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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 COTTON YARN, GREY FABRIC AND DENIM)

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



CIMB Securities (HK) Limited

A letter from the Board is set out in pages 4 to 10 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in connection with the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions is set out in page 11 of this circular. A letter from CIMB Securities (HK) Limited containing its advice to the Independent Board Committee and the Independent Shareholders in connection with the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions is set out in pages 12 to 18 of this circular.

A notice dated 11 November 2011 convening the EGM to be convened and held on 28 December 2011 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 26 to 28 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 8 December 2011 (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 28 November 2011 to 28 December 2011
EGM	28 December 2011
Register of members of the Company re-opens.	29 December 2011

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DEFINITIONS

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

“Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps”	the annual caps for the continuing connected transactions under the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement commencing on 1 January 2012 and ending on 31 December 2014 as set out in the section headed “6. Maximum Aggregate Annual Value” of this circular
“Associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of directors of the Company (including the independent non-executive Directors)
“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)
“Continuing Connected Transactions”	the continuing connected transactions under the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement
“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 28 December 2011 for the Independent Shareholders to consider and, if thought fit, approve the continuing connected transaction to be carried out by the Company pursuant to the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement, the Company’s entering into of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps
“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

DEFINITIONS

“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 the controlling shareholder of the Company
“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 three independent non-executive Directors of the Company
“Independent Financial Adviser”	CIMB Securities (HK) Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement, and the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps
“Independent Shareholders”	the shareholders of the Company other than Holding Company, Mr. Zhang Shiping, Mr. Zhang Bo and Ms. Zhang Hongxia for the purpose of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement
“Latest Practicable Date”	8 November 2011, 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 Cotton Yarn/Grey Fabric and Denim Supply Agreement”	the cotton yarn/grey fabric and denim supply agreement entered into between the Company and Holding Company on 20 October 2008
“Parent Group”	Holding Company, its subsidiaries and associates (excluding the Group)
“PRC”	People’s Republic of China

DEFINITIONS

“Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement”	the cotton yarn/grey fabric and denim supply agreement entered into between the Company and Holding Company of on 31 October 2011
“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
“VAT”	value added tax

For the purpose of this circular, unless otherwise specified, conversion of RMB into HK\$ is based on the exchange rate of RMB0.81 = HK\$1.00.

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

11 November 2011

To the Shareholders

Dear Sir/Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
(SUPPLY OF COTTON YARN, GREY FABRIC AND DENIM)**

A. INTRODUCTION

The Board wishes to announce that the Company, on 31 October 2011, entered into the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement for a period of three years commencing on 1 January 2012 to 31 December 2014 pursuant to which the Group will supply cotton yarn, grey fabric and denim to Parent Group. Terms and conditions of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement are basically the same as those of the Old Cotton Yarn/Grey Fabric and Denim Supply Agreement.

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 Continuing Connected Transactions is on an annual basis more than 5% and the annual consideration is more than HK\$10,000,000, the same transactions are subject to the reporting, annual review, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

Details of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement will also be disclosed in the Company's next published annual report and accounts, as required under Rule 14A.45 of the Listing Rules.

An Independent Board Committee, comprising all of the Independent Directors, has been formed to advise the Independent Shareholders in respect of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement. The Company has appointed CIMB Securities (HK) Limited to advise the Independent Board Committee and the Independent Shareholders in respect of the Supply of Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement.

The Board (excluding Mr. Zhang Shiping who has abstained from voting on the Board resolution of the Company in respect of the Continuing Connected Transactions 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 Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions 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 Parent Cotton Yarn/Grey Fabric and Denim Supply 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 Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Continuing Connected Transactions contemplated thereunder.

LETTER FROM THE BOARD

B. THE RENEWED COTTON YARN/GREY FABRIC AND DENIM SUPPLY AGREEMENT

1. Date

31 October 2011

2. Parties

Seller: the Company

Buyer: Holding Company

3. Connected Person

Holding Company

4. Transaction Nature

The Company and Holding Company entered into the Old Cotton Yarn/Grey Fabric and Denim Supply Agreement on 20 October 2008, pursuant to which the Company has agreed to supply or procure its subsidiaries to supply cotton yarn/grey fabric and denim to Parent Group for the production of downstream cotton textile products. The Company and Holding Company entered into the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement on 31 October 2011 with a term commencing on 1 January 2012 and ending on 31 December 2014.

Pursuant to the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement, the Company will continue to supply or will procure its subsidiaries to supply cotton yarn/grey fabric and denim to Parent Group.

