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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)**

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

Reference is made to the announcements of the Company dated 28 December 2006 and 14 January 2008, respectively. According to the aforesaid announcements:

- (a) the Company has agreed to supply or procure its subsidiaries to supply cotton yarn and grey fabric to Parent Group for the production of downstream cotton textile products for a term of three years commencing on 25 August 2006 and ending on 24 August 2009 under the Old Cotton Yarn/Grey Fabric Agreement;
- (b) the Group has agreed to supply cotton yarn and grey fabric to Itochu on normal commercial terms for a term commencing on 28 December 2006 and ending on 31 December 2008; and
- (c) Holding Company has agreed to purchase from the Group electricity which is in excess of the Group's actual electricity consumption, at a rate agreed upon between both parties, with a term ending on 31 December 2010.

The Board wishes to announce that:

- (a) the Company, on 20 October 2008, entered into the New Cotton Yarn/Grey Fabric and Denim Supply Agreement for a period of three years commencing on 1 January 2009 to 31 December 2011 pursuant to which the Group will supply cotton yarn, grey fabric and denim to Parent Group. The Old Cotton Yarn/Grey Fabric Agreement was for a term of three years ending on 24 August 2009. The Annual Parent Cotton Yarn/Grey Fabric Supply Caps apply to the three years ending on 31 December 2008. The Company and Holding Company entered into the New Cotton Yarn/Grey Fabric and Denim Supply Agreement with a term which coincides with the period of the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps, to the effect that the Old Cotton Yarn/Grey Fabric Agreement will not apply to the period from 1 January 2009 to 24 August 2009 and the New Cotton Yarn/Grey Fabric and Denim Supply Agreement will apply to such period. Terms and conditions of the New Cotton Yarn/Grey Fabric and Denim Supply Agreement are basically the same as those of the Old Cotton Yarn/Grey Fabric Agreement except for the amendments to the payment provisions and the scope of products supplied;
- (b) the Old Supply of Raw Materials Agreement has a term of three years commencing on 28 December 2006 and ending on 31 December 2008. Unless either party decides not to renew such agreement within 30 days before expiry of the term and so notifies the other, such agreement will be automatically renewed for another three years upon the expiry of its term. The Company and Itochu have confirmed that they will not issue such notice to each other and therefore, the Old Supply of Raw Materials Agreement will automatically be renewed with a term commencing on 1 January 2009 and ending on 31 December 2011. The Group will continue to supply cotton yarn and grey fabric to Itochu on normal commercial terms under the terms of the Renewed Supply of Raw Materials Agreement; and
- (c) on 20 October 2008, the Company entered into the Supplemental Electricity Supply Agreement with Holding Company for the adjustment of electricity sales price due to the significant fluctuation of the price of raw materials for the generation of electricity.

Holding Company is one of the promoters and the controlling shareholder of the Company. It therefore constitutes a connected person of the Company under the Listing Rules.

Itochu is the holder of 10.2% interests in Luteng Textile, a 75% owned subsidiary of the Company, and the holder of 25% interests in Binteng Textile, a 75% owned subsidiary of the Company. As it is a substantial shareholder of the above subsidiaries of the Company, it constitutes a connected person of the Company under the Listing Rules.

As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) computed pursuant to Rule 14.04(9) of Listing Rules for the New Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Renewed Supply of Raw Materials Agreement are more than 2.5%, the transactions contemplated thereunder constitute non-exempt Continuing Connected Transactions subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and the Independent Shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

The amendment to the Relevant Clause of the Supply of Excess Electricity Agreement in the Supplemental Electricity Supply Agreement constitutes material change to the terms of the Supply of Excess Electricity Agreement and therefore is subject to the Independent Shareholders' approval requirement pursuant to Rule 14A.36 of the Listing Rules.

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

A circular containing, among others, further details of the New Cotton Yarn/Grey Fabric and Denim Supply Agreement, the Renewed Supply of Raw Materials Agreement and the Supplemental Electricity Supply Agreement and the relevant annual caps, the letter from the Independent Board Committee to the Independent Shareholders, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and notice of the EGM will be dispatched to the Shareholders as soon as practicable.

## **A. SUPPLY OF THE COTTON YARN/GREY FABRIC AND DENIM BY THE GROUP TO PARENT GROUP**

### **1. Date**

20 October 2008

## **2. Parties**

Seller: the Company  
Buyer: Holding Company

## **3. Connected person**

Holding Company

## **4. Transaction nature**

The Company and Holding Company entered into the Old Cotton Yarn/Grey Fabric Agreement on 25 August 2006, pursuant to which the Company has agreed to supply or procure its subsidiaries to supply cotton yarn and grey fabric to Parent Group for the production of downstream cotton textile products.

