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If you are in doubt as to any aspect of this circular, or as to the action to be taken, you should consult our stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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)

DISCLOSEABLE AND CONNECTED TRANSACTION CONTINUING CONNECTED TRANSACTIONS

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



A letter from the Board is set out in pages 5 to 17 of this circular.

A letter from the Independent Board Committee containing its advice to the Independent Shareholders in connection with the Acquisition and the Excess Electricity Supply Transaction, including the Annual Excess Electricity Caps, is set out in page 18 of this circular.

A letter from Evolution Watterson Securities Limited containing its advice to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition and the Excess Electricity Supply Transaction, including the Annual Excess Electricity Caps is set out in pages 19 to 24 of this circular.

A notice dated 1 February 2008 convening the EGM to be convened and held on 18 March 2008 at 9:00 a.m. at the conference hall on the Fourth Floor, Company Office Building, No. 1 Wei Fang Lu, Jing Ji Kai Fa Qu, Zouping County, Shandong Province, The People's Republic of China is set out in pages 51 to 54 of this circular. Whether or not you are able to attend the above meetings, please 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. 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 27 February 2008 in accordance with the instructions printed thereon.

* The Company is registered in Hong Kong as an oversea company under the English name "Weiqiao Textile Company Limited".

1 February 2008

EXPECTED TIMETABLE

Register of members of the Company closes.....	18 February 2008
Latest time for lodging proxy forms in respect of the EGM	17 March 2008
EGM	18 March 2008
Register of members of the Company re-opens.....	19 March 2008

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DEFINITIONS

“Acquisition”	the transaction as contemplated under the Asset Transfer Agreement
“Asset Transfer Agreement”	the agreement dated 14 January 2008 and entered into between the Company and Holding Company relating to the acquisition of the Thermal Power Assets by the Company
“Assets Valuation Reports”	the equipment and machinery valuation report and the property valuation report prepared by the Valuer in relation to the valuation of the Thermal Power Assets for the purpose of determining their values as at 15 December 2007
“Associate”	the meaning ascribed to it in the Listing Rules
“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*)
“Completion”	the completion of the Acquisition
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the Land Leasing Agreement and the Supply of Excess Electricity 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 to be convened and held on 18 March 2008 for the Independent Shareholders to consider and, if thought fit, approve the Acquisition and the Excess Electricity Supply Transaction (including the Annual Excess Electricity Caps)
“Excess Electricity Supply Transaction”	the continuing connected transaction 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

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 a promoter and 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 independent non-executive directors of the Company, who are invited to advise the Independent Shareholders in connection with the Acquisition and the Excess Electricity Supply Transaction (including the Annual Excess Electricity Caps)
“Independent Financial Adviser” or “ Evolution Watterson Securities Limited”	the independent financial adviser appointed to make the relevant recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and Excess Electricity Supply Transaction (including the Annual Excess Electricity Caps), being a licensed corporation under the Securities and Futures Ordinance
“Independent Shareholders”	the shareholders of the Company other than Holding Company and its associates
“kWh”	kilowatt hour. The standard unit of energy used in the electric power industry. One kilowatt hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
“Land Leasing Agreement”	the land use rights leasing agreement which is proposed to be entered into between the Company and Holding Company at Completion for the leasing of land use rights in respect of the land on which the Thermal Power Plants are respectively located, for a term of 20 years commencing from the date of Completion
“Latest Practicable Date”	31 January 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
“Leasing Transaction”	the continuing connected transaction contemplated under the Land Leasing Agreement

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MW”	Megawatt. One million watts
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	registered holder(s) of the shares of the Company
“Shares”	Domestic Shares and H Shares
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply of Excess Electricity Agreement”	the supply of excess electricity agreement which is proposed to be entered into between the Company and Holding Company at Completion for the supply of electricity which is in excess of the actual electricity consumed by the Group to Holding Company for a term commencing from the date of Completion and ending on 31 December 2010 (both dates inclusive)
“Thermal Power Assets”	certain assets proposed to be acquired by the Company from Holding Company pursuant to the Asset Transfer Agreement. Such assets principally comprise buildings, machinery and equipment, which make up the Thermal Power Plants.
“Thermal Power Plants”	means Zouping Second Thermal Power Plant and Weihai Power Plant
“Zouping Second Thermal Power Plant”	山東魏橋創業集團有限公司鄒平第二熱電廠 (Shandong Weiqiao Chuangye Group Company Limited Zouping Second Thermal Power Plant)
“Valuer”	Sallmanns (Far East) Limited, an independent third party not connected to the directors, chief executive or substantial shareholders of the Company or its subsidiaries and their respective associates
“VAT”	value added tax

DEFINITIONS

“Weihai Weiqiao”	威海魏橋紡織有限公司 (Weihai Weiqiao Textile Company Limited), a limited liability company established on July 25, 2001 in the PRC with a registered capital of RMB148,000,000 and owned as to 87.2% by the Company and 12.8% by 魏海民航實業有限公司 (Weihai Civil Aviation Industrial Company Limited).
“Weihai Industrial Park”	威海魏橋科技工業園有限公司 (Weihai Weiqiao Industrial Park Limited)
“Weihai Power Plant”	威海西郊熱電有限公司 (Weihai Xijiao Thermal Power Company Limited)

For the purpose of this circular, unless otherwise specified, conversion of RMB into HK\$ is based on the exchange rate of RMB 0.93 = HK 1.

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
Qi Xingli
Zhao Suwen

Registered Office:

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

Non-executive Directors:

Zhang Shiping
Wang Zhaoting

Principal place of business in Hong Kong:

39th Floor, Gloucester Tower
The Landmark
15 Queen's Road
Central
Hong Kong

Independent Directors:

Wang Naixin
Xu Wenying
Chan Wing Yau, George

To the Shareholders

Dear Sir/Madam,

Discloseable and Connected Transaction Continuing Connected Transactions

1. INTRODUCTION

On 14 January 2008, the Company entered into the Asset Transfer Agreement with Holding Company, pursuant to which the Company has agreed to acquire the Thermal Power Assets for an aggregate consideration of RMB2,210,000,000 (equivalent to about HK\$2,376,344,000). The Company will pay such consideration in full in a lump sum or by installment within two months after the completion of the handover of the Thermal Power Assets to the Company by Holding Company.

Upon Completion:

- (a) the Group would own and operate by itself the Thermal Power Assets, which have an installed electricity generation capacity of about 600 MW and steam generation capacity of about 2,480 tons per hour, respectively;

LETTER FROM THE BOARD

- (b) the Group would have Continuing Connected Transactions with Holding Company whereby:
- (i) the Company would lease from Holding Company the land use rights in respect of the land on which the Thermal Power Plants are currently located at an annual rate of RMB6 per sq.m. for a term of 20 years. The aggregate annual rent is RMB2,368,500 (equivalent to about HK\$2,546,700); and
 - (ii) Holding Company will purchase from the Company electricity which is in excess of the Group's actual electricity consumption, at a rate to be agreed upon between both parties, from the date of Completion to 31 December 2010.

The Board believes that the Acquisition and the Continuing Connected Transactions are conducive to enhancing the operating efficiency and competitiveness of the Group and would result in cost savings and enhancement of the profitability of the Group for the following reasons:

as to the Acquisition,

- (a) to achieve cost savings; and
- (b) to facilitate a more efficient control on the scale of electricity and steam generation, and to ensure a stable supply of electricity and steam for the Group's operational needs; and

as to the Continuing Connected Transactions,

- (a) to optimize the utilization of the Thermal Power Assets and thus improving operating efficiency and achieving economies of scale;
- (b) to enhance the profits of the Group by generating an additional stream of income from Holding Company under the Excess Electricity Supply Transaction; and
- (c) to avoid substantial capital investment in acquiring the land on which the Thermal Power Plants are currently located.

The purpose of this circular is (i) to provide you with further information in respect of the Acquisition (including recommendations from the Independent Board Committee and opinion rendered from the Independent Financial Adviser); and (ii) to give you notice of the EGM at which the following approvals will be sought from the Independent Shareholders in the EGM, the Acquisition and the Excess Electricity Supply Transaction (including the Annual Excess Electricity Caps)

Holding Company will abstain from voting 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, who hold 23.52%, 3% and 3% of the equity interests in Holding Company respectively, are considered to be parties acting in concert with Holding Company and will abstain from voting at the EGM. Mr. Qi Xingli, a Director who holds 0.75% of the equity interests in Holding Company will also abstain from voting at the EGM.

LETTER FROM THE BOARD

2. THE ASSET TRANSFER AGREEMENT

Date of the Asset Transfer Agreement

14 January 2008

Parties

- (a) Company
- (b) Holding Company

Assets to be acquired by the Company

The Thermal Power Assets which comprise principally the buildings, machinery and equipment, making up the Thermal Power Plants. The land use rights in respect of the land on which the Thermal Power Plants are currently located would remain with Holding Company after Completion.