5. Pricing Basis and Payment Terms

The prices of cotton yarn/grey fabric and denim supplied by the Group to Parent Group are determined by reference to the prices at which comparable types of relevant products are supplied by the Group to independent third parties under normal commercial terms in the ordinary course of its business in the PRC.

The Directors have confirmed that the pricing basis agreed between the Company and Holding Company for the supply of the cotton yarn/grey fabric and denim is fair and reasonable, negotiated on an arm's length basis and constitutes a normal commercial term.

The Company would, on the last business day of each calendar month, prepare a book of the relevant costs/expenses that shall be paid by Holding Company for that month. Holding Company shall, within the first 10 business days of the following month, pay the amount due in full in cash.

LETTER FROM THE BOARD

As a risk control policy, the Group generally supplies cotton yarn/grey fabric and denim to independent customers (other than overseas customers which generally require a longer credit period than domestic customers) on delivery-on-payment terms. Parent Group is one of the Group's major customers and has established a long term stable relationship with the Group with a good credit record. Based on such, the Group agreed to supply cotton yarn/grey fabric and denim based on the above credit terms and the Directors believe that it is in normal business practice to offer such credit terms to Parent Group.

6. Maximum Aggregate Annual Value

For each of the two years ended 31 December 2010 and the first nine months of the year 2011, the values of the aggregate supply of the cotton yarn/grey fabric and denim by the Group to Parent Group amounted to approximately RMB850,892,000 (equivalent to approximately HK\$1,050,484,000), approximately RMB739,122,000 (equivalent to approximately HK\$912,496,000) and approximately RMB792,320,000 (equivalent to approximately HK\$978,173,000), respectively (exclusive of VAT). The Director currently estimate that the values of the aggregate supply of the cotton yarn/grey fabric and denim will increase in the fourth quarter of the year 2011 due to the increase in demand for new clothing items for the Spring Festival.

The Directors currently estimate that Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps for each of the three years ending on 31 December 2014 would not exceed RMB1,510,690,000 (equivalent to approximately HK\$1,865,049,000), RMB2,160,290,000 (equivalent to approximately HK\$2,667,025,000) and RMB3,089,210,000 (equivalent to approximately HK\$3,813,840,000), respectively (exclusive of VAT).

The Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps for each of the three years ending on 31 December 2014 represent an average growth rate of 30% each year from the year ended 31 December 2012 to the year ended 31 December 2014 based on the estimated transaction value of the year ended 31 December 2011, which was calculated by annualising the actual transaction value for the nine months ended 30 September 2011. For each year from the year ended 31 December 2012 to the year ended 31 December 2013 and from the year ended 31 December 2013 to the year ended 31 December 2014, the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps were calculated based on an additional 10% growth rate each year.

The Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps for each of the three years ending on 31 December 2014 were determined by reference to (a) the average growth rate of the values of the aggregate supply of cotton yarn/grey fabric and denim by the Group to Parent Group of approximately 51% for the three years ended 31 December 2008. The transaction values for the three years ended 31 December 2008 were approximately 634,914,000 (equivalent to approximately HK\$783,844,000), RMB892,595,000 (equivalent to approximately HK\$1,101,969,000) and RMB1,419,644,000 (equivalent to approximately HK\$1,752,647,000), respectively (exclusive of VAT). Due to the negative impact of the global financial crisis, the transaction value for the two years ended 31 December 2010 reduced accordingly and therefore such transaction value did not reflect the demands of the Parent Group under normal market

LETTER FROM THE BOARD

conditions; (b) the additional growth rate of 10% was determined with reference to the average growth rate for the household consumption expenditure of the PRC for the three years ended 2010, which was approximately 11.2%; and (c) the future demands of Holding Company for the three years ending on 31 December 2014, including the production capacity of Holding Company. Based on advice from Holding Company, its production capacity was expanded rapidly for three years ended 31 December 2008. The expansion of its production capacity was negatively affected by the global financial crisis. For the three years ending 31 December 2014, Holding Company plans to continue to gradually expand its production capacity in accordance with the recovery of the global economy and increasing market demand, the growth rates of which are expected to be lower than those for the three years ended 31 December 2008. Therefore the growth rates for the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps were set at a lower rate compared to the ones for the actual transaction values for three years ended 31 December 2008.

C. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Parent Group has a substantial demand for cotton yarn/grey fabric and denim for further processing into downstream cotton textile products for sale to independent third parties. Parent Group is one of the Group's major customers for cotton yarn/grey fabric and denim. The provision of cotton yarn/grey fabric and denim to Parent Group at prices no more favourable than those available to independent third parties falls within the ordinary and usual course of the Group's business. The Directors believe that the establishment of long-term cooperation with Holding Company will stabilize the Company's operation, ensure a broaden stream of revenue source and a relatively stable profits rate and is of commercial benefit to the Group 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 Continuing Connected Transactions 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.

The Board is of the view that the terms and conditions of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement have been negotiated on an arm's length basis, and are normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

E. EGM

The Company proposes to seek the approvals of the Independent Shareholders at the EGM relating to the Continuing Connected Transactions.

According to the Listing Rules, Holding Company will abstain from voting in respect of the resolutions relating to the Continuing Connected Transactions 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, hold approximately 33.72% (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.

The votes to be taken at the EGM in relation to the resolutions for approval by the Independent Shareholders of the Continuing Connected Transactions 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 8 December 2011 (Thursday).

F. RECOMMENDATION

The Board, including the Independent Board Committee, is of the opinion that the terms of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement (including Annual Parent Cotton Yarn/Grey Fabric and Denim Supply 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 Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement (including Annual Parent Cotton Yarn/Grey Fabric and Denim Supply 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 Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement (including Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps). CIMB Securities (HK) 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 Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement (including Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps).

LETTER FROM THE BOARD

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)

11 November 2011

To the Independent Shareholders

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
(SUPPLY OF COTTON YARN, GREY FABRIC AND DENIM)**

We have been appointed as members of the Independent Board Committee to consider the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement (including Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps) and the Continuing Connected 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 11 November 2011 (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 Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement (including Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps) and the advice and opinion of CIMB Securities (HK) Limited in relation thereto as set out on pages 12 to 18 of the Circular, we are of the opinion that the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement (including Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps) and the Continuing Connected 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 Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement (including Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps) and the Continuing Connected 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



CIMB Securities (HK) Limited

Units 7706-08, Level 77
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

*To the Independent Board Committee and the Independent Shareholders of
Weiqiao Textile Company Limited*

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS (SUPPLY OF COTTON YARN, GREY FABRIC AND DENIM)

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to (i) the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement with Holding Company; and (ii) the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps, details of which are contained in a circular of the Company (the "Circular") to the Shareholders dated 11 November 2011, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

An independent board committee comprising Mr. Wang Naixin, Mr. Xu Wenying and Mr. Chan Wing Yau, George, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to (i) the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement; and (ii) the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps.

BASIS OF OUR OPINION

In formulating our recommendation, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules including the notes thereto to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information and facts contained or referred to in the Circular, the information provided by the Company and our review of the relevant public information. We have also assumed that the information, facts and representations contained or referred to in the Circular were true and accurate at the time they were made and up to the date of the EGM. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, Holding Company, or any of their respective subsidiaries or associates (as defined in the Listing Rules). We have no reason to doubt the truth, accuracy and completeness of the information, facts and representations provided and represented to us by the Company. We have also been advised by the Company and believe that no material facts have been omitted from the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion, we have considered the following principal factors and reasons:

(I) Background and reasons for entering into of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement

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. On 20 October 2008, the Company and Holding Company entered into the Old Cotton Yarn/Grey Fabric and Denim Supply Agreement to regulate the continuing connected transactions in respect of supply by the Group of cotton yarn, grey fabric and denim to Parent Group. As the Old Cotton Yarn/Grey Fabric and Denim Supply Agreement will expire on 31 December 2011, the Company and Holding Company entered into the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement on 31 October 2011 with a term of three years commencing on 1 January 2012 to 31 December 2014. Details of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement are set out in the letter from the Board of the Circular (the "Letter from the Board").

As stated in the Letter from the Board, Parent Group has a substantial demand for cotton yarn/grey fabric and denim for further processing into downstream cotton textile products for sale to independent third parties. As advised by the Company, Parent Group has been one of the Group's major customers for cotton yarn/grey fabric and denim. As advised by the Company, for each of the two years ended 31 December 2010 and the six months ended 30 June 2011, the sales to Parent Group accounted for approximately 5.9%, approximately 4.1% and approximately 4.7% of the Company's total sales respectively.

Given that the provision of cotton yarn/grey fabric and denim by the Group to Parent Group has been conducted, and will continue to be conducted, at prices no less favourable to the Company than those offered to independent third parties (as analysed below), we concur with the view of the management of the Company that the establishment of long-term cooperation with Holding Company will expand the Company's revenue source and is of commercial benefit to the Group as a whole.

