
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, or as to the action to be taken, you should consult your 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)

**PROPOSED APPOINTMENT OF SUPERVISORS,
DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS –
PAST FUND TRANSACTIONS
AND
NOTICE OF THE EGM**

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

AMASSE CAPITAL
寶 積 資 本

A letter from the Board is set out on pages 3 to 9 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in connection with the Past Fund Transactions is set out on page 10 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in connection with the Past Fund Transactions is set out on pages 11 to 18 of this circular.

A notice dated 15 January 2018 convening the EGM to be convened and held on 1 March 2018 (Thursday) at 9:00 a.m. at the conference hall 401 on the Fourth Floor, Company Office Building, No. 1 Wei Fang Road, Zouping Economic Development Zone, Zouping County, Shandong Province, the PRC is set out on pages 25 to 27 of this circular. Whether or not you are able to attend the above meeting, you are requested to complete and return the enclosed proxy form(s) in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the holding of the EGM or at any adjournment thereof. Completion and return of the proxy form(s) will not preclude you from attending and voting in person at the meeting(s) or at any adjourned meeting(s) should you so wish.

Reply slip for the EGM has 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, in the PRC on or before 9 February 2018 (Friday) in accordance with the instructions printed thereon.

15 January 2018

* *For identification purposes only. The Company is registered in Hong Kong as a non-Hong Kong company under the English name "Weiqiao Textile Company Limited" and the Chinese name of the Company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).*

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	魏橋紡織股份有限公司 (Weiqiao Textile Company Limited), the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meanings ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which are subscribed for and paid up in RMB and are not tradable on the Stock Exchange
“EGM”	an extraordinary general meeting of the Company to be convened and held on 1 March 2018 for (i) the Shareholders to consider and, if thought fit, approve the appointment of Supervisors; and (ii) the Independent Shareholders to consider and, if thought fit, approve and ratify the Past Fund Transactions
“Fund Cooperation Framework Agreement”	the fund cooperation framework agreement entered into between the Parent Company and the Company on 10 November 2017 and terminated on 29 December 2017
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company, with a Renminbi-denominated par value of RMB1.00 each, and which are subscribed for and traded in Hong Kong dollars on the Stock Exchange
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising of all the independent non-executive Directors to advise the Independent Shareholders on the Past Fund Transactions
“Independent Financial Adviser”	Amasse Capital Limited, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Past Fund Transactions
“Independent Shareholders”	the Shareholders other than the Parent Company, Mr. Zhang Shiping and Ms. Zhang Hongxia

DEFINITIONS

“Internal Control Adviser”	ZHONGHUI ANDA Risk Services Limited
“Latest Practicable Date”	11 January 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parent Company”	山東魏橋創業集團有限公司 (Shandong Weiqiao Chuangye Group Company Limited), a limited liability company established in the PRC on 14 April 1998, being a promoter and the controlling shareholder of the Company
“Parent Group”	Parent Company, its subsidiaries and associates (excluding the Group)
“Past Fund Transactions”	the past funds provided by the Group to the Parent Group, with the total accumulated transaction amounts of approximately RMB900,000,000 and RMB8,589,000,000 for the two years ended 31 December 2015 and 2016, respectively
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	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
“Share(s)”	Domestic Share(s) and H Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“%”	per cent.

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:

Ms. Zhang Hongxia (*Chairman*)
Ms. Zhang Yanhong
Ms. Zhao Suwen
Mr. Zhang Jinglei

Non-executive Directors:

Mr. Zhang Shiping
Ms. Zhao Suhua

Independent Non-executive Directors:

Mr. Wang Naixin
Mr. George Chan Wing Yau
Mr. Chen Shuwen

Registered Office:

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

Principal Place of Business in the PRC:

No. 1, Wei Fang Road
Zouping Economic Development Zone
Zouping County
Shandong Province
The PRC

Principal Place of Business in Hong Kong:

Suite 5109
The Center, 99th Queen's Road Central
Central
Hong Kong

15 January 2018

To the Shareholders

Dear Sir/Madam,

**PROPOSED APPOINTMENT OF SUPERVISORS,
DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS –
PAST FUND TRANSACTIONS
AND
NOTICE OF THE EGM**

A. INTRODUCTION

References are made to (i) the announcement of the Company dated 10 November 2017 in relation to the Fund Cooperation Framework Agreement entered into between the Parent Company and the Company

LETTER FROM THE BOARD

on 10 November 2017 and the Past Fund Transactions conducted between the Group and the Parent Group; and (ii) the announcement of the Company dated 29 December 2017 in relation to the proposed change of Supervisors and the termination of the Fund Cooperation Framework Agreement.