Consideration

The consideration amounting to RMB2,210,000,000 (equivalent to about HK\$2,376,344,000) has been determined with reference to the aggregate appraised value of the Thermal Power Assets of RMB2,213,793,100 (equivalent to about HK\$2,380,422,700) as at 15 December 2007, as set out in the Assets Valuation Reports prepared by the Valuer, an independent international assets appraisal firm.

The Company will with the Group's internal resources pay such consideration in full in a lump sum or by installment within two months after the completion of the handover of the Thermal Power Assets to the Company by Holding Company.

Completion

Completion is subject to the Acquisition having been approved by the board of directors of Holding Company, the Board and the Independent Shareholders at the EGM, respectively.

Completion is scheduled to take place on the date (or a later date as mutually agreed between Holding Company and the Company) when the last of the above conditions are satisfied. If all the above conditions are not satisfied by 30 April 2008, each of the Company and Holding Company is entitled to terminate the Asset Transfer Agreement.

LETTER FROM THE BOARD

Other significant terms

- (a) The Company shall employ all the existing staff at the Thermal Power Plants, upon the existing employment terms and conditions offered by Holding Company, for a trial period of three months from the date of Completion. During such trial period, all wages and bonuses payable to those employees shall be borne by the Company, but any other benefits to those employees shall be borne by Holding Company. Upon expiry of the above trial period, the Company shall elect to employ those staff as the Company deems appropriate.

- (b) Where a party is incapable of performing the Asset Transfer Agreement due to a force majeure event, which includes but is not limited to earthquake, fire, tidal wave and war, such party shall notify the other party in writing, together with supporting written evidence of such force majeure event. If the force majeure lasts three months and upon receipt of such notification by the other party, the Asset Transfer Agreement shall be terminated.

3. THE LAND LEASING AGREEMENT

Date

The date of Completion (i.e. to be executed at Completion)

Parties

Lessor:	Holding Company
Lessee:	The Company

LETTER FROM THE BOARD

Transaction nature

Pursuant to the Land Leasing Agreement, Holding Company would agree to lease to the Company the land use rights in respect of the land on which the Thermal Power Assets are currently located. The principal terms of the Land Leasing Agreement are as follows:

Commencement date	Address	Term	Total land area (sq.m.)	Agreed annual rent for each of the twenty calendar years commencing from the date of Completion (subject to adjustments) (RMB)
The date of completion	In Shandong Province, (a) one piece of land with a total land area of about 271,333 sq.m. Economic Development Zone, Zouping County; and (b) two pieces of land with a total land area of about 123,414 sq.m. in Zhangcun Town, Weihai City.	20 years	about 394,747	2,368,500

The Independent Financial Adviser has opined that the 20-year term is fair and reasonable and it is normal business practice for contracts of this type to have a term of such length.

Without the Company's consent, Holding Company may not unilaterally terminate the Land Leasing Agreement except due to fundamental breach by the Company or the Company's liquidation. Either party to the Land Leasing Agreement may terminate the agreement upon giving the other party six months' prior written notice save that (a) they must agree on the terms of the termination; and (b) Holding Company can only terminate with the Company's consent. The Land Leasing Agreement does not provide for payment of default and/or compensation for its early termination.

Pricing basis

The rent chargeable by Holding Company to the Company is determined by reference to the rent payable for leasing land use rights in respect of similar properties from independent third parties under normal commercial terms in the ordinary course of their businesses in Binzhou City and Weihai City, Shandong Province, the PRC.

LETTER FROM THE BOARD

The aggregate annual rent payable by the Company to Holding Company for each of the twenty calendar years commencing from the date of Completion is RMB2,368,500 (equivalent to about HK\$2,546,700) and may be adjusted annually in accordance with the valuation amount to be determined by the Company's appointed independent international property valuer.

The Valuer has reviewed the Land Leasing Agreement and has confirmed that the rent payable by the Company to Holding Company in respect of the land use rights leased thereunder does not exceed the reasonable market rent.

Payment

The Company can choose to pay the rent in advance on an annual basis before 31 December of each year or on a monthly basis. If the Company decides to make the payment on a monthly basis, the Company shall make the payment within the first 5 business days of each month.

4. THE SUPPLY OF EXCESS ELECTRICITY AGREEMENT

Date

The date of Completion (i.e. to be executed at Completion)

Parties

- (a) Company
- (b) Holding Company

Transaction nature

The Company and Holding Company propose to enter into the Supply of Excess Electricity Agreement at Completion, pursuant to which the Company would supply electricity which is in excess of the Group's actual electricity consumed, to Holding Company for a term commencing from the date of Completion and ending on 31 December 2010 (both dates inclusive).

Pricing basis

The price at which excess electricity is supplied to Holding Company by the Company shall be RMB0.45 per kWh 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 above price of RMB0.45 per kWh has been determined after arm's length negotiation between Holding Company and the Company, taking into account that RMB0.45 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.

LETTER FROM THE BOARD

Payment

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.

Maximum aggregate annual value

Set out below is the maximum aggregate annual price (the “**Annual Excess Electricity Caps**”) (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 2010:

The Annual Excess Electricity Caps for each of the three financial years ending 31 December 2010 was determined based on:

Financial year ending 31 December 2008 (RMB)	Financial year ending 31 December 2009 (RMB)	Financial year ending 31 December 2010 (RMB)
1,350,100,000	1,198,790,000 ¹	1,006,000,000 ¹

The Annual Excess Electricity Caps for each of the three financial years ending 31 December 2010 was determined based on:

(kWh)	Financial year ending 31 December 2008	Financial year ending 31 December 2009	Financial year ending 31 December 2010
Projected total electricity generated ² (excluding Weihai Power Plant)	8,116,800,000	8,116,800,000	8,116,800,000 ³
Projected total electricity consumed ⁴ (excluding Weihai Power Plant)	4,925,659,000	5,418,224,000	5,960,047,000
Projected total excess electricity generated	3,191,141,000	2,698,576,000	2,156,753,000

LETTER FROM THE BOARD

The historical figures for the power purchased by Holding Company from the Group are as follows:

Financial year ending 2005 <i>(RMB)</i>	Financial year ending 2006 <i>(RMB)</i>	Financial year ending 2007 <i>(RMB)</i>
36,815,800	206,372,000	111,393,600

Note 1: With reference to China's average growth rate of 10% of GDP in the past five years, the electricity price for the years 2009 and 2010 is determined with a growth rate of 5% based on the price for the precedent year.

Note 2: The Company currently has a total electricity generation capacity of 660 MW. Immediately after the Completion, the Company will have a total electricity production capacity of 1260 MW. Generally, it takes about one month in a year for the maintenance of power production facilities. For the electricity produced by these facilities, a loss of 11% will be incurred generally. The annual projected total electricity generated is calculated as per the formula $1140\text{MW} \times 8000\text{h} \times (1-0.11)$.

Note 3: The projected total electricity generated does not include the projected total electricity generated by Weihai Power Plant because Holding Company does not have production base in Weihai and the electricity produced by Weihai Power Plant does not enter into the relevant power grid.

Note 4: The average annual electricity consumption rate by the Company (excluding the electricity consumed by the Company's production base in Weihai) is 15% for the past three years ending 31 December 2007. Taking the expected average production growth rate of 15% for the three years ending 31 December 2010 into consideration, the projected total electricity consumed by the Group for the year 2008 is calculated with a growth rate of 20% based on the actual amount of the electricity consumed by the Group in the year 2007. The projected total electricity consumed by the Group for the two years 2009 and 2010 is calculated with a growth rate of 10%. The difference in the growing rate for the three years ending 31 December 2010 is due to the difference in projected expansion rate, the Group requires more electricity.

The Company will make a further announcement and seek Independent Shareholders' approval (where appropriate) in the event that any of the Annual Excess Electricity Caps for the three financial years ending 31 December 2010 set out above is exceeded.

5. REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE CONTINUING CONNECTED TRANSACTIONS

With a view to enhancing the operating efficiency and competitiveness of the Group as well as to meet the growth requirements for electricity and steam, the Company entered into the Asset Transfer Agreement with Holding Company.

The Board believes that the terms of the Acquisition are fair and reasonable and beneficial to the Group and are in the interests of the Shareholders as a whole after taking into account of the following factors and reasons:

- (a) the integration of the thermal power assets with the Group would facilitate a more efficient control on the scale of electricity and steam generation, and would ensure a stable supply

LETTER FROM THE BOARD

of electricity and steam for its operational needs, which would benefit the development of the Group's existing business and the further expansion of production capabilities. The Company's expected requirements for electricity will exceed the current electricity produced by the Company after the natural loss in electricity from the year 2008; and

- (b) the excess electricity to be purchased by Holding Company 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 upon completion of the Acquisition.
- (c) The Weihai Power Plant and Zouping Thermal Power can provide electricity and steam to meet the requirements of the Company's production bases there.