In view of the above, we consider that the entering into of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement falls within the ordinary and usual course of business of the Group and is in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(II) Major terms of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement

The Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement stipulates that the prices of cotton yarn/grey fabric and denim supplied by the Group to Parent Group shall be no less favourable to the Company than those offered to independent third parties under normal commercial terms in the ordinary course of its business in the PRC.

We have discussed with the management of the Company in relation to the pricing principle and understand that the pricing principle agreed between the Company and Holding Company has been determined on an arm's length negotiation basis based on normal commercial terms.

We have reviewed sales contracts between the Group and (i) members of Parent Group under the Old Cotton Yarn/Grey Fabric and Denim Supply Agreement; and (ii) independent customers of the Group on a sample basis and note that the prices of cotton yarn/grey fabric and denim charged by the Group to Parent Group were comparable to those charged by the Group to its independent customers. Based on our review, we concur with the view of the management of the Company that the pricing principle under the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement is reasonable.

In respect of the payment terms, the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement provides that the Company would, on the last business day of each calendar month, prepare a book of the relevant costs/expenses that shall be paid by Holding Company for that month and Holding Company shall, within 10 business days, pay the amount due in full in cash. Based on the above review of sales contracts, we note that the Group offered its independent PRC customers delivery-on-payment terms. Taking into account factors such as the long term business relationship between the Group and Parent Group, Parent Group being one of the Group's major customers for cotton yarn/grey fabric and denim, the Group's better credit understanding on Parent Group and the payment terms granted by the Company to Holding Company under the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement being normal business practice in the industry, we concur with the view of the management of the Company that the payment terms granted by the Group to Parent Group are justifiable.

Giving the above, we consider that the major terms of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement are normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(III) Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps

Set out below are the details of (i) the historical transaction amounts (exclusive of VAT) of the continuing connected transactions under the Old Cotton Yarn/Grey Fabric and Denim Supply Agreement; and (ii) the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps (exclusive of VAT) for each of the three years ending on 31 December 2014.

	Historical figures			Proposed annual caps for		
	for the year	for the nine		each of the three years		
	ended 31	months		ending 31 December		
	December	ended 30		September		
	2009	2010	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Supply of cotton yarn/ grey fabric and denim by the Group to Parent Group	850,892	739,122	792,320	1,510,690	2,160,290	3,089,210

We note that the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps represent an increase as compared with the historical transaction amounts for each of the two years ended 31 December 2010 and the nine months ended 30 September 2011.

As stated in the Letter from the Board, the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps for each of the three years ending 31 December 2014 were determined by reference to (i) the average growth rate of the values of the aggregate supply of cotton yarn/grey fabric and denim by the Group to Parent Group of approximately 51% for the three years ended 31 December 2008; (ii) the additional growth rate of 10% which was determined with reference to the average growth rate for the household consumption expenditure of the PRC for the three years ended 31 December 2010, which was approximately 11.2%; and (iii) the future demands of Holding Company for the three years ending 31 December 2014, including the production capacity of Holding Company.

In assessing the reasonableness of the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps, we have discussed with the management of the Company and understand that the caps are mainly determined based on: (i) the Group's estimated transaction amount for the whole year of 2011; (ii) an expected annual growth rate of 30% in the coming three years, which was made reference to the aforementioned historical annual growth rate of approximately 51% of the values of supply of cotton yarn/grey fabric and denim by the Group to Parent Group for the three years ended 31 December 2008 and the expected demand from Holding Company in the coming three years; and (iii) an additional growth rate of 10% which was made reference to the average growth rate for the household consumption expenditure of the PRC of approximately 11.2%, which is based on information contained in China Statistical Yearbook 2011 issued by National Bureau of Statistics of China ("NBSC"), for the three years ended 31 December 2010.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company further advised that the Company has not taken into account the transaction amounts under the Old Cotton Yarn/Grey Fabric and Denim Supply Agreement for each of 2009 and 2010 for determination of the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps as the transaction activities between the Group and Parent Group during this period were affected negatively by the global financial crisis and did not reflect the demand of Parent Group under normal market conditions and the Company has adopted a relatively lower growth rate of 30% as, to the best knowledge of the Company, the business expansion of Parent Group in the coming three years is expected to slow down as compared to that during its high-growth period from 2006 to 2008. We note from a news article “Total Retail Sales of Consumer Goods in September 2011” released by NBSC on 18 October 2011 that income of retail sales of goods of the enterprises above-designated-size (which refer to wholesale enterprises with annual revenue from primary activities above RMB20 million, retail enterprises with annual revenue from primary activities above RMB5 million and lodging and catering enterprises with annual revenue from primary activities above RMB2 million) in respect of garments, footwear, hats and knitwear recorded a year-on-year (“YoY”) growth of approximately 24.8% for the first three quarters of 2011 and approximately 27.6% in September 2011 and a news article “Textile Industry Operation in September 2011” released by Ministry of Industry and Information Technology of the PRC on 28 October 2011 that the above-designated-size textile enterprises (which refer to industrial enterprises with annual revenue from primary activities above RMB20 million) recorded a YoY growth of approximately 29.0% in terms of industrial output value for the first three quarters of 2011 and thus consider the above annual growth rate of 30% is justifiable. We also consider the additional growth rate of 10% is justifiable based on our review of statistics issued by NBSC in relation to the household consumption expenditure of the PRC for the three years ended 31 December 2010.