The Old Cotton Yarn/Grey Fabric Agreement was for three years commencing on 25 August 2006 and ending on 24 August 2009. The Annual Parent Cotton Yarn/Grey Fabric Supply Caps for the Old Cotton Yarn/Grey Fabric Agreement apply to the three years ending on 31 December 2008. The Company and Holding Company entered into the New Cotton Yarn/Grey Fabric and Denim Supply Agreement on 20 October 2008 with a term commencing on 1 January 2009 and ending on 31 December 2011 which coincides with the period of the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps, to the effect that the Old Cotton Yarn/Grey Fabric Agreement will not apply to the period from 1 January 2009 to 24 August 2009 and the New Cotton Yarn/Grey Fabric and Denim Supply Agreement will apply to such period. Terms and conditions of the New Cotton Yarn/Grey Fabric and Denim Supply Agreement are basically the same as those of the Old Cotton Yarn/Grey Fabric Agreement except for the amendments to the payment provisions and the scope of products supplied.

Pursuant to the New Cotton Yarn/Grey Fabric and Denim Supply Agreement, the Company will supply or will procure its subsidiaries to supply cotton yarn/grey fabric and denim to Parent Group. The supply of denim to Parent Group by the Group is determined according to the product demands by Parent Group.

## **5. Pricing basis and Payment terms**

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

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

The Company would, on the last business day of each calendar month, prepare a book of the relevant costs/expenses that shall be paid by Holding Company for that month. Holding Company shall, within the first 10 business days of the following month, pay the amount due in full in cash. The change of the date for the payment by Holding Company to the Company from 5 business days under the Old Cotton Yarn/Grey Fabric Agreement to 10 business days under the New Cotton Yarn/Grey Fabric and Denim Supply Agreement was made according to the general time required by the Company and Holding Company to agree the amount due in full.

#### **6. Maximum Aggregate Annual Value**

For each of the two years ended 31 December 2007 and the first nine months of the year 2008, the values of the aggregate supply of the cotton yarn and grey fabric by the Group to Parent Group amounted to approximately RMB633,770,000 (equivalent to approximately HK\$720,193,200), approximately RMB888,220,000 (equivalent to approximately HK\$1,009,340,900) and approximately RMB940,260,000 (equivalent to approximately HK\$1,068,477,300), respectively. The Director currently estimate that the values of the aggregate supply of the cotton yarn and grey fabric will increase in the forth quarter of the year 2008 due to the increase in demand in new clothing items for the Spring Festival.

The original annual caps for the three years ending on 31 December 2008 were RMB642,200,000 (equivalent to approximately HK\$729,772,800), RMB989,100,000 (equivalent to approximately HK\$1,123,977,300) and RMB1,523,100,000 (equivalent to approximately HK\$1,730,795,500), respectively.

The Directors currently estimate that Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps for each of the three years ending on 31 December 2011 would not exceed RMB2,178,030,000 (after tax, same below for the relevant annual caps) (equivalent to approximately HK\$2,475,034,100), RMB3,114,590,000 (equivalent to approximately HK\$3,539,306,900) and RMB3,426,050,000 (equivalent to approximately HK\$3,893,238,700) respectively.

The Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps for each of the three years ending on 31 December 2011 were determined by reference to (a) the average growth rate of the values of the aggregate supply of cotton yarn and grey fabric by the Group to Parent Group of approximately 54% for the two years ended 31 December 2007 and the first nine months of the year 2008; and (b) the future demands of Holding Company for the three years ending on 31 December 2011, including the production capacity of Holding Company.

#### **7. Reasons for the transaction**

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

#### **B. SUPPLY OF COTTON YARN AND GREY FABRIC BY THE GROUP TO ITOCHU**

The Old Supply of Raw Materials Agreement has a term of three years commencing on 28 December 2006 and ending on 31 December 2008. Unless either party decides not to renew such agreement within 30 days before expiry of the term and so notifies each other, such agreement will be automatically renewed for another three years upon the expiry of its term. The Company and Itochu have confirmed that they will not issue such notice to the other and therefore, the Old Supply of Raw Material Agreement will automatically be renewed with a term commencing on 1 January 2009 and ending on 31 December 2011. The Group will continue to supply cotton yarn and grey fabric to Itochu on normal commercial terms under the terms and conditions of the Renewed Supply of Raw Materials Agreement.