The Board considers that (i) the entering into of the Land Leasing Agreement would allow the Company to continue utilizing the Thermal Power Assets at their existing premises; and (ii) it would not be beneficial to the Group at this stage to make substantial capital investment in acquiring the subject land.

Based on the above, the Board believes that the Acquisition and the Continuing Connected Transactions 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.

6. INFORMATION REGARDING THE THERMAL POWER ASSETS

Assets Location	Installed Capacity at Completion (MW)	Electricity and Steam supply to which member(s) of the Group
Weihai Power Plant	120 MW (Note)	Weihai Weiqiao and Weihai Industrial Park
Zouping Power Plant, Economic Development Zone, Zouping County of Shandong Province	480 MW	the Company

(Note: At present, Weihai Power Plant has an installed capacity of 120 MW. The planned total capacity of Weihai Power Plant is 180 MW.)

The original purchase cost of the Thermal Power Assets to Holding Company was about RMB2,360,958,500 (equivalent to about HK\$2,538,665,000).

The net book value of the Thermal Power Assets in the book of Holding Company as at 15 December 2007 was about RMB2,119,666,000 (equivalent to about HK\$2,279,211,000).

LETTER FROM THE BOARD

The Thermal Power Assets make up the principal fixed assets of the Thermal Power Plants. The Thermal Power Assets do not themselves alone constitute a business or a company. As such, the information regarding the net profit attributable to the Thermal Power Assets is not available.

7. 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 one of the promoters and the controlling shareholder of the Company, it constitutes a connected person of the Company under the Listing Rules.

As certain applicable percentage ratios in respect of the Acquisition is more than 5% but less than 25%, the Acquisition, therefore, constitutes a discloseable and connected transaction of the Company for the purpose of the Listing Rules. The Acquisition is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules as well as the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Leasing Transaction is on an annual basis less than 2.5% (in aggregation), the same transaction is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules but is exempt from the independent shareholders' approval requirement of Chapter 14A of 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 2.5% but less than 25% and the annual consideration is more than HK\$10,000,000, the same transaction is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules as well as the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

The terms and conditions of each of the Acquisition and the Continuing Connected Transactions have been negotiated on an arm's length basis. The Board considers such terms to be normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Particulars of the Acquisition and the Continuing Connected Transactions are set forth in this announcement and will be disclosed in the Company's 2008 annual report and accounts.

8. EGM

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

LETTER FROM THE BOARD

According to the Listing Rules, Holding Company (there being no Shareholder who is an associate of Holding Company) will abstain from voting in respect of the resolutions relating to the Acquisition and Excess Electricity Supply Transaction (including the Annual Excess Electricity 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 23.52%, 3% and 3% of the equity interests in Holding Company respectively, will abstain from voting in respect of the same resolutions at the EGM. Mr. Qi Xingli, being a Director of the Company holds 0.75% of the equity interests in Holding company and will also abstain from voting in respect of the resolutions relating to the Acquisition and Excess Electricity Supply Transaction (including the Annual Excess Electricity Caps) at the EGM.

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

For the purposes of the EGM, the register of members of the Company will be closed 18 February 2008 to 18 March 2008 (both days inclusive), during which no transfer of Shares will be registered. Accordingly, holders of H shares of the Company and holders of Domestic Shares whose names appear on the register of members of the Company on 15 February 2008 shall have the right to attend the EGM and the relevant Class Meeting.

Each Shareholder who has the right to attend and vote at the EGM, is entitled to appoint one or more proxies, whether they are Shareholders or not, to attend and vote on his behalf at the EGM.

The relevant proxy form for use in connection with the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed proxy forms 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 holding of the meeting. Completion and return of the proxy forms will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

9. POLL PROCEDURE

Set out below is the procedure by which Shareholders and the chairman of any Shareholders' meeting may demand a poll pursuant to the articles of association of the Company:

“At any general meeting of shareholders, a resolution shall be decided on a show of hands unless a poll is demanded before or after any vote by show of hands by:

- (i) the chairman of the meeting;
- (ii) at least two shareholders, who possess the right to vote, present in person or by proxy; or

LETTER FROM THE BOARD

- (iii) any shareholder or shareholders present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all shareholders having the right to attend and vote at the meeting.

Unless a poll be so demanded, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution, that the resolution has been carried.

A demand for a poll may be withdrawn by the person who made the demand.”

10. RECOMMENDATION

The Board, including the Independent Board Committee, is of the opinion that the terms of the Acquisition and the Excess Electricity Supply Transaction (including the Annual Excess Electricity 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 Acquisition and the Excess Electricity Supply Transaction (including the Annual Excess Electricity Caps).

11. 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 Acquisition and the Excess Electricity Supply Transaction (including the Annual Excess Electricity Caps). Evolution Watterson Securities 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 Acquisition and the Excess Electricity Supply Transaction (including the Annual Excess Electricity Caps).

12. FINANCIAL EFFECT OF THE ACQUISITION

Upon Completion of the Acquisition, the financial results, assets and liabilities of such assets will be fully consolidated into the Company’s consolidated financial statements. As the Group uses its internal resources to satisfy the consideration under the Asset Transfer Agreement, the Directors consider that there will not have any effect of the assets and liabilities of the Group. The Directors believe that, after completion of Acquisition and commencement of operation of the Thermal Power Plant, the Acquisition will have a positive impact on the future prospects and enhance the revenue base of the Group.

LETTER FROM THE BOARD

13. 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.

14. ADDITIONAL INFORMATION

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

Yours faithfully,
Weiqiao Textile Company Limited
Zhang Hongxia
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



魏橋紡織股份有限公司
Wei Qiao Textile Company Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2698)

1 February 2008

To the Independent Shareholders

Dear Sir or Madam,

Discloseable and Connected Transaction
Continuing Connected Transactions

We have been appointed as the Independent Board Committee to advise you in connection with the Acquisition and the Excess Electricity Supply Transaction (including the Annual Excess Electricity Caps), details of which are set out in the Letter from the Board contained in the circular to the shareholders of the Company dated 1 February 2008 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the Acquisition and the Excess Electricity Supply Transaction (including the Annual Excess Electricity Caps) and the advice and opinion of Evolution Watterson Securities Limited in relation thereto as set out on pages 19 to 24 of the Circular, we are of the opinion that the terms of the Acquisition and the Excess Electricity Supply Transaction (including the Annual Excess Electricity Caps) are fair and reasonable and the Acquisition and the Excess Electricity Supply Transaction (including the Annual Excess Electricity Caps) 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 Acquisition and the Excess Electricity Supply Transaction (including the Annual Excess Electricity Caps).

Yours faithfully,

Wang Naixin
Independent
non-executive Director

Xu Wenying
Independent
non-executive Director

Chan Wing Yau, George
Independent
non-executive Director

LETTER FROM EVOLUTION WATTERSON SECURITIES LIMITED



1 February 2008

The Independent Board Committee and the Independent Shareholders
Weiqiao Textile Company Limited
1 Weifang Road
Zouping Development Area
Shandong
China

Dear Sir/ Madam,

**Discloseable and connected transaction relating to the Acquisition
of the Thermal Power Assets and the Continuing Connected
Transactions relating to the Land Leasing Agreement and those under
the Supply of Excess Electricity Agreement**

We refer to our appointment as Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company relating to the proposed Acquisition by the Group from the Holding Company the Thermal Power Assets and the Continuing Connected Transactions with the Holding Company thereafter. As the Holding Company is the controlling Shareholder of the Company having 61.86% interest, the Acquisition and the Excess Electricity Supply Transaction are regarded as connected transaction and ongoing connected transaction of the Company respectively under the Listing Rules and therefore require the approval of Independent Shareholders.

Background and terms of the Acquisition and the Continuing Connected Transactions as contemplated under the Supply of Excess Electricity Agreement are set out in the letter from the Board in the circular. Capitalized terms used in this letter have the same meanings as those defined in the circular unless the context otherwise requires. Our role as Independent Financial Adviser is to give our opinion as to whether the Acquisition and the Continuing Connected Transactions are beneficial to the Group and that their terms are fair and reasonable so far as the Independent Shareholders are concerned.

In putting forth our recommendation with respect to the Acquisition, we have discussed with the independent Valuer the basis upon which the appraised value of the Thermal Power Assets is arrived. For the purpose of the Continuing Connected Transactions, we have relied on the Company to provide us with all relevant information including historical amount of power purchased by the Holding Company from the Group as well as projections for the period up to 2010. We consider that we have sufficient information to reach an informed view and to provide a reasonable basis for our recommendation.

