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If you have sold or transferred all your shares in Weiqiao Textile Company Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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 EXCESS ELECTRICITY)

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Mitsubishi UFJ Securities (HK) Capital, Limited

A letter from the Board is set out in pages 4 to 9 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in connection with the Supply of Excess Electricity Agreement and the Excess Electricity Supply Transaction, is set out in page 10 of this circular. A letter from Mitsubishi UFJ Securities (HK) Capital, Limited containing its advice to the Independent Board Committee and the Independent Shareholders in connection with the Supply of Excess Electricity Agreement and the Excess Electricity Supply Transaction is set out in pages 11 to 18 of this circular.

A notice dated 8 November 2010 convening the EGM to be convened and held on 23 December 2010 at 9:00 a.m. at the conference hall 401 on the Fourth Floor, Company Office Building, No. 1 Wei Fang Lu, Economic Development Zone, Zouping County, Shandong Province, The People's Republic of China is set out in pages 25 to 27 of this circular. Whether or not you are able to attend the above meetings, you are requested to complete and return the enclosed proxy form(s) in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the holding of the EGM or at any adjournment thereof. Completion and return of the proxy form(s) will not preclude you from attending and voting in person at the meeting(s) or at any adjourned meeting(s) should you so wish.

Reply slip for the EGM have also been enclosed. You are reminded to complete and sign the relevant reply slip and return it to the office of the secretary to the Board, the People's Republic of China on or before 2 December 2010 (Thursday) in accordance with the instructions printed thereon.

* *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 Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).*

EXPECTED TIMETABLE

Register of members of the Company closes from 23 November 2010 to
23 December 2010

Latest time for lodging proxy forms in respect of the EGM 9:00 a.m. 22 December 2010

EGM 9:00 a.m. 23 December 2010

Register of members of the Company re-opens 24 December 2010

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

| | |
|---|---|
| “Associate” | has the meaning ascribed to it in the Listing Rules |
| “Annual Caps” | the maximum transaction value under the Supply of Excess Electricity Agreement for the three years ending 31 December 2013 which is set out in page 7 of this circular |
| “Board” | the board of Directors of the Company |
| “Business Day” | any day other than the public holidays stipulated under PRC laws, Saturdays and Sundays |
| “Company” | 魏橋紡織股份有限公司 (Weiqiao Textile Company Limited) |
| “Connected Person” | has the meanings 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 Renminbi and are not tradable on the Stock Exchange |
| “EGM” | an extraordinary general meeting of the Company proposed to be convened and held on 23 December, 2010 for the Independent Shareholders to consider and, if thought fit, approve the Excess Electricity Supply Transaction (including the Annual Caps) |
| “Excess Electricity Supply Transaction” | the continuing connected transactions contemplated under the Supply of Excess Electricity 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 |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Holding 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, being a promoter and the controlling shareholder of the Company |

DEFINITIONS

| | |
|--|--|
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | an independent board committee of the Company comprising of all the Independent Directors |
| “Independent Directors” | the independent non-executive directors of the Company, who are invited to advise the Independent Shareholders on the Excess Electricity Supply Transaction (including the Annual Caps) |
| “Independent Financial Adviser” | Mitsubishi UFJ Securities (HK) Capital, Limited, a registered institution to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO, an independent financial adviser appointed to make the relevant recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Excess Electricity Supply Transaction (including the Annual Caps) |
| “Independent Shareholders” | the shareholders of the Company other than Holding Company, Mr. Zhang Shiping, Mr. Zhang Bo and Ms. Zhang Hongxia |
| “Latest Practicable Date” | 5 November 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Old Supply of Excess Electricity Agreement” | the supply of excess electricity agreement entered into between the Company and Holding Company on 18 March 2008 with a term of three years ending on 31 December 2010 |
| “Parent Group” | Holding Company, its subsidiaries and associates (excluding the Group) |
| “PRC” | People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholder(s)” | registered holder(s) of the shares of the Company |
| “Shares” | Domestic Shares and H Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

DEFINITIONS

| | |
|--|--|
| “Supply of Excess Electricity Agreement” | the supply of excess electricity agreement entered into between the Company and Holding Company on 4 November 2010 for the supply of electricity which are in excess of the actual electricity consumed by the Group to Parent Group for a term commencing from 1 January 2011 and ending on 31 December 2013 (both dates inclusive) |
| “VAT” | value added tax |

For ease of reference, the names of the PRC-incorporated companies and entities have been included in this circular in both the Chinese and English languages. In the event of any inconsistency, the Chinese name prevails.

LETTER FROM THE BOARD



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)

Executive Directors:

Zhang Hongxia (*Chairman*)
Zhang Yanhong
Zhao Suwen
Zhang Jinglei

Registered Office:

No. 34 Qidong Road
Weiqiao Town
Zouping County
Shandong Province The PRC

Non-executive Directors:

Zhang Shiping
Wang Zhaoting
Zhao Suhua
Wang Xiaoyun

*Principal place of business
in Hong Kong:*

Room 2204
22/F., Fu Fai Commercial Centre
27 Hillier Street
Hong Kong

Independent Non-executive Directors:

Wang Naixin
Xu Wenying
Chan Wing Yau, George

8 November 2010

To the Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS (SUPPLY OF EXCESS ELECTRICITY)

A. INTRODUCTION

Reference is made to the announcements of the Company dated 14 January 2008 and 20 October 2008, respectively. The Old Supply of Excess Electricity Agreement will expire on 31 December 2010. The parties to the Old Supply of Excess Electricity Agreement have agreed to renew the transaction and on 4 November 2010, the Company entered into the Supply of Excess Electricity Agreement with Holding Company for a period of three years commencing on 1 January 2011 to 31 December 2013 pursuant to which the Group will supply excess electricity to Parent Group. Terms and conditions under the Supply of Excess Electricity Agreement are basically the same with the conditions under the Old Supply of Excess Electricity Agreement.