##### **1. Starting Date**

1 January 2009

## **2. Parties**

Seller: the Company  
Buyer: Itochu

## **3. Connected person**

Itochu

## **4. Transaction nature**

As stated in the announcement dated 28 December 2006, the Group has been supplying cotton yarn and grey fabric to Itochu on normal commercial terms under the Old Supply of Raw Materials Agreement for a term commencing on 28 December 2006 and ending on 31 December 2008. The Group will supply cotton yarn and grey fabric to Itochu on normal commercial terms under the terms of the Renewed Supply of Raw Materials Agreement.

## **5. Pricing basis and Payment terms**

The prices at which cotton yarn and grey fabric are supplied by the Group to Itochu are determined by reference to the prices at which comparable types of cotton yarn and grey fabric are sold by the Group to independent third parties under normal commercial terms in the ordinary course of its business. Itochu will make the payment for the cotton yarn and grey fabric supplied by the Group according to these prices through issuing letter of credit or through wire transfer.

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

## **6. Maximum Aggregate Annual Value**

For each of the two years ended 31 December 2007 and the first nine months of the year 2008, the values of the aggregate supply of cotton yarn and grey fabric by the Group to Itochu amounted to approximately RMB189,760,000 (equivalent to approximately HK\$215,636,400), RMB48,340,000 (equivalent to approximately HK\$54,931,900) and nil, respectively. The transaction amount for the first nine months of the year 2008 was nil. This is mainly due to that the PRC textile industry is in a depression period.



The Directors currently estimate that the Annual Itochu Cotton Yarn/Grey Fabric Supply Caps for each of the three years ending on 31 December 2011 would not exceed RMB200,000,000 (equivalent to approximately HK\$227,272,800), respectively.

The Annual Itochu Cotton Yarn/Grey Fabric Supply Caps for the year ending on 31 December 2011 was determined by reference to (a) the average transaction amount for the three years ended 31 December 2007 which was about RMB 183,570,000 (equivalent to approximately HK\$208,602,300); and (b) the future estimated transaction amount under the assumption that the textile industry would improve generally in the PRC. This round of market downturn in the PRC textile industry has already lasted for two years since it started in 2007. From 1 January 2009, the United States will lift their respective quantum restriction on textile products exported from PRC, and the PRC government may adjust relevant policies to stimulate exportation of textile products, including the adjustment of export tax rebate. These factors may, to some extent, improve the market environment of the PRC textile industry.

#### **7. Reason for the transaction**

Itochu is an important business partner of the Group. It would be to the Group's advantage to maintain a close business relationship with Itochu. Itochu is one of the key export customers of the Group and is in a position to assist the Group in developing its market in Japan.

### **C. SUPPLEMENTAL AGREEMENT TO THE SUPPLY OF EXCESS ELECTRICITY AGREEMENT**

#### **1. Original provision in the Supply of Excess Electricity Agreement**

Reference is made to the announcement of the Company dated 14 January 2008.

The original term in relation to the price under the Supply of Excess Electricity Agreement (the "**Relevant Clause**") was set out below:

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 electricity produced by itself 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 electricity produced by itself to the relevant power grid; and (ii) is lower than the current electricity purchase price charged by power grids in Shandong Province.

## **2. Reason for the Supplemental Electricity Supply Agreement to the Supply of Excess Electricity Agreement**

Due to the significant fluctuation of the price of raw materials used for the generation of electricity power, the Company, after the negotiation with Holding Company, has agreed to amend Relevant Clause by adding the following provision in the Supplemental Electricity Supply Agreement entered into between the Company and Holding Company dated 20 October 2008:

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

Other terms and conditions of the Supply of Excess Electricity Agreement and the annual caps for the three years ending on 31 December 2010 under the Supply of Excess Electricity Agreement remain unchanged. Please refer to the announcement of the Company dated 14 January 2008 for details.

## **3. Other informatin of the Supply of Excess Electricity Agreement**

### **(1) Date**

18 March 2008

### **(2) Parties**

(a) Company

(b) Holding Company

### **(3) Transaction nature**

The Company and Holding Company entered into the Supply of Excess Electricity Agreement on 18 March 2008, pursuant to which the Company has been supplying electricity which is in excess of the Group's actual electricity consumed, to Holding Company for a term ending on 31 December 2010.

