and 7.00% of the equity interests in the Parent Company, respectively, and will also abstain from voting at the EGM.

The Circular containing, among others, (i) further details of the Fund Cooperation Framework Agreement, the Fund Transactions contemplated thereunder and the Past Fund Transactions; (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of EGM, will be despatched to the Shareholders on or before 1 December 2017.

A. FUND COOPERATION FRAMEWORK AGREEMENT

1. Date:

10 November 2017 (after trading hours)

2. Parties:

(i) the Parent Company; and

(ii) the Company.

3. Nature of the Fund Transactions

The Parent Company and the Company entered into the Fund Cooperation Framework Agreement, pursuant to which, the Company and the Parent Company agreed to provide short-term funds to the other party to satisfy the demand for short-term funds of such party provided that it is in compliance with relevant laws and regulations.

4. Term

The term of the Fund Cooperation Framework Agreement will commence on 1 January 2018 and end on 31 December 2020.

The Fund Cooperation Framework Agreement is renewable for another term of three years (provided that the relevant approvals are obtained from the Board and the renewal is in compliance with the requirements of the Listing Rules), unless any party decides not to renew the Fund Cooperation Framework Agreement by giving at least thirty (30) days' prior written notice to the other party.

5. Pricing and Payment Terms

The consideration for the Fund Transactions shall equal to the interest accrued on the actual occurrence amount of the Fund Transactions. Such interest shall be the higher of (i) the RMB one-year lending rates for financial institutions as prescribed by the People's Bank of China from time to time; and (ii) the previous month's average lending rate from the banks applicable to the fund providing party in relation to the relevant Fund Transactions. Each party shall bear the respective commissions incurred under the Fund Cooperation Framework Agreement.

Such consideration shall be paid on a quarterly basis based on the actual occurrence amount of the Fund Transactions under the Fund Cooperation Framework Agreement. The fund providing party will provide the amount due on the last business day of each quarter and the fund receiving party shall make the payment by the 10th business day of the following quarter.

B. PROPOSED ANNUAL CAPS AND BASIS OF ANNUAL CAPS

For each of the three years ending 31 December 2020, the proposed Annual Caps, i.e. the higher of (i) the maximum daily balance of the Fund Transactions to be provided by the Group (including the interests accrued therefrom), and (ii) the maximum occurrence amount of the Fund Transactions to be provided by the Group (including the interests accrued therefrom) under the Fund Cooperation Framework Agreement are set out below:

	For the financial year ending 31 December		
	2018	2019	2020
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Proposed Annual Caps	4,000,000,000	4,000,000,000	4,000,000,000

The above proposed Annual Caps have been determined based on (i) the historical occurrence amounts of the Past Fund Transaction provided by the Group; (ii) the increase of temporarily surplus cash resources of the Company by approximately RMB3,034,000,000 from 1 January 2017 to 30 June 2017, and the sufficient temporarily cash resources of the Company as at 30 June 2017, which was approximately RMB14,326,000,000; and (iii) the long-term stable cooperation relationship between the Company and the Parent Company.

As the Board considers the Fund Transactions to be provided by the Parent Group (excluding the Group) to the Group will be on normal commercial terms or better for the Company, and no security will be provided over the assets of the Group in relation to such Fund Transactions, pursuant to Rule 14A.90 of the Listing Rules, the Fund Transactions to be provided by the Parent Group (excluding the Group) to the Group shall be exempt connected transactions under the Listing Rules. As such, no annual cap is required to be set for the Fund Transactions to be provided by the Parent Group (excluding the Group) to the Group.

C. REASONS FOR AND BENEFITS OF ENTERING INTO THE FUND COOPERATION FRAMEWORK AGREEMENT

Each of the Company and the Parent Company has their own independent financial operation systems responsible for arranging the financing of its businesses and developing their liquid resources. This basis of operation is intended to continue.

The Fund Cooperation Framework Agreement and the Fund Transactions contemplated thereunder, if they are implemented in full, will render the Company and the Parent Company greater flexibility in the management of their working capital and more efficient utilization of the funds by enabling the Company and the Parent Company to utilize a portion of the temporarily surplus cash resources. In addition, through the implementation of the Fund Cooperation Framework Agreement, the mutually-beneficial cooperation relationship between the Parent Company and the Company will be further strengthened, which is conducive for the Group's development in the long-term.