LETTER FROM EVOLUTION WATTERSON SECURITIES LIMITED

The Directors have also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld by the Company or is misleading. We have not, however, for the purpose of this exercise, conducted any form of detailed investigation or audit into the businesses or affairs of the Group, or that of the Holding Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE ACQUISITION AND THE CONTINUING CONNECTED TRANSACTIONS

In arriving at our opinion on the terms of the Acquisition and the Continuing Connected Transactions, we have taken into consideration the following factors and reasons:

Background and reasons to the Acquisition

The Group is principally engaged in the production, sales 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 and steam is vital to the Group's production. Over the years, the Group has been relying on the Holding Company's coal-fired power plants for the supply of electricity and steam for its operations. The Directors currently felt that the Acquisition of the Thermal Power Assets would facilitate a more stable supply of electricity and steam for its operational needs, which would benefit the development of the Group's business and further expansion of its production capacities. Furthermore, electricity produced by the Thermal Power Assets in excess of the Group's production needs will be sold to the Holding Company under the Supply of Excess Electricity Agreement. Consequently, the Acquisition would allow better utilization of the Thermal Power Assets, improving their operational efficiency and achieving economies of scale through reducing the fixed costs of electricity generation. And the Supply of Excess Electricity Agreement allows the Group to receive additional stream of income from the sale of excess electricity produced to the Holding Company. On that basis, we are of the view that the Acquisition and the Supply of Excess Electricity Agreement are beneficial to the Group and its Shareholders as a whole.

Terms of the Asset Transfer Agreement

The Thermal Power Assets comprise primarily electricity generation machinery and equipment as well as physical property assets making up the Thermal Power Plants. The land use rights pertaining to the Thermal Power Assets would remain with the Holding Company after Completion.

The consideration for the Acquisition amounts to RMB2,210,000,000 (equivalent to about HK\$2,376,344,000) has been determined by reference to the aggregate appraised value of the Thermal Power Assets of RMB2,213,793,100 (equivalent to about HK\$2,380,422,700) as at 15 December 2007 by the Valuer, an independent international assets appraisal firm. The above consideration will be satisfied by the Group's internal resources in a lump sum or by instalment within two months following the handover of the Thermal Power Assets by the Holding Company. As the consideration approximates the value appraised by the independent Valuer, we are of the view that the consideration so arrived is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM EVOLUTION WATTERSON SECURITIES LIMITED

Under the terms of the Asset Transfer Agreement, the Company will pay such consideration in full in one lump sum or by instalment within two months following completion of the handover of the Thermal Power Assets by the Holding Company. As the Company will only make payment upon Completion following approval of the Asset Transfer Agreement by the Independent Shareholders, we are also of the opinion the above settlement terms are normal market terms and thus fair and reasonable so far as the Company and its Independent Shareholders are concerned.

We have discussed with the Valuer the valuation bases of the electricity generation machinery, equipment and other physical property assets of the Thermal Power Plants. We understand the Valuer has used both cost and market approaches to arrive at market value estimates for machinery and equipment and depreciated replacement cost approach to arrive at market value estimates for the property assets. The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age and taking into consideration their maintenance policy and rebuilding history. The cost approach generally provides the most reliable indication of values for assets without a known used market. The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised machinery and equipment relative to the market comparative. Assets for which there is an established used market may be appraised by this approach. The depreciated replacement cost considers the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence. We understand the Valuer uses different valuation methodologies to appraise the Thermal Power Assets because certain machinery and equipment have established used market value while others do not.

We are of the opinion that the basis for determining the valuation of the Thermal Power Plants by the Valuer is appropriate and is fair and reasonable so far as the Company and its Independent Shareholders are concerned.

The Land Leasing Agreement

Pursuant to the Land Leasing Agreement, the Holding Company will lease to the Company the land use rights in respect of the land on which the Thermal Power Assets are currently located. The aggregate annual rent payable by the Company to the Holding Company for each of the 20 years commencing from the date of Completion is RMB2,368,500 (equivalent to about HK\$2,546,700 or RMB0.50 per sq. m. per month) and may be adjusted annually in accordance with market rate to be determined by an independent international property valuer.

We understand from the Directors that the annual rental under the Land Leasing Agreement is determined by reference to rent payable for leasing land use rights in respect of similar properties from independent third parties in that area. In addition, we were advised by the Directors that as the Thermal Power Assets are located at the subject land and the purpose for the leasing of the land use right for 20 years is to maintain an uninterrupted operation of the Thermal Power Assets and to avoid further capital outlay to acquire the land on which the Thermal Power Plants are located. Moreover, we note that the Company has previously entered into a 20-year lease with the Holding Company for other thermal power assets pursuant to its announcement on 13 August 2005 and circular on 16 August 2005 and subsequently approved by its then Independent Shareholders on 3 October 2005. Having

LETTER FROM EVOLUTION WATTERSON SECURITIES LIMITED

considered the reasons for entering the Land Leasing Agreement and the lease previously entered by the Company with the same tenancy term, we are of the view that the 20-year lease, which is longer than three years as stipulated in the Listing Rules for the purpose of continuing connected transaction, is normal business practice and that the Land Leasing Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

Supply of Excess Electricity Agreement

Under the Supply of Excess Electricity Agreement, the Company will supply electricity which is in excess of the Group's actual electricity needs to the Holding Company for a period commencing from the date of Completion and ending on 31 December 2010 (both dates inclusive). The price at which such excess electricity is sold to the Holding Company by the Company shall be RMB0.45 per kWh 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. In the event there is any applicable mandatory price for the supply of electricity to the relevant power grid as prescribed by the PRC government, it would be adopted instead. We note that the current contract price of RMB0.45 per kWh is slightly higher than the current price of RMB0.40 per kWh at which a power plant in Shandong province sells its electricity produced to the relevant power grid. Pursuant to the Supply of Excess Electricity Agreement, the Company will calculate and bill the amount due from the Holding Company on the last business day of each month based on actual amount of electricity supplied in arrears and the Holding Company is required to make payment within the first five business days of the following month. Having considered that the price of excess electricity to be sold to the Holding Company would be adjusted in accordance with current contract price of RMB0.45 per kWh or the price at which a power plant in Shandong Province would sell its electricity produced to the relevant power grid, whichever is higher, and the Holding Company is required to pay based on the actual amount of electricity supplied, we are of the view that the pricing mechanism and the payment terms under which the excess electricity will be sold to the Holding Company are fair and reasonable so far as the Independent Shareholders are concerned.

Caps amounts for the Excess Electricity Supply Transaction from 2008 to 2010

The Company currently has a total electricity generation capacity of 660 MW. Immediately following Completion, the Company will have a total electricity production capacity of 1,260 MW, of which the thermal power plants located in Binzhou and Zouping have 1,140 MW and Weihai Power Plant has 120 MW. Electricity produced by Weihai Power Plant will be consumed by the Group, given small size of the power plant and distance to the Holding Company; whereas excess electricity generated by Zouping Second Thermal Power Plant will be sold to the Holding Company.

LETTER FROM EVOLUTION WATTERSON SECURITIES LIMITED

The Annual Excess Electricity Caps for each of the three financial years ending 31 December 2010 was determined based on the following expected electricity production and the Group's usage:

kWh	2008	2009	2010
Projected total electricity generated (excluding Weihai Power Plant)	8,116,800,000	8,116,800,000	8,116,800,000
Projected total electricity consumed (excluding Weihai Power Plant)	4,925,659,000	5,418,224,000	5,960,047,000
Projected total excess electricity generated	3,191,141,000	2,698,576,000	2,156,753,000

As advised by the Company, we understand the projected total electricity generated is calculated based on an estimated average utilization hours of about 8,000 hours for each of 2008, 2009 and 2010, assuming the power plants will only be operating 11 months per year with one month maintenance period for the power production facilities with reference to its past experience. For the electricity produced by such facilities, an in-house power consumption of 11% leading to a loss in electricity is assumed, based on historic figures. Consequently, the annual projected total electricity generated is calculated based on the formula $1,140\text{MW} \times 8,000 \text{ hrs} \times (1-0.11)$. We are of the view that the above basis for calculating electricity generation is fair and reasonable.

The average increase in annual electricity consumption rate by the Group (excluding the electricity consumed by the Company's production base in Weihai) was 15% for the past three years ended 31 December 2007. The projected growth rate of electricity consumed by the Group for 2008 is currently expected to be around 20%, compared to that of 2007. As advised by the Company, the above increase in electricity consumption is due to increasing automation of the Group's production in 2008. According to the projections prepared by the Company, the projected total electricity consumed by the Group for the two years 2009 and 2010 is estimated to be 10%. Based on the historic annual electricity consumption rate by the Group and the Group's projected electricity consumption, which takes into consideration its expected production level and machinery requirement, we are of the view that the Group's projected growth rate of electricity consumption and electricity consumption needs for the three years to 2010 are fair and reasonable.