**(4) Payment term**

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

**(5) Maximum aggregate annual value**

The maximum aggregate annual price (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 are RMB1,350,100,000 (equivalent to approximately HK\$1,534,204,600), RMB1,198,790,000 (equivalent to approximately HK\$1,362,261,400) and RMB1,006,000,000 (equivalent to approximately HK\$1,143,181,900) respectively.

**D. LISTING RULES IMPLICATIONS**

Holding Company is one of the promoters and the controlling shareholder of the Company. It therefore constitutes a connected person of the Company under the Listing Rules.

Itochu is the holder of 10.2% interests in Luteng Textile, a 75% owned subsidiary of the Company, and the holder of 25% interests in Binteng Textile, a 75% owned subsidiary of the Company. As it is a substantial shareholder of the above subsidiaries of the Company, it constitutes a connected person of the Company under the Listing Rules. To the best knowledge of the Directors, Itochu does not have any equity interests in the Company.

As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) computed pursuant to Rule 14.04(9) of Listing Rules for the New Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Renewed Supply of Raw Materials Agreement are more than 2.5%, the transactions contemplated thereunder constitute non-exempt Continuing Connected Transactions subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and the Independent Shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

The amendment to the Relevant Clause in the Supplemental Electricity Supply Agreement constitutes material change to the terms of the Supply of Excess Electricity Agreement and therefore is subject to the Independent Shareholders' approval requirement pursuant to Rule 14A.36 of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of each of the New Cotton Yarn/Grey Fabric and Denim Supply Agreement, the Renewed Supply of Raw Materials Agreement and the Supplemental Electricity Supply Agreement have been negotiated on an arm's length basis, and are normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **E. EGM**

The Company will convene the EGM as soon as possible for the purpose of seeking the approval by the Independent Shareholders of:

- (a) the Company's entering into of the New Cotton Yarn/Grey Fabric and Denim Supply Agreement and the continuing connected transaction thereunder;
- (b) the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps for each of the three years ending on 31 December 2011; and
- (c) the Supplemental Electricity Supply Agreement to the Supply of Excess Electricity Agreement as set out in paragraph C in this announcement.

The Company will also seek the Independent Shareholder's approval for the Renewed Supply of Raw Materials Agreement and the Annual Itochu Cotton Yarn/Grey Fabric Supply Caps at the EGM.

Holding Company will abstain from voting at the EGM for the approval of the relevant agreements and annual caps in paragraph E(a), (b) and (c) in the announcement. 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 for the approval of the relevant agreements and annual caps in paragraph E(a), (b) and (c) in the announcement. Mr. Qi Xingli, a Director who holds 0.75% of the equity interests in Holding Company will also abstain from voting at the EGM for the approval of the relevant agreements and annual caps in paragraph E(a), (b) and (c) in the announcement. None of the Shareholders of the Company needs to abstain from voting at the EGM for the approval of the Renewed Supply of Raw Materials Agreement and the Annual Itochu Cotton Yarn/Grey Fabric Supply Caps.

The votes to be taken at the EGM in relation to the above proposed resolution(s) will be taken by poll.

The Independent Board Committee will advise the Independent Shareholders in relation to their voting on the resolutions relating to the Agreements, the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps and the Annual Itochu Cotton Yarn/Grey Fabric Supply Caps for each of the three years ending on 31 December 2011.

Evolution Watterson Securities Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to Agreements and relevant annual caps.

## **F. GENERAL**

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. Itochu is principally engaged in the production and import and export of textile products.

## **G. DEFINITIONS**

In this announcement, the following expressions shall have the respective meanings set opposite thereto:

“Agreements”	the three agreements of New Cotton Yarn/Grey Fabric and Denim Supply Agreement, the Renewed Supply of Raw Materials Agreement and the Supplemental Electricity Supply Agreement
“Annual Itochu Cotton Yarn/Grey Fabric Supply Caps”	the annual caps for the continuing connected transactions under the Renewed Supply of Raw Materials Agreement commencing on 1 January 2009 and ended on 31 December 2011
“Annual Parent Cotton Yarn/Grey Fabric Supply Caps”	the annual caps for the continuing connected transactions under the Old Cotton Yarn/Grey Fabric Agreement commencing on 1 January 2006 and ending on 31 December 2008
“Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps”	the annual caps for the continuing connected transactions under the New Cotton Yarn/Grey Fabric and Denim Supply Agreement commencing on 1 January 2009 and ending 31 December 2011