Having considered the above, we are of the view that the basis adopted by the management of the Company in determining the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

However, Shareholders should note that the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps relate to future events and do not represent a forecast of transaction amounts to be incurred as a result of the Continuing Connected Transactions. Consequently, we express no opinion as to how closely the actual transaction amounts of the Continuing Connected Transactions correspond with the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps as discussed above.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(IV) Requirement by the Listing Rules regarding the Continuing Connected Transactions

As required by the Listing Rules, for each financial year of the Company over the term of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement, the Continuing Connected Transactions shall be subject to the annual review by the independent non-executive Directors and the Company's auditors as required by Rules 14A.37 and 14A.38 of the Listing Rules, respectively. In particular, each year, the independent non-executive Directors must confirm that the Continuing Connected Transactions have been entered into:

- in the ordinary and usual course of business of the Company;
- either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Furthermore, each year, the Company's auditors must provide a letter to the Board confirming that the Continuing Connected Transactions:

- have received the approval of the Board;
- are in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company;
- have been entered into in accordance with the relevant agreement governing the transactions; and
- have not exceeded the cap disclosed in the previous announcement(s).

Given the above, we consider that there exist appropriate procedures and arrangements to confirm that the Continuing Connected Transactions will be conducted on terms pursuant to the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the principal factors and reasons referred to in the above, in particular,

- the purpose of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement is to continue to regulate the ongoing transactions between the Group and Parent Group for the three years ending 31 December 2014;
- the Continuing Connected Transactions fall in the ordinary and usual course of business of the Group;
- the major terms of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement are fair and reasonable;
- the basis for determination of the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps is fair and reasonable; and
- there exist appropriate procedures and arrangements to confirm that the Continuing Connected Transactions will be conducted on terms pursuant to the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement,

we consider that (i) the entering into of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement is in the ordinary and usual course of business of the Group and the terms of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement are on normal commercial terms, and hence the entering into of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement is in the interests of the Group and the Shareholders as a whole; and (ii) the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps.

Yours faithfully,

For and on behalf of

CIMB Securities (HK) Limited

Heidi Cheng

Deputy Head

Corporate Finance

Lily Li

Vice President

Corporate Finance

1. RESPONSIBILITY STATEMENT

This document, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document 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 document 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 <i>(Note 1)</i>	Approximate percentage of total issued Domestic Share capital <i>(%)</i>	Approximate percentage of total issued share capital <i>(%)</i>
Zhang Hongxia <i>(Executive Director/Chairman)</i>	Beneficial	17,700,400	2.27	1.48
Zhang Shiping <i>(Non-executive Director)</i>	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 (<i>Non-executive Director</i>)	Holding Company	Beneficial	33.72
Zhang Hongxia (<i>Executive Director</i>)	Holding Company	Beneficial and spouse (<i>Note 1</i>)	5.73 (<i>Note 1</i>)
Zhang Yanhong (<i>Executive Director</i>)	Holding Company	Beneficial	1.63
Wang Zhaoting (<i>Non-executive Director</i>)	Holding Company	Beneficial	0.25
Zhao Sunwen (<i>Executive Director</i>)	Holding Company	Beneficial	0.38
Liu Mingping (<i>Supervisor</i>)	Holding Company	Beneficial	0.14
Zhao Suhua (<i>Non-executive Director</i>)	Holding Company	Beneficial and spouse (<i>Note 2</i>)	3.09 (<i>Note 2</i>)
Wang Xiaoyun (<i>Non-executive Director</i>)	Holding Company	Beneficial	0.25