Based on the Group's projected total excess electricity generated, the maximum annual sales of excess electricity from the Group to the Holding Company (excluding VAT at the rate of 17%) for the three years to 2010 are estimated to be RMB1,350,100,000, RMB1,198,790,000 and RMB1,006,000,000 respectively. The above electricity sales projections are prepared based on an expected increase in electricity price of 5% p.a. The Chinese Government has announced that the country's economic growth rate is expected to be around 8% p.a. during the period of the 11th Five-Year Plan, from 2006 to 2010. On that basis, we believe the Group's expected increase in electricity price for the period to 2010 is fair and reasonable. In addition, we are of the view that the Annual Excess Electricity Caps for the three years to 2010 are fair and reasonable.

LETTER FROM EVOLUTION WATTERSON SECURITIES LIMITED

ADVICE

Having considered the above principal factors and reasons, we are of the opinion that (i) the Acquisition is on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (ii) the Supply of Excess Electricity Agreement is on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and its Shareholders as a whole. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to approve the above agreements at the upcoming EGM.

Yours faithfully,
For and on behalf of
Evolution Watterson Securities Limited
David Tsang
Managing Director



Corporate valuation and consultancy
www.sallmanns.com

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22nd Floor, Siu On Centre
188 Lockhart Road
Wan Chai, Hong Kong
Tel: (852) 2169 6000
Fax: (852) 2528 5079

1 February 2008

The Board of Directors
Weiqiao Textile Co.,Ltd.
No. 34, Qidong Road Weiqiao Town,
Zouping County,
Shandong Province,
The PRC

Dear Sirs,

In accordance with your instructions, we have undertaken a valuation to determine the retrospective market values of machinery & equipment, office equipment, construction in process and engineering material belonging to:

Shandong Weiqiao Chuangye Group Company Limited Zouping Second Thermal Power Plant (“Zouping Second Thermal Power Plant”), which is located at Zouping County, Shandong Province, the PRC, and Weihai Xijiao Thermal Power Company Limited (“Weihai Power Plant”), which is located at Weihai City, Shandong Province, the PRC.

It is our understanding that the purpose of the valuation is for acquisition purpose.

This valuation report outlines our latest findings and conclusion. Based on the results of our investigations outlined in the report which follows, it is our opinion that the valuation of the above asset is:

RMB 1,456,039,100 (RENMINBI ONE BILLION FOUR HUNDRED AND FIFTY SIX MILLION THIRTY NINE THOUSAND AND ONE HUNDRED), which fairly represents the market value of the machinery and equipment as at 15 December 2007.

This report is issued subject to our limiting conditions as attached.

Yours faithfully,
for and on behalf of
Sallmanns (Far East) Limited

James Lai
Associate Director
Plant & Machinery Valuation

INTRODUCTION

This report has been prepared in accordance with instructions from **Weiqiao Textile Co., Ltd.** to express an independent opinion on the market value of a machinery and equipments, furniture and computers(the “Assets”) belonging to Shandong Weiqiao Chuangye Group Company Limited Zouping Second Thermal Power Plant (“Zouping Second Thermal Power Plant”) and Weihai Xijiao Thermal Power Company Limited (“Weihai Power Plant”) as at 15 December 2007 (the “Valuation Date”). The report dated 1 February 2008 (the “Report Date”) follows:

Purpose of Valuation

This report is to express an independent opinion on the market value of the Machinery and Equipment Assets as at the Valuation Date. We understand that the purpose of this report is for acquisition purpose.

BASIS OF VALUE

We have adopted the **Market Value In Continued Use** as being the most appropriate, in accordance with the following definition:

Market Value is defined herein as “the estimated amount at which the subject assets should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing where in the parties had each acted knowledgeably, prudently, and without compulsion.”

Market Value In Continued Use is further defined as amount of money at which a given property would change hands between a willing buyer and a willing seller, in an appropriate marketplace, when neither is acting under compulsion and when both have reasonable knowledge of relevant facts, including installation and other turnkey costs and assumes that earnings support the value reported.

BASIS OF OPINION

We have conducted our valuation in accordance with the International Valuation Standards issued by the International Valuation Standards Committee. The valuation procedures employed include the review of physical and economic condition of the subject asset, an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the subject asset. All matters we consider essential to the proper understanding of the valuation will be disclosed in the valuation report.

The following factors form an integral part of our basis of opinion:

- Assumptions on the market and the asset that are considered to be fair and reasonable;
- Output performance that shows a consistent trend of the operation;

- Consideration and analysis on the micro and macro economy affecting the subject asset; and
- Analytical review of the subject asset.

We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

This investigation is concerned solely with the values of the appraised machinery and equipment and our opinion of value is not related to the earning capacity of the business. It is assumed that prospective earnings are adequate to support the concluded value of the machinery and equipment plus the value of other assets not included in this valuation, and sufficient net working capital. It does not attempt to arrive at the value of the Company as a total business entity.

VALUATION METHODOLOGY

There are three generally accepted approaches to value, namely:

The Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economical), taking into consideration past and present maintenance policy and rebuilding history. The cost approach generally furnishes the most reliable indication of value for assets without a known used market.

The Market Approach

The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised machinery and equipment relative to the market comparative. Assets for which there is an established used market may be appraised by this approach.

The Income Approach

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets.

Analysis

A combination of the three valuation approaches defined above may be used in a particular valuation, depending upon the appraisal's objectives and the nature of the property involved.

As part of the cross checking procedures, all valuation approaches have been considered, as one or more approaches may be applicable to the subject asset. In certain situations, elements of the three approaches may be combined to reach a value conclusion. However, the relative strength, applicability, and significance of the approaches and their resulting values must be analyzed and reconciled.

In situation where we can identify and collect sufficient data on certain equipment that has direct contribution to the revenue generation, the income approach will be applied as part of the cross-checking procedure with the result from the cost approach and the market approach in arriving at our conclusion of value.

We have considered and excluded the income approach due to insufficient financial data being available. We have used both the cost approach and the market approach in arriving at our estimate of market value.

In arriving at a fair estimate of value of the equipment we have given consideration to the:

- Cost of replacement new of the replaceable assets;
- Current prices for similar used equipment (assets) in the second hand market;
- Accrued depreciation; and
- Age, condition, past maintenance and present and prospective serviceability in comparison with new units of like kind.

Application of the market approach involves an analysis of the used market to measure the value level of exchanges of comparable property. An estimated amount is added to or deducted from the market price to reflect the difference in condition and utility between the item appraised and its normal used market comparatives.

Where the basis is the cost approach, an estimate is made on the cost of reproduction new or replacement cost, less allowance for depreciation or loss of value arising from condition, utility, age, wear and tear, and obsolescence, taking into consideration past and present maintenance policy, and rebuilding history, if any, and current utilization.

Cost of replacement new is the estimated amount of money needed to acquire in like kind and in new condition an asset or group of assets taking into consideration current prices of materials, manufactured equipment, labour, contractor's overhead, profit and fees, and all other attendant costs associated with its acquisition, but without provision for overtime or bonuses for labour and premium for materials.

Where elements are of foreign origin, our pricing process gives full consideration to all expenditures normally incurred in importation such as packing and crating charges, inland and ocean freight, insurance, duties and taxes, bank charges and commissions, wharfage, brokerage and handling.

Other Factors that will be taken into our valuation consideration:

Economic Obsolescence: Obsolescence that results from external factors that renders a property obsolete, no longer competitive, and unattractive to purchasers

1. *Item specific*

- Derived from item sales in the market

2. *Industry specific*

- Derived from economics of the industry in which the subject operates

3. *Business specific*

- Derived from a business value overlay; caused from the subject business's operation

Inutility as Economic Obsolescence

- Applied when replacement capacity is the same as subject and the business requirement is less than the subject's capacity.

Functional Obsolescence: Obsolescence deriving from a lack of adequate or appropriate equipment.

COMPANY BACKGROUND

Zouping Second Thermal Power Plant is located at Weiqiao Town, Zouping County of Shandong Province. It was established in 2004. There are 8 units now in Thermal Power Plant, the total capacity is 480 MW, support 8,409,600 tons of heat every year. There are 585 staffs in all.

Weihai Power Plant is located at No.88 Huancui Road, holiday District of Huancui province level, It was established in 2002. Legal representative: Zhang Shi Ping, Registered capital: 100 million yuan. The total capacity is 120 MW.

ASSETS REVIEWED

Assets under review are mainly machinery used for their productions, such as industry boiler, steam turbine, transformer, pump, valve, vehicle, and office equipment.

Most of the major equipments were fabricated in China.

FINDINGS**Inspection**

We have carried out inspection of the assets from 12 to 16 December 2007 in Zouping and Weihai, Shandong Province.