The purpose of this circular is to provide you with information regarding the resolutions to be proposed at the EGM to consider and, if thought fit, among other things, (i) approve the appointment of Supervisors; and (ii) approve and ratify the Past Fund Transactions.

B. PROPOSED APPOINTMENT OF SUPERVISORS

As disclosed in the announcement of the proposed appointment of Supervisors dated 29 December 2017, subject to the approval by the Shareholders, it is proposed to appoint Ms. Fan Xuelian (范雪蓮女士) (“**Ms. Fan**”) and Ms. Bu Xiaoxia (卜曉霞女士) (“**Ms. Bu**”) as Supervisors with effect from the date of the EGM.

In order to allow the Shareholders to make an informed decision in respect of the proposed appointment, the biographical details of Ms. Fan and Ms. Bu are set out below pursuant to the Rule 13.51 (2) of the Listing Rules.

Ms. Fan Xuelian (范雪蓮女士), aged 47, graduated from Binzhou Area Supply and Marketing Staff Secondary School (濱州地區供銷職工中專學校) in December 1994 in Binzhou, Shandong, the PRC, majoring in corporate management. She served as a yarn worker at Binzhou First Cotton Textile Plant (濱州第一棉紡織廠) from September 1988 to June 1989, and at Zouping County Weiqiao Cotton Textile Plant (鄒平縣位橋棉紡織廠) successively as a responsible person for doffing, an operating manager and the vice plant manager from June 1989 to April 1998. She also successively served as a vice plant manager and plant manager in the sub-branch factory of the Company (including its predecessor) from April 1998 to August 2014. She has served at Shandong Weiqiao Chuangye Group Company Limited (山東魏橋創業集團有限公司) as the chairwoman of the labor union, the head of the party committee office, the head of the publicity department and a committee member of the C.P.C. since August 2014, and as the supervisor of Shandong Weiqiao Chuangye Group Company Limited since November 2012.

Ms. Fan was awarded as an excellent staff of labor union of Shandong Province (山東省優秀工會工作者) by the General Labor Union of Shandong Province (山東省總工會) in May 2008 and an advanced individual of establishment for harmonious labor relations enterprise of Binzhou City and of Shandong Province by the General Labor Union of Binzhou City (濱州市總工會) in January 2009 and by the General Labor Union of Shandong Province (山東省總工會) in January 2009, respectively. She was also awarded as an advanced individual of Binzhou City by the General Labor Union of Binzhou City (濱州市總工會) in January 2011.

Ms. Bu Xiaoxia (卜曉霞女士), aged 45, graduated from Shandong University (山東大學) in July 1994 in Jinan, Shandong, the PRC, majoring in corporate management. She served at the production technology division of Zouping County Weiqiao Cotton Textile Plant (鄒平縣位橋棉紡織廠) as an operation inspector from September 1994 to April 1998. She also served successively as an operation inspector, a section head, a deputy division head and a division head of the production technology division of the Company (including its predecessor) from April 1998 to May 2009. She has served as a deputy general manager of Zouping No. 3 Industrial Park (鄒平第三工業園) of the Company since May 2009.

LETTER FROM THE BOARD

Ms. Bu was awarded as a top 10 models of professional ethics of staffs in Binzhou City (濱州市職工職業道德十佳標兵) jointly by the General Labor Union of Binzhou City (濱州市總工會), the publicity department of the Binzhou Committee of the Communist Party (中國共產黨濱州市委員會), the Office of Commission for Guiding Cultural and Ethical Progress of Binzhou City (濱州市精神文明建設委員會辦公室) and the Office of Economic and Trade Commission of Binzhou City (濱州市經濟貿易委員會) in December 2009. She obtained Binzhou Fumin Xingbin Labor Medal (濱州市富民興濱勞動獎章) from the General Labor Union of Binzhou City (濱州市總工會) in December 2009. Ms. Bu was also awarded as a model worker of Binzhou City by the People's Government of Binzhou City in April 2013.