LETTER FROM THE BOARD

Holding Company currently holds 738,895,100 Domestic Shares, representing about 61.86% of the entire issued share capital of the Company. As Holding Company is a substantial shareholder of the Company, it constitutes a connected person of the Company under the Listing Rules.

As each of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Excess Electricity Supply Transaction is on an annual basis more than 5% and the annual consideration is more than HK\$10,000,000, the same transaction is subject to the reporting, annual review, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

Details of the Supply of Excess Electricity Agreement will also be disclosed in the Company's next published annual report and accounts, as required under Rule 14A.46 of the Listing Rules.

An Independent Board Committee, comprising all of the Independent Directors of the Company, namely Mr. Wang Naixin, Mr. Xu Wenying and Mr. Chan Wing Yau, George, has been formed to advise the Independent Shareholders in respect of the the Supply of Excess Electricity Agreement. The Company has appointed Mitsubishi UFJ Securities (HK) Capital, Limited to advise the Independent Board Committee and the Independent Shareholders in respect of the Supply of Excess Electricity Agreement.

The Board (excluding Mr. Zhang Shiping who have abstained from voting on the Board resolution of the Company in respect of the Excess Electricity Supply Transaction due to his equity interests in Holding Company and the members of the Independent Board Committee, the opinion of which, after taking into account of the advice from the Independent Financial Adviser, is included in the section "Letter from the Independent Board Committee" in this circular) is of the view that the Supply of Excess Electricity Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group, that they are on normal commercial terms and that they, as well as the Annual Caps applicable thereto, are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

The purpose of this circular is to provide you with information regarding the resolution to be approved at the EGM relating to the Supply of Excess Electricity Agreement and the continuing connected transactions contemplated thereunder.

B. THE SUPPLY OF EXCESS ELECTRICITY AGREEMENT

1. Date

4 November 2010

LETTER FROM THE BOARD

2. Parties

- (a) Company
- (b) Holding Company

3. Transaction nature

Supply of electricity by the Group, which are in excess of the Group's actual electricity consumed, to Parent Group for a term commencing from 1 January 2011 and ending on 31 December 2013 (both dates inclusive).

4. Pricing basis

The price at which excess electricity is supplied to Parent Group by the Group shall be RMB0.50 per kWh (inclusive of VAT at the rate of 17%) or the price from time to time at which a power plant in Shandong Province would sell its electricity produced to the relevant power grid, whichever is higher. If any applicable mandatory price for the supply of electricity is prescribed by the PRC government, it would be adopted instead.

The Company, according to the price of coal, may increase the price at which excess electricity is supplied to Parent Group by the Company up to the price at which the relevant power grid in Shandong province would sell electricity to companies upon a 10 days' prior written notice to Holding Company.

The above price of RMB0.50 per kWh has been determined after arm's length negotiation between Holding Company and the Company, taking into account that RMB0.50 per kWh is a price which (i) is higher than the current price at which a power plant in Shandong Province sells its electricity produced to the relevant power grid; and (ii) is lower than the current electricity purchase price charged by power grids in Shandong Province.

5. Payment term

Holding Company shall pay for the electricity supplied in arrears on a monthly basis based on the actual amount of electricity supplied. The Company will provide the amount due on the last business day of each month and Holding Company shall make the payment within the first 5 business days of the following month.

LETTER FROM THE BOARD

6. Maximum aggregate annual value

Set out below is the maximum aggregate annual value for electricity (excluding VAT at the rate of 17%) for the excess electricity supplied under the Supply of Excess Electricity Agreement which is estimated to be payable by Holding Company to the Company for each of the three financial years ending 31 December 2013:

| Financial year ending 31 December 2011 <i>(RMB)</i> | Financial year ending 31 December 2012 <i>(RMB)</i> | Financial year ending 31 December 2013 <i>(RMB)</i> |
|---|---|---|
| 1,453,030,000 | 1,888,940,000 | 2,415,250,000 ¹ |

Note 1: The maximum transaction value for the excess electricity to be supplied by the Group to Parent Group was determined with reference to the average transaction value for the three years ending 31 December 2010, which was approximately RMB1,117,720,000, with an expected growth rate of approximately 30% for each year ending 31 December 2013. The growth rate was determined with reference to the expected production growth of Parent Group in the downstream textile industry, including printing and dyeing and home textile products.

The historical figures for the electricity purchased by Parent Group from the Company are as follows:

| Financial year ending 31 December 2008 <i>(RMB)</i> | Financial year ending 31 December 2009 <i>(RMB)</i> | Financial year ending 31 December 2010 <i>(RMB)</i> |
|---|---|---|
| 1,186,930,000 | 1,175,520,000 | 990,710,000 ² |

Note 2: the transaction value for 2010 was calculated based on the actual average monthly transaction value for the nine months ended 30 September 2010 by multiplying 12. The annualized transaction value for 2010 is lower than the actual transaction value for 2008 and 2009, mainly due to that a higher consumption of electricity by the Group in 2010 and therefore the electricity sold to other third parties by the Group was accordingly reduced.

The Company will make a further announcement and seek Independent Shareholders' approval (where appropriate) in the event that any of the Annual Caps for the three financial years ending 31 December 2013 set out above is exceeded.