The Directors (excluding the independent non-executive Directors whose views will be contained in the Circular after considering the advice from the independent financial adviser) consider that the terms of the Fund Cooperation Framework Agreement are fair and reasonable; and the entering into of the Fund Cooperation Framework Agreement and the Fund Transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

D. 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 entering into of the Fund Cooperation Framework Agreement and the Fund Transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest ratio of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Fund Transactions contemplated, on an aggregate basis, is more than 25%, the Fund Transactions to be provided by the Group constitute major and continuing connected transactions under Chapter 14 and Chapter 14A of the Listing Rules and are therefore subject to the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. As the Board considers the Fund Transactions to be provided by the Parent Group (excluding the Group) to the Group are on normal commercial terms or better for the Company, and no security will be provided over the assets of the Group in relation to such Fund Transactions, pursuant to Rule 14A.90 of the Listing Rules, the Fund Transactions to be provided by the Parent Group (excluding the Group) to the Group shall be exempt from reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

E. PAST FUND TRANSACTIONS

Given that the Parent Group (excluding the Group) and the Group would normally be treated as a group customer by the relevant credit-granting banks and in order to reinforce the inter-group fund management and the efficiency of utilization of funds, the Parent Group (excluding the Group) and the Group conducted fund transfers within the Parent Group.

For the purpose of assessing the nature of the Past Fund Transactions, the maximum aggregate daily occurrence amount was RMB641,000,000 during the year ended 31 December 2016. As at the end of April 2017, the balance of the Past Fund Transactions was nil and the Parent Company has repaid the interest actually accrued from such transactions to the Company, amounted to RMB17,897,000, which was calculated based on the RMB one-year benchmark lending rates of the People's Bank of China at relevant time and the actual occurrence days of the relevant fund.

As disclosed in the paragraph headed "Implication under the Listing Rules" above, the Parent Company is a connected person of the Company. As the highest ratio of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Past Fund Transactions, on aggregate basis, is more than 5% but less than 25%, the Past Fund Transactions constituted discloseable and continuing connected transactions under Chapter 14 and Chapter 14A of the Listing Rules and were therefore subject to the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. However, due to the deviation in the understanding of the Listing Rules of relevant

management of the Company, the Company failed to be in timely compliance with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules. The Board had ratified, confirmed and approved the Past Fund Transactions. The Company will seek the approval and ratification from the Independent Shareholders at the EGM.

F. INTERNAL CONTROL PROCEDURES TO BE CONDUCTED FOR FUTURE COMPLIANCE WITH THE LISTING RULES

With a view to ensuring the timely compliance with the relevant requirements of the Listing Rules and to preventing any recurrence of any similar event in the future, the Company has engaged the Internal Control Adviser to conduct a thorough review of and make recommendations to the financial reporting procedures and internal control systems of the Company. The Company has consulted with and adopted the advice from the Internal Control Adviser with regards to the implementation of its recommendations so as to ensure future compliance with the Listing Rules, enhance the internal control systems of the Company and properly implement the Fund Cooperation Framework Agreement, and has adopted the following measures:

- the audit committee of the Company consisting of all the three independent non-executive Directors will be entrusted with the responsibility to review and modify the internal control system and update the internal handbook with reference to the Listing Rules as and when necessary;
- the Group's finance department will periodically provide the management of the Company with a list of the connected persons of the Company and their corresponding relationships with the Group, and will request such connected persons to notify the Company and the audit committee of the Company immediately in respect of any proposed transactions to be entered into by the Group with any of such connected persons;
- the Board has reviewed and will continue to periodically review the Company's internal control and financial reporting systems and their effectiveness;
- the Company will seek legal advice and/or other professional advice from time to time, as and when necessary, to ensure the disclosure in future annual reports will be in compliance with the relevant requirements of the Listing Rules;
- the Group's finance department will monitor the daily balance of the Fund Transactions and the occurrence amount of each Fund Transaction to be provided by the Group to ensure that the applicable Annual Caps will not be exceeded;
- the auditors of the Company will conduct an annual review on the pricing and the Annual Caps of the Fund Transactions contemplated under the Fund Cooperation Framework Agreement in accordance with the requirements of the Listing Rules; and

- the independent non-executive Directors will conduct an annual review of the implementation of the Fund Transactions contemplated under the Fund Cooperation Framework Agreement in accordance with the requirements of the Listing Rules.