Upon the approval of the election of Ms. Fan and Ms. Bu as Supervisors by the Shareholders, the Company will enter into a service contract with each of them. The appointment of Ms. Fan and Ms. Bu as Supervisors will be effective from the date of the EGM and for a term of three years. Pursuant to the articles of association of the Company, Ms. Fan and Ms. Bu will be subject to re-election upon the expiry of their terms of office. The remuneration package of each of Ms. Fan and Ms. Bu will be determined by the Shareholders at the annual general meeting of the Company by taking into account, among other matters, her terms of reference, her duties and responsibilities in the Company.

As at the Latest Practicable Date, each of Ms. Fan and Ms. Bu (i) has not held any other directorships in listed public companies in the last three years; (ii) does not have any relationship with any other Directors, Supervisors and senior management of the Company or substantial shareholders or controlling shareholders; and (iii) was not interested in any shares of the Company as defined in Part XV of the SFO. There is no other information in relation to the appointment of Ms. Fan and Ms. Bu which is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

C. PAST FUND TRANSACTIONS

The Company is a subsidiary of the Parent Company and during its operation, the Parent Group (including the Group) has funding needs from time to time. In order to reinforce the inter-group fund management and the efficiency of utilization of funds, the Parent Group and the Group conducted fund transfers within the Parent Group. The amount for such fund transfers depended on series of factors, such as the cash or cash equivalent held by the Group, the financial conditions of the Parent Group and commercial loans or other financial resources available to the Group and the Parent Group.

Based on their commercial nature, the Past Fund Transactions can be generally categorized as three types:

- (i) the short-term fund transfer conducted between the Company and the Parent Group as short-term loan, with a total transaction amount of RMB2,245,836,000 (the “**Short-term Fund Transfer**”) with a view to enhance the utilization efficiency of internal financial resources. Since the nature of the Short-term Fund Transfer was similar to short-term commercial loans provided by the Company using its internal financial resources, the Parent Group and the Company fixed the interest rate with reference to the RMB one-year benchmark lending rates of the People's Bank of China at relevant time. As at the Latest Practicable Date, the Parent Group has paid the accrued interest in the amount of approximately RMB17,897,000 arising from the Short-term Fund Transfer to the Company in full;

LETTER FROM THE BOARD

- (ii) the fund transactions arrangement under which the Parent Group used the loans borrowed by the Group and repaid all of the principal and accrued interests in accordance with the loan agreements with the total transaction amount of RMB2,522,500,000 (the “**Assigned Bank Loans**”); and
- (iii) the fund transfer channel service provided by the Company to the Parent Group, with the total transaction amount of RMB900,000,000 and RMB3,820,500,000 for the two years ended 31 December 2015 and 2016, respectively (the “**Fund Transfer Service**”), pursuant to which, the Group received funds first and transferred such funds out according to the instructions from the Parent Company from time to time. Since there is no commercial merit for the Fund Transfer Service, the Parent Company did not pay any fees to the Company for such transactions. For the year ended 31 December 2015, the Company only provided the Fund Transfer Service to the Parent Company and did not conduct the Short-term Fund Transfer and Assigned Bank Loans with the Parent Group.

For the purpose of assessing implication under the Listing Rules for the Past Fund Transactions, the maximum aggregate daily transaction amount of RMB641,000,000 was used for running the size tests. Such amount was the maximum daily transaction amounts (calculated on an aggregated basis) of the Past Fund Transactions. As at the end of April 2017, the balance of the Past Fund Transactions was nil.