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

Note 2: The 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 of the Company 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 of the Company 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 <i>(Note 1)</i>	Number of Shares	Approximate percentage of total issued domestic share capital <i>(%)</i>	Approximate percentage of total issued share capital <i>(%)</i>
Holding Company	Domestic Shares	738,895,100	94.64	61.86
Zouping Supply and Marketing Investment Company Limited ("Zouping Investment")	Domestic Shares	738,895,100 <i>(Note 2)</i>	94.64	61.86

Interests in the H Shares of the Company:

Name of shareholder	Type of interest	Number of H Shares <i>(Note 3)</i>	Approximate percentage of total issued H Share capital <i>(%)</i>	Approximate percentage of total issued share capital <i>(%)</i>
The Bank of New York Mellon Corporation	Interest of a controlled corporation	50,088,508 (Long position)	12.11	4.19
		28,463,008 (Lending pool) <i>(Note 4)</i>	6.88	2.38
Brandes Investment Partners, L.P.	Investment manager	62,089,112 (Long position) <i>(Note 5)</i>	15.01	5.20
The Boston Company Asset Management LLC	Investment manager	20,997,200 (Long position) <i>(Note 6)</i>	5.08	1.76
Mellon Financial Corporation	Interest of a controlled corporation	41,073,100 (Long position) <i>(Note 7)</i>	9.93	3.44
JPMorgan Chase & Co.	Beneficial owner	20,744,112 (Long position)	5.02	1.74
	Investment manager Custodian corporation/ approved lending agent	14,136,112 (Lending pool) <i>(Note 8)</i>	3.42	1.18

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 50,088,508 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 62,089,112 H Shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.

6. These 20,997,200 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.
8. The 1,016,000 H shares in which JPMorgan Chase & Co. was deemed interested under the SFO in the capacity of beneficial owner were directly held by J.P. Morgan Whitefriars Inc., a corporation wholly owned by J.P. Morgan Overseas Capital Corporation, which was in turn wholly owned by J.P. Morgan International Finance Limited. J.P. Morgan International Finance Limited was wholly owned by Bank One International Holdings Corporation, which was in turn wholly owned by J.P. Morgan International Inc.. J.P. Morgan International Inc. is directly wholly owned by JPMorgan Chase Bank, N.A. which was in turn wholly owned by JPMorgan Chase & Co.. The 5,592,000 H shares in which JPMorgan Chase & Co. was deemed interested under the SFO in the capacity of investment manager were directly held by JF Asset Management Limited, a corporation wholly owned by JPMorgan Asset Management (Asia) Inc., which was in turn wholly owned by JPMorgan Asset Management Holdings Inc.. JPMorgan Asset Management Holdings Inc. was wholly owned by JPMorgan Chase & Co.. The 14,136,112 H shares in which JPMorgan Chase & Co. was deemed interested under the SFO in the capacity of Custodian corporation/approved lending agent were directly held by JPMorgan Chase Bank, N.A. which was in turn wholly owned by JPMorgan Chase & Co..

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 2010, 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
CIMB Securities (HK) Limited	a corporation licenced to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

CIMB Securities (HK) 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) CIMB Securities (HK) 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) CIMB Securities (HK) 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 Shops 1712-1716, 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 11 of this circular;
- (c) the letter issued by CIMB Securities (HK) Limited, the text of which is set out on pages 12 to 18 of the circular;
- (d) the letter of consent from the Independent Financial Adviser;
- (e) the Renewed Cotton Yarn/Grey Fabric and Denim Supply 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 28 December 2011 (Wednesday) 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 renewed cotton yarn/grey fabric and denim supply agreement (the “**Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement**”) with Holding Company on 31 October 2011 be and is hereby approved and confirmed;
- (b) the estimated maximum values of the annual aggregate supply of cotton yarn/grey fabric and denim by the Group to Parent Group (as set out in the announcements of the Company dated 31 October 2011 and the circular of the Company dated 11 November 2011 of which this notice forms part) for each of the three years ending 31 December 2014 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 Renewed Cotton Yarn/Grey Fabric and Denim Supply 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

11 November 2011
Shandong
The People's Republic of China

NOTICE OF THE EGM

Notes:

- (A) **The H Share register of the Company will be closed from 28 November 2011 (Monday) to 28 December 2011 (Wednesday) (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 25 November 2011 (Friday), 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 25 November 2011 (Friday).**

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

**Computershare Hong Kong Investor Services Limited
Shops 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 8 December 2011 (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 17th 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).*