C. REASONS FOR AND BENEFITS OF THE EXCESS ELECTRICITY SUPPLY TRANSACTION

The excess electricity to be purchased by Parent Group under the Supply of Excess Electricity Agreement would (i) optimize the utilization of the power plant assets and thus improving operation efficiency and achieving economies of scale of the Group (by reducing the fixed costs of electricity generation); and (ii) allow the Group to receive an additional stream of income and thus enhancing the profits of the Group.

LETTER FROM THE BOARD

Based on the above, the Board believes that the Excess Electricity Supply Transaction would be conducive to enhancing the operating efficiency and competitiveness of the Group and would result in cost savings and enhancement of its profitability of the Group.

The terms and conditions of the Excess Electricity Supply Transaction have been negotiated on an arm's length basis. The Board (excluding Mr. Zhang Shiping who abstained from voting on the Board resolution of the Company in respect of the Excess Electricity Supply Transaction due to his equity interests in Holding Company and the members of the Independent Board Committee, the opinion of which, after taking into account of the advice from the Independent Financial Adviser, is included the section "Letter from the Independent Board Committee" in this circular) is of the view that the Supply of Excess Electricity Agreement and the Excess Electricity Supply Transaction have been entered into in the ordinary and usual course of business of the Group, that they are on normal commercial terms, and that the terms, as well as the Annual Caps applicable thereto, are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

D. LISTING RULES IMPLICATIONS

Holding Company currently holds 738,895,100 Domestic Shares, representing about 61.86% of the entire issued share capital of the Company. As Holding Company is a substantial shareholder of the Company, it constitutes a connected person of the Company under the Listing Rules.

As each of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Excess Electricity Supply Transaction is on an annual basis more than 5% and the annual consideration is more than HK\$10,000,000, the same transaction is subject to the reporting, annual review, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

E. EGM

The Company proposes to seek the approvals of the Independent Shareholders at the EGM relating to the Excess Electricity Supply Transaction (including the Annual Caps).

According to the Listing Rules, Holding Company will abstain from voting in respect of the resolutions relating to the Excess Electricity Supply Transaction (including the Annual Caps) at the EGM. Mr. Zhang Shiping and Ms. Zhang Hongxia, both being Directors and Mr. Zhang Bo, the son of Mr. Zhang Shiping and the brother of Ms. Zhang Hongxia, are considered to be parties acting in concert with Holding Company and hold approximately 33.7% (directly and indirectly), 3% and 3% of the equity interests in Holding Company, respectively, will also abstain from voting in respect of the same resolutions at the EGM.

As at the Latest Practicable Date, Holding Company holds 61.86% of the total issued Shares, and Mr. Zhang Shiping, Mr. Zhang Bo and Ms. Zhang Hongxia hold 0.44%, 1.08% and 1.48%, respectively, of the total issued Shares. To the best of the knowledge and belief of the Directors, none of Holding Company, Mr. Zhang Shiping, Mr. Zhang Bo, Ms. Zhang Hongxia has any associate (other than amongst themselves) who is a Shareholder.

LETTER FROM THE BOARD

The votes to be taken at the EGM in relation to the resolutions for approval by the Independent Shareholders of the Excess Electricity Supply Transaction (including the Annual Caps) will be taken by poll.

The relevant forms of proxy and attendance slip are enclosed. Shareholders who intend to attend the EGM are required to complete and return the attendance slip to the Company on or before 2 December 2010 (Thursday).

F. RECOMMENDATION

The Board, including the Independent Board Committee, is of the opinion that the terms of the Supply of Excess Electricity Agreement (including the Annual Caps) are fair and reasonable so far as the Company is concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the Independent Board Committee) recommends that the Independent Shareholders vote in favour of the resolutions set out in the notice of the EGM for the approval of the Supply of Excess Electricity Agreement (including the Annual Caps).

G. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Wang Naixin, Mr. Xu Wenying and Mr. Chan Wing Yau, George, has been formed to advise the Independent Shareholders in respect of the Supply of Excess Electricity Agreement (including the Annual Caps). Mitsubishi UFJ Securities (HK) Capital, Limited has been appointed as the Independent Financial Adviser for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Supply of Excess Electricity Agreement (including the Annual Caps).

H. GENERAL INFORMATION

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

Your attention is drawn to the additional information set out in the Appendix to this circular.

By Order of the Board
Yours faithfully,
Wei qiao Textile Company Limited
Zhang Hongxia
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

8 November 2010

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
(SUPPLY OF EXCESS ELECTRICITY)**

We have been appointed as members of the Independent Board Committee to consider the Supply of Excess Electricity Agreement (including the Annual Caps) and the transactions contemplated thereunder, details of which are set out in the Letter from the Board contained in the circular to the shareholders of the Company dated 8 November 2010 (the “**Circular**”), of which this letter forms part, and to advise you as to the fairness and reasonableness of the same. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the Supply of Excess Electricity Agreement (including the Annual Caps) and the advice and opinion of Mitsubishi UFJ Securities (HK) Capital, Limited in relation thereto as set out on pages 11 to 18 of the Circular, we are of the opinion that the Supply of Excess Electricity Agreement (including the Annual Caps) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the resolutions to be proposed at the EGM to approve the Supply of Excess Electricity Agreement (including the Annual Caps) and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Wang Naixin
Independent
non-executive Director

Xu Wenying
Independent
non-executive Director

Chan Wing Yau, George
Independent
non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