“Binteng Textile”	山東濱藤紡織有限公司(Shandong Binteng Textile Co., Ltd.), a subsidiary of the Company
“Board”	the board of directors of the Company (including the independent non-executive Directors)
“Company”	魏橋紡織股份有限公司 (Weiqiao Textile Company Limited)
“Continuing Connected Transactions”	the continuing connected transactions under the New Cotton Yarn/Grey Fabric and Denim Supply Agreement, the Renewed Supply of Raw Materials Agreement and the Supplemental Electricity Supply Agreement
“Directors”	the directors of the Company
“Domestic Shares”	ordinary shares issued by the Company, with a RMB-denominated par value of RMB 1.00 each, which are subscribed for and paid up in RMB
“EGM”	an extraordinary general meeting of the Company proposed to be convened and held as soon as possible for the Independent Shareholders to consider and, if thought fit, approve the continuing connected transaction to be carried out by the Company pursuant to the New Cotton Yarn/Grey Fabric and Denim Supply Agreement, the Renewed Supply of Raw Materials Agreement and the Supplemental Electricity Supply Agreement, the Company’s entering into of the aforesaid Agreements and the relevant annual caps
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company, with a Renminbi-denominated par value of RMB1.00 each, and which are subscribed for and traded in Hong Kong dollars
“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”	the 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 Financial Adviser”	Evolution Watterson Securities Limited, the independent financial adviser appointed to make relevant recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Agreements and the relevant annual caps
“Independent Shareholders”	the shareholders of the Company other than Holding Company, Mr. Zhang Shiping, Mr. Zhang Bo, Ms. Zhang Hongxia and Mr. Qi Xingli for the purpose of the New Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Supplemental Electricity Supply Agreement and the Shareholders for the purpose of the Renewed Supply of Raw Materials Agreement
“Itochu”	Itochu Corporation, a company incorporated in Japan, which is a customer of the Group and a substantial shareholder of Luteng Textile and Binteng Textile
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Luteng Textile”	山東魯藤紡織有限公司 (Shandong Luteng Textile Co., Ltd.)
“New Cotton Yarn/Grey Fabric and Denim Supply Agreement”	the new cotton yarn/grey fabric and denim supply agreement entered into between the Company and Holding Company on 20 October 2008
“Old Cotton Yarn/Grey Fabric Agreement”	the supply of cotton yarn and grey fabric agreement entered into between the Company and Holding Company on 25 August 2006
“Old Supply of Raw Materials Agreement”	the supply of raw materials agreement entered into between the Company and Itochu on 28 December 2006
“Parent Group”	Holding Company, its subsidiaries and associates (excluding the Group)
“PRC”	People’s Republic of China

“Renewed Supply of Raw Materials Agreement”	the supply of raw materials agreement which will be automatically renewed in accordance with the provisions in the Old Supply of Raw Materials Agreements for a term of three years commencing on 1 January 2009 and ending on 31 December 2011
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	registered holder(s) of the shares of the Company
“Shares”	Domestic Shares and H Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Supplemental Electricity Supply Agreement”	the supplemental agreement to the Supply of Excess Electricity Agreement dated 20 October 2008 relating to the amendments of the price clause in the Supply of Excess Electricity Agreement
“Supply of Excess Electricity Agreement”	the supply of excess electricity agreement entered into between the Company and Holding Company for the supply of electricity which is in excess of the actual electricity consumed by the Group to Holding Company for a term 18 March 2008 and ending on 31 December 2010 (both dates inclusive)

On behalf of the Board  
**Wei qiao Textile Company Limited**  
**Zhao Suwen**  
*Executive Director and Company Secretary*

Hong Kong, 20 October 2008

*\* The Company is registered in Hong Kong as an oversea company under the English name “Wei qiao Textile Company Limited”.*

*Notes:*

- As at the date of this announcement, the board of Directors of the Company comprises 11 Directors, namely Ms. Zhang Hongxia, Mr. Qi Xingli, Ms. Zhao Suwen and Ms. Zhang Yanhong as executive Directors, Mr. Zhang Shiping, Mr. Wang Zhaoting, Ms. Zhao Suhua and Ms. Wang Xiaoyun as non-executive Directors and Mr. Wang Naixin, Mr. Xu Wenying and Mr. George Chan Wing Yau as independent non-executive Directors.
- The conversion of RMB into HK\$ is based on the exchange rate of RMB0.88=HK\$1.00.