D. REASONS FOR AND BENEFITS OF THE PAST FUND TRANSACTIONS

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

The Past Fund Transactions rendered the Group and the Parent Group greater flexibility in the management of their working capital and more efficient utilization of the funds by enabling the Group and the Parent Group to utilize a portion of the temporarily surplus cash resources. In addition, through the Past Fund Transactions, the long-term cooperation relationship between the Parent Company and the Company has been further strengthened, which was conducive for the Group’s development in the long-term.

E. IMPLICATIONS UNDER THE LISTING RULES

The Parent Company is the controlling shareholder of the Company and it therefore constitutes a connected person of the Company under the Listing Rules. Accordingly, the Past Fund Transactions constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest ratio of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Past Fund Transactions, on an aggregated basis, is more than 5% but less than 25%, the Past Fund Transactions constituted discloseable and continuing connected transactions under Chapter 14 and Chapter 14A of the Listing Rules and were therefore subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under the Listing Rules. However, due to the deviation in the understanding of the Listing Rules of relevant management of the Company, the Company failed to be in timely compliance with the reporting, annual review, announcement and independent shareholders’

LETTER FROM THE BOARD

approval requirements under Chapter 14 and Chapter 14A of the Listing Rules. The Board had ratified, confirmed and approved the Past Fund Transactions. The Company will seek the approval and ratification from the Independent Shareholders at the EGM.

F. INTERNAL CONTROL PROCEDURES

With a view to ensuring the timely compliance with the relevant requirements of the Listing Rules and to preventing any recurrence of any similar event in the future, the Company has engaged the Internal Control Adviser to conduct a thorough review of and make recommendations to the financial reporting procedures and internal control systems of the Company. The Company has consulted with the Internal Control Adviser and adopted its advice with regards to the implementation of its recommendations. Having considered the report issued by the Internal Control Adviser and the Company's remedial measures, the Directors are of the view that the Company's current financial reporting procedures and internal control systems are adequate to meet the obligations under the Listing Rules. For further details of the remedial internal control procedures, please refer to the announcement of the Company dated 11 August 2017. In addition, in order to ensure future compliance with the Listing Rules and enhance the internal control systems of the Company, the Company has adopted the following measures:

- the audit committee of the Company consisting of all three independent non-executive Directors will be entrusted with the responsibility to review and modify the internal control system and update the internal handbook with reference to the Listing Rules as and when necessary;
- the Group's finance department will periodically provide the management of the Company with a list of the connected persons of the Company and their corresponding relationships with the Group, and will request such connected persons to notify the Company and the audit committee of the Company immediately in respect of any proposed transactions to be entered into by the Group with any of such connected persons;
- the Board has reviewed and will continue to periodically review the Company's internal control and financial reporting systems and their effectiveness; and
- the Company will seek legal advice and/or other professional advice from time to time, as and when necessary, to ensure the disclosure in future annual reports will be in compliance with the relevant requirements of the Listing Rules.

G. EGM

The Company proposes to seek (i) the approval of the appointment of Ms. Fan and Ms. Bu as Supervisors by the Shareholders at the EGM; and (ii) the approval and ratification of the Past Fund Transactions by the Independent Shareholders at the EGM.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Parent Company held approximately 63.45% of the total issued Shares, and Mr. Zhang Shiping and Ms. Zhang Hongxia held approximately 0.44% and 1.48%, respectively, of the total issued Shares. To the best of the knowledge and belief of the Directors, none of the Parent Company, Mr. Zhang Shiping and Ms. Zhang Hongxia, has any associate (other than amongst themselves) who is a Shareholder.

With respect to the Past Fund Transactions, the Parent Company will abstain from voting at the EGM. Mr. Zhang Shiping and Ms. Zhang Hongxia, both being Directors, are considered to be parties acting in concert with the Parent Company and hold approximately 31.59% (directly and indirectly) and 7.00% of the equity interests in the Parent Company, respectively, and will also abstain from voting at the EGM.

The votes to be taken at the EGM in relation to the resolutions for (i) the approval of the appointment of Ms. Fan and Ms. Bu as Supervisors by the Shareholders; and (ii) the approval and ratification of the Past Fund Transactions by the Independent Shareholders, will be taken by poll.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Past Fund Transactions. Mr. Wang Naixin, Mr. Chen Shuwen and Mr. George Chan Wing Yau have been appointed by the Board to serve as members of the Independent Board Committee. An Independent Financial Advisor has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the fairness and reasonableness of the Past Fund Transactions.