Mitsubishi UFJ Securities (HK) Capital, Limited

8 November 2010

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS SUPPLY OF EXCESS ELECTRICITY

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supply of Excess Electricity Agreement (including the Annual Caps), particulars of which are set out in the letter from the Board (the “Letter from the Board”) of this circular to the Shareholders dated 8 November 2010 (the “Circular”) and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As set out in the Letter from the Board, on 4 November 2010, the Company entered into the Supply of Excess Electricity Agreement with Holding Company for a period of three years commencing on 1 January 2011 to 31 December 2013 pursuant to which the Group will supply excess electricity to Parent Group. As Holding Company is the holding company of the Company, it constitutes a connected person of the Company under the Listing Rules. As each of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Excess Electricity Supply Transaction is on an annual basis more than 5% and the annual consideration is more than HK\$10,000,000, the same transaction is subject to the reporting, annual review, announcement and independent shareholders’ approval requirements of Chapter 14A of the Listing Rules.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the Group and the respective terms of the Supply of Excess Electricity Agreement (including the Annual Caps), including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Parent Group and their respective associates nor have we carried out any independent verification of the information supplied.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Supply of Excess Electricity Agreement (including the Annual Caps), we have considered the following principal factors and reasons:

1. Reasons for entering into the Supply of Excess Electricity Agreement (including the Annual Caps)

The Group is principally engaged in production, sale and distribution of cotton yarn, grey fabric and denim. It is currently the largest cotton textile manufacturer in the PRC. Continuous and steady supply of electricity is vital to the Group's production.

We note that electricity produced by the Group's power plant assets in excess of the Group's production needs has been sold to the Holding Company under the Old Supply of Excess Electricity Agreement dated 18 March 2008. Given the years' of historical track record of the Group's supply of excess electricity to the Holding Company since 2008, we consider that entering into of the Supply of Excess Electricity Agreement can be regarded as a natural extension of the past continuing connected transactions under the Old Supply of Excess Electricity Agreement, which will expire on 31 December 2010. We concur with the Directors' view that the Excess Electricity Supply Transaction would (i) optimize the utilization of the power plant assets and thus improving operation efficiency and achieving economies of scale of the Group (by reducing the fixed costs of electricity generation); and (ii) allow the Group to receive an additional stream of income and thus enhancing the profits of the Group.

Based on the foregoing, we consider that there is a commercial justification for the Company to continue with the Excess Electricity Supply Transaction and to update the Annual Caps by entering into the Supply of Excess Electricity Agreement, after taking into account of our further analysis to be discussed below.

2. Key terms of the Supply of Excess Electricity Agreement (including the Annual Caps)

We have reviewed the Supply of Excess Electricity Agreement. As discussed with the Company, other than

- (1) the level of the Annual Caps for the Excess Electricity Supply Transaction for the three years ending 31 December 2011, 2012 and 2013; and
- (2) the basic price level at which the excess electricity is sold by the Company (RMB0.50 per kWh (new) versus RMB0.45 per kWh (old, before upward revision to RMB0.50 per kWh on 20 October 2008)),

we understand that all terms previously agreed under the Old Supply of Excess Electricity Agreement dated 18 March 2008 (as supplemented on 20 October 2008) shall remain substantially unchanged. In turn, we note that the transactions (including the then annual caps) under the Old Supply of Excess Electricity Agreement had been disclosed in a circular of the Company dated 1 February 2008, which had been approved by the then Independent Shareholders at an extraordinary general meeting held on 18 March 2008.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) Annual Caps

As set out in the Letter from the Board, the maximum transaction value for the excess electricity to be supplied by the Group to Parent Group under the Supply of Excess Electricity Agreement was determined with reference to the average transaction value for the three years ending 31 December 2010, which was approximately RMB1,117,720,000, with an expected growth rate of approximately 30% for each year ending 31 December 2013. The growth rate was determined with reference to the expected production growth of Parent Group in the downstream textile industry, including printing and dyeing and home textile products.

For the purpose of assessing whether the Annual Caps for the three years ending 31 December 2013 are justifiable, we summarise in the table below the:

- (1) proposed cap amounts under the (Old) Supply of Excess Electricity Agreement; and
- (2) actual historical amounts under the Old Supply of Excess Electricity Agreement during the years:

| <i>(RMB'000)</i> | For the year ended 31 December | | | | | |
|--|---------------------------------------|-------------|----------------------|------------------------|-------------|-------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| (1) | | | | | | |
| Proposed cap amounts ³ | 1,350,100 | 1,198,790 | 1,006,000 | 1,453,030 ² | 1,888,940 | 2,415,250 |
| <i>Growth %</i> | | -11% | -16% | +30% | +30% | +28% |
| (2) | | | | | | |
| Actual historical amounts | 1,186,930 | 1,175,520 | 990,710 ¹ | | | |
| (3)=(2)/(1) | | | | | | |
| <i>Actual % usage of the cap amounts</i> | 88% | 98% | 98% | | | |

Notes:

1. the transaction value for 2010 was calculated based on the actual average monthly transaction value for the nine months ended 30 September 2010 by multiplying 12
2. compared with the average transaction value for the three years ending 31 December 2010, which was approximately RMB1,117,720,000
3. excluding VAT at the rate of 17%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the table above, we note that each of the “actual historical amounts” under the Old Supply of Excess Electricity Agreement was attained at a remarkably high percentage level (ranging from 88% to 98%) of the then respective “proposed cap amounts” (back in early 2008) for the three years ended 31 December 2010. In view of the solid track record that the then “proposed cap amounts” turned out to be closely achieved actually, we consider that the adoption of the “actual” average transaction value for the three years ending 31 December 2010 of approximately RMB1,117,720,000 as the starting point for arriving at the Annual Caps for the next three years ending 31 December 2013 to be supportable.