We found that most of the equipments are in use and in operational condition.

Conditions of the Equipment

During our inspection, most of the equipment are in operation except some of them on standby, due to temporary low demand. We found that the equipment in the plant were adequately maintained.

Title and Sales Invoice Availability

Limited copies of invoices were available for review at the time of inspection.

In arriving at our valuation, we have not investigated the title nor any liabilities affecting the equipment. No consideration was made for any outstanding amount owed under financing agreements, if any.

Exclusion

We have excluded in this valuation: land, buildings, other land improvements, spare parts, stocks, company records or any current or intangible assets.

OPINION OF VALUE

Based on the results of our inspection and findings, it is our opinion that **RMB 1,456,039,100 (RENMINBI ONE BILLION FOUR HUNDRED AND FIFTY SIX MILLION THIRTY NINE THOUSAND AND ONE HUNDRED)**, fairly represents the market value of the machinery and equipment as at 15 December 2007.

LIMITING CONDITIONS

This report is subject to our standard Limiting Conditions as attached.

Yours faithfully,
for and on behalf of
SALLMANN'S (FAR EAST) LIMITED

James Lai
Associate Director
Plant & Machinery Valuation

SUMMARY OF VALUES

Zouping Second Thermal Power Plant

	Acquisition Cost	Net Book Value	Market Value As at 15 December 2007 (RMB)
Machinery & Equipment	1,343,947,407.19	1,164,482,896.88	1,269,556,500.00
Office Equipment	<u>121,480.00</u>	<u>97,184.00</u>	<u>49,200.00</u>
Total	<u>1,344,068,887.19</u>	<u>1,164,580,080.88</u>	<u>1,269,605,700.00</u>
Rounded to			<u>1,269,605,700.00</u>

Weihai Xijiao Power Plant

	Acquisition Cost	Net Book Value	Market Value As at 15 December 2007 (RMB)
Machinery & Equipment	146,776,412.24	139,931,323.64	144,815,100.00
Office Equipment	281,065.28	171,804.53	99,300.00
CIP	40,818,687.80	40,818,687.80	40,818,500.00
Engineering Material	<u>700,481.58</u>	<u>700,481.58</u>	<u>700,500.00</u>
Total	<u>188,576,646.90</u>	<u>181,622,297.55</u>	<u>186,433,400.00</u>
Rounded to			<u>186,433,400.00</u>
GRAND-TOTAL OF MARKET VALUE (as at 15 December 2007)			<u>1,456,039,100.00</u>

LIMITING CONDITIONS

1. We have disregarded any existing liabilities, liens and encumbrances against or titles to the property appraised and assume no responsibility for these matters.
2. In the inventory, machinery and/or equipment were listed as complete units and were meant to include all parts and accessories normally comprising the unit.
3. We have totally disregarded such items that, in our opinion, have no practical take-up value or are normally charged as operating expenses.
4. Our conclusions assume continuation of prudent management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions after the Valuation Date.
5. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information give a true and fair view and have been prepared in accordance with the relevant companies ordinance.
6. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
7. The management of the Company has reviewed and agreed on the valuation report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
8. Sallmanns (Far East) Ltd. shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation, with reference to the project described herein unless prior arrangements have been made.
9. No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers.
10. The use of and the reliance of the valuation report is subject to the terms of engagement proposal and the full settlement of the fees.
11. This valuation report has been prepared solely for the use of the directors. The valuation report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent. We shall not under any circumstances whatsoever be liable to any third party except where we specifically agreed in writing to accept such liability.

12. This report is confidential to the client and the opinion of value expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the valuation date. In accordance with our standard practice, we must state that this report and valuation exercise is for the use only by the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
13. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation if such investigation is beyond the scope of normal business valuation work.
14. We are not environmental consultants or auditors, and we take no responsibility for any actual or potential environmental liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional environmental assessment. We do not conduct or provide environmental assessments and have not performed one for the subject property.
15. This report and the conclusion of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of value are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value represents the consideration, based on information furnished by the Company and other sources.

VALUER'S PROFESSIONAL DECLARATION

We certify, to the best of our knowledge and belief, that:

- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
- The reported analyses, opinions, and conclusions are independent and objective.
- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.
- The valuers' compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Committee.
- JiaSheng Zhang, Colin Wang and Hunk Li have made personal inspection of the property that is the subject of this report.
- The under-mentioned persons provided professional assistance in the compilation of this report.

JiaSheng Zhang
Colin Wang
Hunk Li

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this Circular received from Sallmanns (Far East) Limited, an independent valuer, in connection with its valuation as at 15 December 2007 of the property interests to be acquired by the Company pursuant to the Asset Transfer Agreement.



Corporate valuation and consultancy
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西門

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1 February 2008

The Board of Directors
Weiqiao Textile Company Limited
No.1 Weifang Road
Economic Development Area
Zouping County
Shandong Province
The People's Republic of China

Dear Sirs,

In accordance with your instructions to value the properties in which Weiqiao Textile Company Limited (the "Company") proposed to acquire from Shandong Weiqiao Chuangye Group Company Limited (the "Holding Company") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 15 December 2007 (the "date of valuation").

Our valuation of the property interest represent the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

Where, due to the nature of the buildings and structures of the property in the PRC, there are no market sales comparables readily available, the property interests have been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the

current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information provided by the Holding Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendments. We have considerably on the advice given by the PRC's legal advisers — Zong Heng Law Attorneys At Law, concerning the validity of the Holding Company's titles to the property interests.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Holding Company. We have also sought confirmation from the Holding Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Sallmanns (Far East) Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 25 years' experience in the valuation of properties in the PRC and 28 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

Property interests held by the Holding Company

No. Property	Capital Value in existing state as at 15 December 2007 RMB
1. Various buildings and ancillary structures located at the junction of Yuehesan Road and Huixiansi Road Economic Development Area Zouping County Binzhou City Shandong Province The PRC	641,074,000
2. Various buildings and ancillary structures No. 88 Huancui Road Zhangcui Town Huancui District Weihai City Shandong Province The PRC	88,213,000
3. A pump room and a pool located at the northern side of Shuangdao Bridge Zhangcui Town Weihai City Shandong Province The PRC	28,467,000
Total:	<u>757,754,000</u>

VALUATION CERTIFICATE

Property interests held by the Holding Company

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 15 December 2007 RMB
1. Various buildings and ancillary structures located at the junction of Yuehesan Road and Huixiansi Road Economic Development Area Zouping County Binzhou City Shandong Province The PRC	<p>The property comprises 33 buildings and 44 ancillary structures completed in various stages between 2004 and 2007.</p> <p>The total gross floor area of the above 33 buildings is approximately 93,626.47 sq.m.</p> <p>The major buildings and ancillary structures include power station buildings, buildings and structures for ash disposal, fuel handling, chemical water treatment, water supply, electrical system and ancillary management buildings.</p> <p>The property is constructed on 3 parcels of land with a total site area of approximately 965,762.3 sq.m.(refer to notes 1 and 2).</p>	The property is currently occupied and operated by the Holding Company as a power plant which is under operation.	641,074,000

Notes:

- Pursuant to 3 State-owned Land Use Rights Certificates - Zou Guo Yong (2002) Zi Di Nos. 0104112, 0104115 and Zuo Guo Yong (2004) Zi Di 0104146 (鄒國用(2002)字第0104112, 0104115 及鄒國用2004字第0104146號), the land use rights of 3 parcels of land with a total site area of approximately 965,762.3 sq.m. have been granted to the Holding Company for terms expiring on 19 April 2052, 6 August 2052 and 10 October 2053 respectively for industrial use.
- Pursuant to 2 Land Lease Agreements all dated 17 October 2003 entered into by and between the Company and the Holding Company, the land use rights of 2 parcels of land with a total site area of 694,429 sq.m. are leased to the Company for a term of 20 years commencing from 17 October 2003 and expiring on 17 October 2023 at a total annual rent of RMB4,167,000.
- As advised by the Company, the land use rights of the remaining parcel of land covered in note 1 with a site area of approximately 271,333.3 sq.m. will be leased to the Company from the Holding Company for a term of 20 years commencing from the date of completion and the total annual rent for this land is proposed to be RMB 1,627,999.8 while other terms and conditions of the Land Lease Agreements are not yet confirmed.
- Pursuant to 8 Building Ownership Certificates — Zou Ping Xian Fang Quan Zheng Cheng Qu Gong Zi Di Nos.CQG00626(1) to CQG00626(8) (鄒平縣房權證城區公字第CQG00626(1)至CQG00626(8)號), the buildings with a total gross floor area of approximately 93,626.47 sq.m. are owned by the Holding Company. The buildings are mainly occupied for dust catcher room, air compressor room, pump room and other ancillary uses.