G. EGM

The Company proposes to seek (i) the approval of the Fund Cooperation Framework Agreement and the Fund Transactions to be provided by the Group (including the Annual Caps) by the Independent Shareholders at the EGM, and (ii) the approval and ratification of the Past Fund Transactions by the Independent Shareholders at the EGM.

As at the date of this announcement, the Parent 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 Parent Company, Mr. Zhang Shiping and Ms. Zhang Hongxia, has any associate (other than amongst themselves) who is a Shareholder.

The Parent 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 the Parent Company and hold approximately 31.59% (directly and indirectly) and 7.00% of the equity interests in the Parent Company, respectively, and will also abstain from voting at the EGM.

The votes to be taken at the EGM in relation to the resolutions for (i) the approval of the Fund Cooperation Framework Agreement and the Fund Transactions to be provided by the Group (including the Annual Caps) by the Independent Shareholders and (ii) the approval and ratification of the Past Fund Transactions by the Independent Shareholders will be taken by poll.

The Independent Board Committee will be established to advise the Independent Shareholders in relation to the Fund Cooperation Framework Agreement, the Fund Transactions to be provided by the Group (including the Annual Caps) and the Past Fund Transactions. Mr. Wang Naixin, Mr. Chen Shuwen and Mr. George Chan Wing Yau have been appointed by the Board to serve as members of the Independent Board Committee. An independent financial advisor will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the fairness and reasonableness of the Fund Cooperation Framework Agreement, the Fund Transactions to be provided by the Group (including the Annual Caps) and the Past Fund Transactions.

The Circular containing, among others, (i) further details of the Fund Cooperation Framework Agreement, the Fund Transactions contemplated thereunder and the Past Fund Transactions; (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) a notice of EGM, will be despatched to the Shareholders on or before 1 December 2017.

H. GENERAL INFORMATION

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

The Parent 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.

I. DEFINITIONS

“Annual Caps”	the higher of (i) the maximum daily balance of the Fund Transactions to be provided by the Group (including the interests accrued therefrom), and (ii) the maximum occurrence amount of the Fund Transactions to be provided by the Group (including the interests accrued therefrom) for each of the three years ending 31 December 2020 under the Fund Cooperation Framework Agreement
“Board”	the board of Directors
“Circular”	the circular containing, among others, (i) further details of the Fund Cooperation Framework Agreement, the Fund Transactions contemplated thereunder and the Past Fund Transactions; (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of EGM
“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
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) issued by the Company, with a Renminbi 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 for the Independent Shareholders to consider and, if thought fit, among other things, (i) approve the Fund Cooperation Framework Agreement and the Fund Transactions contemplated thereunder and (ii) approve and ratify the Past Fund Transactions, details of which will be included in the Circular to be despatched to the Shareholders on or before 1 December 2017
“Fund Cooperation Framework Agreement”	the fund cooperation framework agreement entered into between the Parent Company and the Company on 10 November 2017
“Fund Transactions”	the fund transactions to be conducted between the Group and the Parent Group (excluding the Group) under the Fund Cooperation Framework Agreement
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company, with a Renminbi-denominated par value of RMB1.00 each, and which are subscribed for and traded in Hong Kong dollars on the Stock Exchange
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising of all the independent non-executive Directors to advise the Independent Shareholders on the Fund Cooperation Framework Agreement, the Fund Transactions to be provided by the Group (including the Annual Caps) and the Past Fund Transactions
“Independent Shareholders”	the Shareholders other than the Parent Company, Mr. Zhang Shiping and Ms. Zhang Hongxia
“Internal Control Adviser”	ZHONGHUI ANDA Risk Services Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“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 a promoter and the controlling shareholder of the Company
“Parent Group”	the Parent Company, its subsidiaries and associates (including the Group)
“Past Fund Transactions”	the past funds provided by the Group to the Parent Group (excluding the Group), with the total occurrence amounts of approximately RMB900,000,000 and RMB8,589,000,000 for the two years ended 31 December 2015 and 2016, respectively
“PRC”	the People’s Republic of China
“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
“%”	per cent.

On behalf of the Board
Weiqiao Textile Company Limited*
Zhang Jinglei
Executive Director and Company Secretary

10 November 2017
Shandong, the PRC

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.

* *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).*