We have discussed with the Directors on the reasonableness of the expected annual growth rate of approximately 30% to be imposed on the Annual Caps for each of the three years ending 31 December 2013. In this connection, we manage to obtain confirmation from Parent Group that it is Parent Group’s plan for the three years ending 31 December 2013 to invest RMB5,000 million massively in new production capacity of downstream textile industry (including (a) printing and dyeing cloth (印染布), (b) home textile products (家紡), and (c) fashion/clothing (服裝)), representing an expected annual growth rate of approximately 30%. Such investment was incidental to, and as a result of, Parent Group being awarded with

- (1) a license of “國家特寬幅印染產品開發基地” (Fabrics China Pioneer Plant – Extra-wide Printed and Dyed Textiles) in July 2009 by 中國紡織工業協會及國家紡織產品開發中心 (China Textile Industry Association and the China Textiles Development Centre); and
- (2) a license of “山東省行業技術中心 (棉紡織產業聚集區)” (Industry Technology Centre of Shandong Province (Textile industry agglomeration area)) in May 2010 by 山東省經濟和信息化委員會 (Shandong Economic and Information Technology Commission).

Based on the said confirmation, we consider that the expected annual growth rate of approximately 30% to be imposed on the Annual Caps for each of the three years ending 31 December 2013 has been arrived at on a pre-determined and acceptable basis.

For further analysis purpose, we understand from the Company that the Annual Caps for each of the three years ending 31 December 2013 (labeled item (5) below) can be reconciled from

- a. the difference between (1) the Group’s (expected) total electricity generation and (2) the Group’s (expected) own consumption; which is followed by
- b. the difference between (3) the Group’s (expected) total excess electricity generation and (4) the consumption by independent third parties of the Group’s excess electricity generation, details of which are set out below:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

| | | For the year ended 31 December | | | | | |
|--|------------|--------------------------------|------------|-----------|------------|------------|------------|
| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| (1) | | | | | | | |
| Total electricity | (kWh '000) | 7,368,570 | 10,077,390 | 8,853,307 | 10,466,400 | 10,466,400 | 10,466,400 |
| (to be) generated by the Group ⁴ | | | | | | | |
| (2) | | | | | | | |
| Total electricity | (kWh '000) | 3,740,782 | 3,194,917 | 3,617,361 | 3,979,097 | 4,377,007 | 4,814,708 |
| (to be) consumed by the Group | | | | | | | |
| (3) = (1) – (2) | | | | | | | |
| Total excess electricity (to be) generated by the Group | (kWh '000) | 3,627,788 | 6,882,473 | 5,235,946 | 6,487,303 | 6,089,393 | 5,651,692 |
| | | (100%) | (100%) | (100%) | (100%) | (100%) | (100%) |
| (4) | | | | | | | |
| Total excess electricity (to be) consumed by independent third parties | (kWh '000) | 850,382 | 4,131,756 | 2,917,685 | 3,087,203 | 1,669,263 | 0 |
| | | (24%) | (61%) | (57%) | (49%) | (28%) | (0%) |
| (5) = (3) – (4) | | | | | | | |
| Total excess electricity (to be) consumed by Parent Group | (kWh '000) | 2,777,406 | 2,750,717 | 2,318,261 | 3,400,100 | 4,420,130 | 5,651,692 |
| | | (76%) | (39%) | (43%) | (51%) | (72%) | (100%) |
| | (RMB '000) | 1,186,930 | 1,175,520 | 990,710 | 1,453,030 | 1,888,950 | 2,415,250 |

Source: the Company

Note:

4. Upon enquiry, we understand from the Company that the total electricity to be generated by the Group is calculated based on
- a total electricity production capacity of 1,470 MW; and
 - an estimated average utilization hours of about 8,000 hours for each of the three years ending 31 December 2013 (after accounting for general loss of 11% incurred annually due to facility maintenance).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the table above, the Group's electricity generation capacity remains flat for the three years ending 31 December 2013. Meanwhile, the total electricity to be consumed by the Group is expected to grow by 10% annually in line with the expected 10% growth in the Group's own production capacity for the Group's products, thereby resulting in an expected reduction in the total excess electricity to be generated by the Group during the same years. Notwithstanding that, the total excess electricity to be consumed by independent third parties is expected to reduce more-than-proportionately for the three years ending 31 December 2013, thereby resulting in an expected increase in the total excess electricity to be consumed by Parent Group under the Excess Electricity Supply Transaction.

Based on the foregoing analysis, we consider that the Annual Caps for each of the three years ending 31 December 2013 have been arrived at on a fair and reasonable basis.

(ii) Pricing and settlement

As set out in the Letter from the Board, the price at which excess electricity is supplied to Parent Group by the Group shall be RMB0.50 per kWh (inclusive of VAT at the rate of 17%) or the price from time to time at which a power plant in Shandong Province would sell its electricity produced to the relevant power grid, whichever is higher. If any applicable mandatory price for the supply of electricity is prescribed by the PRC government, it would be adopted instead.

The Company, according to the price of coal, may increase the price at which excess electricity is supplied to Parent Group by the Company up to the price at which the relevant power grid in Shandong province would sell electricity to companies upon a 10 days' prior written notice to Holding Company.