5. As instructed by the Company, our valuation is carried out on the buildings and structures only. Moreover, our valuation is based on the assumption that the leasehold interests of the rented land can be freely transferred, occupied, sublet and handled by the Company during the term of the Land Lease Agreements.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) the Holding Company is entitled to lease, mortgage, transfer and dispose of the land use rights of the property;

 - b) the land lease agreements mentioned in notes 2 and 3 are or would be legal, valid and binding on both parties after signing formal lease land agreement and completing lease register procedure in local authorities; and

 - c) the Company has the legal rights to occupy, use, lease, transfer, mortgage and disposal of the buildings and keep them for production and normal business purposes after the building ownership certificates are converted under the name of the Company and obtaining the land use rights of the property by way of lease.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 15 December 2007 RMB
2. Various buildings and ancillary structures No.88 Huancui Road Zhangcui Town Huancui District Weihai City Shandong Province The PRC	<p>The property comprises 15 buildings and 13 ancillary structures completed in various stages between 2004 and 2007.</p> <p>The total gross floor area of the above 15 buildings is approximately 42,449 sq.m.</p> <p>The major buildings and structures include buildings and structures for ash disposal, fuel handling, chemical water treatment, water supply, electrical system and ancillary management buildings etc.</p> <p>The property is constructed on 2 parcels of land with a total site area of approximately 123,414 sq.m which are owned by the Holding Company.</p>	The property is currently occupied and operated by a wholly owned subsidiary of the Holding Company as a power plant which is under operation.	88,213,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates — Wei Huan Guo Yong (2002Chu) Di No. 105 and Wei Huan Guo Yong (2006) Di No.048 (威環國用(2002出)字第105號及威環國用(2006)第048號), the land use rights of 2 parcels of land with a total site area of approximately 123,414 sq.m. have been granted to Weihai Xijiao Thermal Power Co. Ltd., the wholly owned subsidiary of the Holding Company, for terms expiring on 26 May 2052 and 4 January 2056 for industrial use.
2. As advised by the Company, the land use rights of 2 parcels of land stated in note.1 with a total site area of approximately 123,414 sq.m. will be leased to the Company from the Holding Company for a term of 20 years commencing from the date of completion and the total annual rent is proposed to be RMB 740,484 while other terms and conditions of the Land Lease Agreement are not yet confirmed.
3. Pursuant to 3 Building Ownership Certificates — Wei Fang Quan Zheng Zi Di Nos. 2008000072 (1) to (3) (威房權證字第2008000072 (1)至(3)號), the buildings with a total gross floor area of approximately 42,449 sq.m. are owned by the Holding Company. The buildings are mainly occupied for dust room, pump room and other ancillary uses.
4. As instructed by the Company, our valuation is carried out on the buildings and structures only. Moreover, our valuation is based on the assumption that the leasehold interests of the rented land can be freely transferred, occupied, sublet and handled by the Company during the term of the Land Lease Agreement.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- a) the Holding Company is entitled to lease, mortgage, transfer and dispose of the land use rights of the property;
 - b) the land lease agreement mentioned in note 2 would be legal, valid and binding on both parties after signing formal lease land agreement and completing lease register procedure in local authorities; and
 - c) the Company has the legal rights to occupy, use, lease, transfer, mortgage and disposal of the buildings and keep them for production and normal business purposes after the building ownership certificates are converted under the name of the Company and obtaining the land use rights of the property by way of lease.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital Value in existing state as at 15 December 2007 RMB
3. A pump room and a pool located at the northern side of Shuangdao Bridge Zhangcui Town Weihai City Shandong Province The PRC	<p>The property comprises a pump room and a pool completed in 2007.</p> <p>The gross floor area of the pump room is approximately 2,025 sq.m.</p> <p>The pump room and the pool are occupied for cool disposal.</p> <p>The property is constructed on a parcel of land with a site area of approximately 2,000 sq.m which is owned by the Holding Company.</p>	The property is currently occupied and operated by a wholly owned subsidiary of the Holding Company as a part of production facilities which is under operation.	28,467,000

Notes:

1. Pursuant to a Construction Land Planning Permit — (2006) Lu 10-01-D038 ((2006) (魯10-01-D038), the land use rights of a parcel of land with a site area of approximately 2,000sq.m. have been granted to Weihai Xijiao Thermal Power Company Ltd, a wholly owned subsidiary of the Holding Company for a term for industrial use.
2. As advised by the Company, the land use rights of the property will be leased to the Company without any payment while other terms and conditions about it are not yet confirmed.
3. Pursuant to a Building Ownership Certificate - Wei Fang Quan Zheng Zi Di No. 2008000072 (4) (威房權證字第2008000072(4)號), the building with a gross floor area of approximately 2,025 sq.m. is owned by Weihai Xijiao Thermal Power Company Ltd.
4. As instructed by the Company, our valuation is carried out on the building and structure only. Moreover, our valuation is based on the assumption that the leasehold interests of the rented land can be freely transferred, occupied, sublet and handled by the Company during the term of the Land Lease Agreement.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) The Holding Company is in the process of application of State-owned Land Use Rights Certificate and relevant competent authority has confirmed that the Holding Company legally owns the land use rights.
 - b) the land lease agreement mentioned in note 2 would be legal, valid and binding on both parties after the completion of formal lease land agreement and lease register procedure in local authorities; and
 - c) the Company has the legal rights to occupy, use, lease, transfer, mortgage and disposal of the property and keep it for production and normal business purposes after the building ownership certificate is converted under the name of the Company and obtaining the land use rights of the property by way of lease.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

Directors', Supervisors' and Chief Executive's Interests in Shares

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 (<i>Executive Director/Chairman</i>)	Beneficial	17,700,400	2.27	1.48
Qi Xingli (<i>Executive Director</i>)	Beneficial	6,042,500	0.77	0.51
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	23.52
Zhang Hongxia (<i>Executive Director</i>)	Holding Company	Beneficial and interest of spouse (<i>Note 1</i>)	5.73 (<i>Note 1</i>)
Zhang Yanhong (<i>Executive Director</i>)	Holding Company	Beneficial	1.63
Qi Xingli (<i>Executive Director</i>)	Holding Company	Beneficial	0.75
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

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.

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.

Directors' and Supervisors' Interest in any Asset Acquired, Disposed or Leased

As at the Latest Practicable Date, save and except for the Thermal Power Assets, none of the Directors and supervisors of the Company has any material interest, direct or indirect, in any asset which, since 31 December 2006, being the date to which the latest audited consolidated financial statements of the Group have been made up, had been acquired or disposed of by or leased to any member of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group.

3. DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS

No contracts of significance to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a Director or a supervisor of the Company had a material interest and which is significant to the Group's business, whether directly or indirectly, subsisted at the date of this circular. None of the Directors or their respective associates has any competing interest (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder of the Company for the purpose of the Listing Rules).

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 <i>(Note 2)</i>	Approximate percentage of total issued domestic share capital <i>(%)</i>	Approximate percentage of total issued share capital <i>(%)</i>
Holding Company	Domestic Shares <i>(Note 3)</i>	738,895,100	94.64	61.86
Zouping County Supply and Marketing Cooperation Union ("ZCSU")	Domestic Shares <i>(Note 4)</i>	738,895,100	94.64	61.86
CITIC Trust Co., Ltd.	Domestic Shares <i>(Note 5)</i>	738,895,100	94.64	61.86

Interests in the in the H Shares:

	Number of H Shares (note 6)	Approximate percentage of total issued H share capital (%)	Approximate percentage of total issued share capital (%)
Brandes Investment Partners, L.P.	62,213,500 (Note 7) (Long Position)	15.04(L)	5.21
The Bank of New York Mellon Corporation	50,026,304 (Note 8) (Long Position) 36,095,464 (Lending Pool)	12.09(L) 8.73(P)	4.19 3.02
ABN AMRO Mellon Global Securities Services BV	37,294,302 (Note 9) (Long Position) 36,162,464 (Lending Pool)	9.02(L) 8.74(P)	3.12 3.03
Mellon Bank NA	37,294,302 (Note 10) (Long Position) 36,162,464 (Lending Pool)	9.02(L) 8.74(P)	3.12 3.03
AllianceBernstein L.P.	34,563,500 (Note 11) (Long Position)	8.36(L)	2.89
The Northern Trust Company	32,564,927 (lending pool)	7.87(P)	2.73
Mellon Financial Corporation	24,706,700 (Note 12) (Long Position)	5.97(L)	2.07
Templeton Investment Counsel, LLC	20,802,930 (Note 13) (Long Position)	5.03(L)	1.74

Notes:

1. Unlisted shares.
2. Pursuant to an equity transfer agreement entered into between Mr. Qi Xingli and Holding Company dated 9 December 2007, Mr. Qi Xingli has transferred his 2,010,000 Domestic Shares to Holding Company. Pursuant to an equity transfer agreement entered into between Mr. Zhang Shixue and Holding Company dated 9 December 2007, Mr. Zhang Shixue has transferred his 17,532,000 Domestic Shares to Holding Company. Prior to the aforesaid transfers, Holding Company held 719,353,100 Domestic Shares; immediately after the aforesaid transfers, Holding Company held 738,895,100 Domestic Shares.
3. These 738,895,100 Domestic Shares were directly held by Holding Company.
4. These 738,895,100 Domestic Shares in which ZCSU was deemed interested under the SFO were directly held by Holding Company, in which ZCSU had a controlling interest.
5. These 738,895,100 Domestic Shares in which CITIC Trust Co., Ltd. was deemed interested under the SFO were directly held by Holding Company, in which ZCSU had a controlling interest. CITIC Trust Co., Ltd. is a trustee of ZCSU.