The above price of RMB0.50 per kWh has been determined after arm's length negotiation between Holding Company and the Company, taking into account that RMB0.50 per kWh is a price which (i) is higher than the current price at which a power plant in Shandong Province sells its electricity produced to the relevant power grid (which we observe is RMB0.4105 per kWh according to a number of latest 價格管理上網電價批復 (Price control tariff approvals) issued by the relevant authority in Shandong province in 2009 as provided by the Company); and (ii) is lower than the current electricity purchase price charged by power grids in Shandong Province (which we observe is RMB0.62 per kWh according to an invoice issued by in September 2010 as provided by the Company).

Holding Company shall pay for the electricity supplied in arrears on a monthly basis based on the actual amount of electricity supplied. The Company will provide the amount due on the last business day of each month and Holding Company shall make the payment within the first 5 business days of the following month.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have enquired the Directors on the availability of any alternative purchaser of excess electricity generated by the Group from time to time other than Parent Group. In response, the Directors replied that there are over 200 such purchasers, most of which purchasing sizes are smaller than Parent Group. Amongst them, ZouPing Gaoxin Thermal Power Co., Ltd. (鄒平高新鋁電有限公司) (“Gaoxin Thermal Power”), being an independent third party to the Group, is a purchaser of excess electricity generated by the Group for a term commencing from September 2008 and ending on 31 December 2011. As disclosed in a discloseable circular of the Company dated 19 September 2008, the price at which electricity is supplied to Gaoxin Thermal Power by the Company shall be RMB0.52 per kWh. Upon comparison, we have been explained by the Directors that such higher unit price level (than RMB0.50 per kWh under the Supply of Excess Electricity Agreement) was set under a special context to the Group’s advantage. To be specific, such higher unit price level was agreed part and partial with the asset swap agreement dated 4 September 2008, pursuant to which the Company (as purchaser) agreed to acquire certain thermal power assets from Gaoxin Thermal Power (as vendor) for an aggregate consideration of RMB1,599,017,500, which sum is to be satisfied partially through the sale of electricity generated by the same thermal power assets back to Gaoxin Thermal Power in excess of the Group’s actual electricity consumption requirement after completion. Given a fixed sum of such partial consideration payable, the higher the unit price level of excess electricity can be agreed to be sold back to Gaoxin Thermal Power, the lower the quantity of excess electricity is required to be forgone by the Group and hence the more cost saving to the Group. On the other hand, Parent Group is used to be one of the major purchasers of the excess electricity generated by the Group with larger quantity purchased in a more stable and steady manner, together with a closer working relationship with the Group in the textile industry.

Upon comparison, we note that and have further been reaffirmed by the Company that (a) the unit price level charged by, and (b) the settlement terms required by, the Group to Parent Group under the Excess Electricity Supply Transaction were generally no less favourable to the Company than those offered to independent third party purchaser (after adjustment for the differential in the size and the stability of quantity purchased), and were hence on normal commercial terms.

3. Conditions

Pursuant to the Listing Rules, the Company will seek the approval by the Independent Shareholders of the Supply of Excess Electricity Agreement (including the Annual Caps) for the three years ending 31 December 2013 subject to the following conditions:

1. The transactions contemplated under the Supply of Excess Electricity Agreement will be:
 - (a) entered into in the ordinary and usual course of the business of the Group;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) conducted on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to independent third parties; and
 - (c) entered into in accordance with the terms of the Supply of Excess Electricity Agreement that are fair and reasonable and in the interests of the Shareholders as a whole;
2. The transacted amount of the transactions under the Supply of Excess Electricity Agreement shall not exceed the relevant annual monetary caps; and
 3. The Company will comply with all other relevant requirements under the Listing Rules.

Taking into account of the conditions attached to the transactions contemplated under the Supply of Excess Electricity Agreement, in particular, (i) the ways of setting the Annual Caps; and (ii) the compliance with all other relevant requirement under the Listing Rules (which include the annual review and/or confirmation by the independent non-executive Directors and auditors of the Company on the actual execution of the transaction contemplated under the Supply of Excess Electricity Agreement pursuant to Rule 14A.37 and Rule 14A.38 of the Listing Rules), we consider that the Company has taken appropriate measures to govern the Company in carrying out the continuing connected transactions, with a view to safeguarding the interests of the Shareholders thereunder.

RECOMMENDATION

Having considered the principal factors and reasons, we are of the opinion that the terms of the Supply of Excess Electricity Agreement (including the Annual Caps) are on normal commercial terms, in the ordinary course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and we recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM for approving the Supply of Excess Electricity Agreement (including the Annual Caps).

Yours faithfully,
For and on behalf of
Mitsubishi UFJ Securities (HK) Capital, Limited
Harry Yu
Executive Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors', Supervisors' and Chief Executive's Interests in the Company

As at the Latest Practicable Date, the interests of the directors, supervisors or chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Domestic Shares of the Company:

| | Type of interest | Number of Domestic Shares (Note 1) | Approximate percentage of total issued Domestic Share capital (%) | Approximate percentage of total issued share capital (%) |
|--|------------------|---------------------------------------|--|---|
| Zhang Hongxia (Executive Director/ Chairman) | Beneficial | 17,700,400 | 2.27 | 1.48 |
| Zhang Shiping (Non-executive Director) | Beneficial | 5,200,000 | 0.67 | 0.44 |

Note 1: Unlisted shares

Interests in the shares of the Company's associated corporations (within the meaning of Part XV of the SFO) are as follows:

| | Name of associated corporation | Type of interest | Approximate percentage of total issued share capital (%) |
|---|--------------------------------|--|--|
| Zhang Shiping (Non-executive Director) | Holding Company | Beneficial | 33.72 |
| Zhang Hongxia (Executive Director) | Holding Company | Beneficial and interest of spouse (Note 1) | 5.73 (Note 1) |
| Zhang Yanhong (Executive Director) | Holding Company | Beneficial | 1.63 |
| Wang Zhaoting (Non-executive Director) | Holding Company | Beneficial | 0.25 |
| Zhao Sunwen (Executive Director) | Holding Company | Beneficial | 0.38 |
| Liu Mingping (Supervisor) | Holding Company | Beneficial | 0.14 |
| Zhao Suhua (Non-executive Director) | Holding Company | Beneficial and spouse (Note 2) | 3.09 (Note 2) |
| Wang Xiaoyun (Non-executive Director) | Holding Company | Beneficial | 0.25 |

Note 1: 48,000,000 shares of Holding Company were beneficially held by Ms. Zhang Hongxia. 43,676,000 shares of the Holding Company in which Ms. Zhang Hongxia was deemed to be interested under SFO were directly held by Mr. Yang Congsen, the husband of Ms. Zhang Hongxia.

Note 2: 4,500,000 shares of the Holding Company were beneficially owned by Ms Zhao Suhua, who is deemed to be interested in the 44,911,000 shares directly held by her husband, Mr. Wei Yingzhao under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the directors, supervisors or chief executive of the Company nor their associates had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

3. DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS AND ASSETS

- (i) None of the Directors or Supervisors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group, apart from their service contracts.
- (ii) As at the Latest Practicable Date, none of the Directors or Supervisors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as known to any Directors, supervisors or the chief executive of the Company, the following persons (other than a Director, supervisor or chief executive of the Company) have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO:

Interests in the Domestic Shares of the Company:

| Name of shareholders | Class of Shares (Note 1) | Number of Shares | Approximate percentage of total issued domestic share capital (%) | Approximate percentage of total issued share capital (%) |
|---|-----------------------------|-------------------------|--|--|
| Holding Company | Domestic Shares | 738,895,100 | 94.64 | 61.86 |
| Zouping Supply and Marketing Investment Company Limited (鄒平供銷 投資有限公司) ("Zouping Investment") | Domestic Shares | 738,895,100 (Note 2) | 94.64 | 61.86 |

Interests in the H Shares of the Company:

| Name of shareholder | Type of interest | Number of H Shares (Note 3) | Approximate percentage of total issued H Share capital (%) | Approximate percentage of total issued share capital (%) |
|---|--|---|---|--|
| The Bank of New York Mellon Corporation | Interest of a controlled corporation | 65,049,532 (Long position) | 15.73 | 5.45 |
| | | 39,590,132 (Lending pool) (Note 4) | 9.57 | 3.31 |
| Brandes Investment Partners, L.P. | Investment manager | 53,916,377 (Long position) (Note 5) | 13.04 | 4.51 |
| The Boston Company Asset Management LLC | Investment manager | 26,346,100 (Long position) (Note 6) | 6.37 | 2.21 |
| Mellon Financial Corporation | Interest of a controlled corporation | 41,073,100 (Long position) (Note 7) | 9.93 | 3.44 |

Notes:

1. Unlisted shares.
2. Zouping Investment holds 51% equity interests in Holding Company.
3. Shares listed on the Main Board of the Stock Exchange.
4. These 65,049,532 H Shares in which The Bank of New York Mellon Corporation was deemed interested under the SFO were directly held by The Bank of New York Mellon, which was a corporation 100% controlled by The Bank of New York Mellon Corporation.
5. These 53,916,377 H Shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.
6. These 26,346,100 H Shares were held by The Boston Company Asset Management LLC in its capacity as investment manager.
7. These 41,073,100 H shares in which Mellon Financial Corporation was deemed interested under SFO were directly held by The Boston Company Asset Management LLC, a corporation wholly controlled by MAM (MA) Trust, which is indirectly and wholly controlled by MAM (DE) Trust. MAM (DE) Trust is wholly controlled by Mellon Financial Corporation.

Save as disclosed above, so far as known to the directors, supervisors and the chief executive of the Company, as at the Latest Practicable Date, there was no other person (not being a director, supervisor or chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered, or is proposing to enter, into any service contract with the Company or its subsidiaries which is not expiring or may not be terminated by the Company within a year without payment of any compensation, other than statutory compensation.

6. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors and his/her respective associate(s) was interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2009, being the date to which the latest audited financial statements of the Group were made up.

8. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

9. CONSENT AND QUALIFICATIONS

The following is the qualification of the professional adviser who has given opinion or advice, which is contained in this circular:

| Name | Qualification |
|---|--|
| Mitsubishi UFJ Securities (HK) Capital, Limited | registered institution to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO |

Mitsubishi UFJ Securities (HK) Capital, Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, (i) Mitsubishi UFJ Securities (HK) Capital, Limited had no interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) Mitsubishi UFJ Securities (HK) Capital, Limited had no shareholding interests in any member of the Group and it did not have any right, whether legally enforceable or not, to subscribe for or nominate any persons to subscribe for securities of any members of the Group.