6. Shares listed on the Main Board of the Stock Exchange.
7. 62,213,500 H Shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.
8. 37,180,802 H shares in which the Bank of New York Mellon Corporation was deemed interested under SFO were directly held by ABN AMRO Mellon Global Securities Services BV which is a corporation 50% controlled by Mellon Bank NA, the whole subsidiary of Bank of New York Mellon Corporation. 12,845,502 H shares in which the Bank of New York Mellon Corporation was deemed interested under SFO were directly held by The Bank of New York which is a corporation wholly controlled by the Bank of New York Mellon Corporation.
9. 37,212,802 H Shares were held by ABN AMRO Mellon Global Securities Services BV as a custodian corporation/approved lending agent.
10. 37,294,302 in which Mellon Bank NA was deemed interested under SFO were directly held by ABN AMRO Mellon Global Securities Services BV which is a corporation 50% controlled by Mellon Bank NA.
11. 1,193,000 H shares in which AllianceBernstein L.P. was deemed interested under SFO were directly held by AllianceBernstein Corporation of Delaware which is a corporation wholly controlled by AllianceBernstein L.P. 757,900 H shares and 435,100 H shares in which AllianceBernstein L.P. was deemed interested under SFO were directly held by AllianceBernstein Limited and AllianceBernstein Investment Management Australia Limited respectively which is a corporation wholly controlled by AllianceBernstein Corporation of Delaware.
12. 24,706,700 H shares in which Mellon Financial Corporation was deemed interested under SFO were directly held by the Boston Company Asset Management LLC, an corporation directly and wholly controlled by MAM (MA) Holding Trust, which is indirectly and wholly controlled by MAM (DE) Trust. MAM (DE) Trust is directly and wholly controlled by Mellon Financial Corporation.
13. 20,802,930 H Shares were held by Templeton Investment Counsel, LLC in its capacity as investment manager.

Save as disclosed above, so far as is known to the Directors, supervisors or chief executives of the Company, 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. 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 30 June 2007, the date to which the latest audited financial statements of the Group were made up.

7. 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.

8. CONSENT AND EXPERT

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

Name	Qualification
Evolution Watterson Securities Limited	Licensed corporation under the SFO for conducting type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) as defined under the SFO
Sallmanns (Far East) Limited	Independent chartered surveyor and plant and machinery valuers

Each of Evolution Watterson Securities Limited and Sallmanns (Far East) 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) neither of Evolution Watterson Securities Limited and Sallmanns (Far East) Limited had any 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) neither of Evolution Watterson Securities Limited and Sallmanns (Far East) Limited had any 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.

9. 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, Jing Ji Kai Fa Qu, Zouping County, Shandong Province, The People's Republic of China.
- (iii) The principal place of business of the Company in Hong Kong is 39th Floor, Gloucester Tower, The Landmark, 15 Queen's Road, Central, Hong Kong.
- (iv) The Company's branch share registrar and transfer office in Hong Kong is at Computershare Hong Kong Investor Services Limited.

- (v) The secretary of the Company is Ms Zhao Suwen, a qualified PRC economist. Ms Zhao is an affiliated person of the Hong Kong Institute of Chartered Secretaries and was accepted by Stock Exchange as an individual who meets the requirements of a secretary under Rule 8.17 of the Listing Rules.
- (vi) Mr Zhao Weijian (“**Mr Zhao**”), being a PRC qualified accountant, is the qualified accountant of the Company appointed under Rule 3.24 of the Listing Rules. Mr Zhao is able to meet the requirement as set out in Rule 3.24 of the Listing Rules except that he is not a fellow or associate of the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) or a similar body of accountants recognized by HKICPA for the purpose of granting exemptions from the examination requirement for membership of HKICPA (the “**Rule 3.24 Requirement**”). The Stock Exchange has agreed to grant a three-year conditional waiver to the Company from strict compliance with Rule 3.24 of the Listing Rules commencing from 22 December 2004. The conditions are: (i) the fulfillment of Rule 3.24 Requirement; (ii) Mr Mak Wai Ho, an associate member of the HKICPA and the Association of the Chartered Certified Accountants, will assist Mr Zhao for a period of 3 years and (iii) the Company will disclose the brief biographical details of Mr Zhao in the annual report of the Company. The Company is in the progress for the application of another three year’s conditional waiver.
- (vii) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Coudert Brothers in association with Orrick, Herrington & Sutcliffe LLP on the 39th Floor, Gloucester Tower, The Landmark, 15 Queen’s Road, Central, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including 3 March 2008:

- (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 18 of this circular;
- (c) the letter issued by Evolution Watterson Securities Limited, the text of which is set out on pages 19 to 24 of the circular;
- (d) The relevant contracts referred to in paragraph headed “The asset Transfer Agreement”, “The Land Lease Agreement” and “The Supply of Excess Electricity Agreement”;
- (e) the annual reports of the Company for the two financial years ended 31 December 2007; and
- (f) the Assets Valuation Reports issued by the Valuer.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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 18 March 2008 at the conference hall on the Fourth Floor, Company Office Building, No. 1 Wei Fang Lu, Jing Ji Kai Fa Qu, Zouping County, Shandong Province, The People’s Republic of China (the “**PRC**”), to consider and, if thought fit, approve the following resolutions:

AS ORDINARY RESOLUTION

RESOLUTION NO. 1

“THAT:

- (a) the asset transfer agreement dated 14 January 2008 (the “**Asset Transfer Agreement**”) and entered into between the Company and Shandong Weiqiao Chuangye Group Company Limited (山東魏橋創業集團有限公司) (“**Holding Company**”) in relation to the acquisition of the Thermal Power Assets (as defined in the announcement of the Company dated 14 January 2008 and the circular of the Company dated 1 February 2008 of which this notice forms part) by the Company from Holding Company (the “**Acquisition**”) (a copy of which has been produced to this meeting marked “A” and signed by the Chairman hereof for identification purpose) and the transactions contemplated thereunder be and is hereby approved, ratified and confirmed;
- (b) the execution of the Asset Transfer Agreement by a director of the Company for and on behalf of the Company, be and is hereby approved, ratified and confirmed; and

RESOLUTION NO. 2

“THAT subject to the passing of Resolution No. 1 above as a ordinary resolution by poll:

- (a) the form of the supply of excess electricity agreement proposed to be entered into between the Company and Holding Company (a copy of which has been produced to this meeting marked “B” and signed by the Chairman hereof for identification purpose) at completion of the Asset Transfer Agreement (“**Completion**”) in relation to the supply by the Company of electricity which is in

NOTICE OF EXTRAORDINARY GENERAL MEETING

excess of the actual electricity consumption by the Company and its subsidiaries to Holding Company for a term commencing from the date of Completion and ending on 31 December 2010 (both dates inclusive) (“**Supply of Excess Electricity Agreement**”) be and is hereby approved;

- (b) the continuing connected transactions contemplated under the Supply of Excess Electricity Agreement and the proposed annual caps therefor, be and are hereby approved;
- (c) the execution of the Supply of Excess Electricity Agreement by a director of the Company for and on behalf of the Company be and is hereby approved; and
- (d) the directors of the Company be and are hereby authorized to do such other 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
Zhao Suwen
Executive Director and Company Secretary

1 February 2008
Shandong
The People’s Republic of China

Notes:

- (A) The H Share register of the Company will be closed from 18 February 2008 to 18 March 2008 (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 at close of business on 15 February 2008, 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 4:00 p.m. on 15 February 2008.

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (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. no later than 27 February 2008.

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

First Floor
Company Office Building
No.1 Wei Fang Lu
Jing Ji Kai Fa Qu
Zouping County
Shandong Province
People's Republic of China

Tel: 86 (543) 4162222

Fax: 86 (543) 4162000

- (C) 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.
- (D) 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.
- (E) 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.
- (F) 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 (C) to (D) 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.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (G) 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.
- (H) 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.

** The Company is registered in Hong Kong as an oversea company under the English name "Weiqiao Textile Company Limited".*