10. MISCELLANEOUS

- (i) The legal address of the Company is at No. 34 Qidong Road, Weiqiao Town, Zouping County, Shandong Province, The People's Republic of China.
- (ii) The address of the head office of the Company is No. 1 Wei Fang Lu, Economic Development Zone, Zouping County, Shandong Province, The People's Republic of China.
- (iii) The principal place of business of the Company in Hong Kong is Room 2204, 22/F., Fu Fai Commercial Centre, 27 Hillier Street, Hong Kong.
- (iv) The Company's H share registrar and transfer office in Hong Kong is at Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (v) The secretary of the Company is Mr Zhang Jinglei, who was accepted by Stock Exchange as an individual who meets the requirements of a secretary under Rule 8.17 of the Listing Rules.
- (vi) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Room 2204, 22/F., Fu Fai Commercial Centre, 27 Hillier Street, Hong Kong during normal business hours on any weekday (except public holidays) for a period of 14 days from the date of the circular:

- (a) the articles of association of the Company;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 10 of this circular;
- (c) the letter issued by Mitsubishi UFJ Securities (HK) Capital Limited, the text of which is set out on pages 11 to 18 of the circular;
- (d) the letter of consent from the Independent Financial Adviser;
- (e) the Supply of Excess Electricity Agreement and the Old Supply of Excess Electricity Agreement; and
- (f) this circular.

NOTICE OF THE EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Weiqiao Textile Company Limited (the “Company”) will be convened and held at 9:00 a.m. on 23 December 2010 (Thursday) at the conference hall 401 on the Fourth Floor, Company Office Building, No. 1 Wei Fang Lu, Economic Development Zone, Zouping County, Shandong Province, The People's Republic of China (the “PRC”), to consider and, if thought fit, approve the following ordinary resolution:

AS ORDINARY RESOLUTION

“THAT:

- (a) the Company's entering into of the supply of excess electricity agreement (the “**Supply of Excess Electricity Agreement**”) with Holding Company on 4 November 2010 be and is hereby approved and confirmed;
- (b) the estimated maximum values of the annual aggregate supply of electricity by the Group to Parent Group (as set out in the announcements of the Company dated 4 November 2010 and the circular of the Company dated 8 November 2010 of which this notice forms part) for each of the three years ending 31 December 2013 be and are hereby approved and confirmed; and
- (c) any Director of the Company be and is hereby authorised to do further acts and things, enter into all such transactions and arrangements, execute such other documents and/or deeds and/or take all such steps, which in their opinion may be necessary, desirable or expedient to implement the Supply of Excess Electricity Agreement with such changes as the Directors of the Company may consider necessary, desirable or expedient.”

By Order of the Board

Weiqiao Textile Company Limited

Zhang Jinglei

Executive Director and Company Secretary

8 November 2010
Shandong
The People's Republic of China

NOTICE OF THE EGM

Notes:

- (A) **The H Share register of the Company will be closed from 23 November 2010 (Tuesday) to 23 December 2010 (Thursday) (both days inclusive), during which no transfer of H Shares will be effected. Any holders of H Shares of the Company, whose names appear on the Company's register of members before 4:30 p.m. on 22 November 2010 (Monday), are entitled to attend and vote at the EGM after completing the registration procedures for attending the meeting. In order to be entitled to attend and vote at the EGM, share transfer documents should be lodged with the Company's H Share registrar not later than 4:30 p.m. on 22 November 2010.**

The address of the share registrar for the Company's H Shares is as follows:

**Computershare Hong Kong Investor Services Limited
Rooms 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong**

- (B) Holders of H Shares and Domestic Shares, who intend to attend the EGM, must complete the reply slips for attending the EGM and return them to the Office of the Secretary to the Board of Directors of the Company not later than 20 days before the date of the EGM, i.e. on or before 2 December 2010 (Thursday).

Details of the Office of the Secretary to the Board of Directors of the Company are as follows:

Fourth Floor
Company Office Building
No. 1 Wei Fang Lu
Economic Development Zone
Zouping County
Shandong Province
People's Republic of China
Tel: 86 (543) 4162222
Fax: 86 (543) 4162000

- (C) The resolution proposed at the EGM will be voted by way of poll.
- (D) Each holder of H Shares who has the right to attend and vote at the EGM is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the EGM. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll.
- (E) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified.
- (F) To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H Shares share registrar, Computershare Hong Kong Investor Services Limited, on 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.

NOTICE OF THE EGM

- (G) Each holder of Domestic Shares is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on its behalf at the EGM. Notes (D) to (E) also apply to holders of Domestic Shares, except that the proxy form or other documents of authority must be delivered to the Office of the Secretary to the Board of Directors, the address of which is set out in Note (B) above, not less than 24 hours before the time for holding the EGM or any adjournment, thereof in order for such documents to be valid.
- (H) If a proxy attends the EGM on behalf of a shareholder, he should produce his ID card and the instrument signed by the proxy or his legal representative, which specifies the date of its issuance. If the legal representative of a legal person share shareholder attends the EGM, such legal representative should produce his/her ID card and valid documents evidencing his capacity as such legal representative. If a legal person share shareholder appoints a representative of a company other than its legal representative to attend the EGM, such representative should produce his ID card and an authorization instrument affixed with the seal of the legal person share shareholder and duly signed by its legal representative.
- (I) The EGM, is expected to last not more than half a day. Shareholders attending the EGM are responsible for their own transportation and accommodation expenses.
- (J) As at the date of this announcement, the board of Directors of the Company comprises 11 Directors, namely Ms. Zhang Hongxia, Ms. Zhao Suwen, Ms. Zhang Yanhong and Mr. Zhang Jinglei as executive Directors, Mr. Zhang Shiping, Mr. Wang Zhaoting, Ms. Zhao Suhua and Ms. Wang Xiaoyun as non-executive Directors and Mr. Wang Naixin, Mr. Xu Wenying 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 Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).*