The relevant forms of proxy and reply slips for attending the EGM are enclosed. Shareholders who intend to attend the EGM are required to complete and return the reply slips to the Company on or before Friday, 9 February 2018.

The holders of H Shares of the Company should note that the register of members of the Company will be closed from Tuesday, 30 January 2018 to Thursday, 1 March 2018 (both days inclusive), during which period no transfer of H Shares can be registered. In order to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Shares registrar in Hong Kong (in respect of H Shares), or the Company's principal place business in the PRC (in respect of Domestic Shares), no later than 4:30 p.m. on Monday, 29 January 2018.

H. RECOMMENDATION

The Board is of the opinion that the appointment of Supervisors and the Past Fund Transactions 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 recommends that (i) the Shareholders vote in favour of the resolutions set out in the notice of the EGM for the approval of the appointment of Supervisors and (ii) the Independent Shareholders vote in favor of the resolution set out in the notice of the EGM for the approval and ratification of the Past Fund Transactions. The Board is also of the view that the Past Fund Transactions have been entered into in the ordinary and usual course of business of the Group, and are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Mr. Zhang Shiping, Ms. Zhang Hongxia and Ms. Zhang Yanhong, being Directors having material interest in the Past Fund Transactions, have abstained from voting in the board resolution in relation to the resolution relating to the Past Fund Transaction as set out in the notice of EGM.

LETTER FROM THE BOARD

I. GENERAL INFORMATION

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

The Parent Company is a company incorporated in the PRC on 14 April 1998 with limited liability. The Parent Company is principally engaged in the processing and sale of cotton, lint cotton, cotton seed oil, fabrics, cotton yarn, print cloth, retail and distribution of cloth.

J. ADDITIONAL INFORMATION

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

By order of the Board

Yours faithfully,

Weiqiao Textile Company Limited*

Zhang Hongxia

Chairman and Executive Director

* *For identification purposes only. The Company is registered in Hong Kong as a non-Hong Kong company under the English name "Weiqiao Textile Company Limited" and the Chinese name of the Company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

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

(Stock Code: 2698)

15 January 2018

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS –
PAST FUND TRANSACTIONS**

We have been appointed as members of the Independent Board Committee to consider the Past Fund Transactions, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 15 January 2018 (the “Circular”), of which this letter forms part, and to advise you as to the fairness and reasonableness of the same. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the Past Fund Transactions and the advice and opinion of Amasse Capital Limited in relation thereto as set out on pages 11 to 18 of the Circular, we are of the opinion that the Past Fund Transactions have been conducted in the ordinary and usual course of business of the Group, and that the terms are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the resolution to be proposed at the EGM to approve and ratify the Past Fund Transactions.

Yours faithfully,
Independent Board Committee

Wang Naixin
*Independent Non-executive
Director*

Chen Shuwen
*Independent Non-executive
Director*

George Chan Wing Yau
*Independent Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Past Fund Transactions, and is prepared for inclusion in this circular.

AMASSE CAPITAL
寶 積 資 本

15 January 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS – PAST FUND TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Past Fund Transactions, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 15 January 2018 (the “**Circular**”), of which this letter forms a part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 10 November 2017, whereby it was announced that the Past Fund Transactions conducted between the Group and the Parent Group. For the two years ended 31 December 2015 and 2016, the Group provided past fund to the Parent Group (excluding the Group) with the total accumulated transaction amounts of approximately RMB900,000,000 and RMB8,589,000,000 respectively.

The Parent Company is the controlling shareholder of the Company and it therefore constitutes a connected person of the Company under the Listing Rules. Accordingly, the Past Fund Transactions constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest ratio of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Past Fund Transactions, on an aggregated basis, is more than 5% but less than 25%, the Past Fund Transactions constituted discloseable and continuing connected transactions under Chapter 14 and Chapter 14A of the Listing Rules and were therefore subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under the Listing Rules. However, due to the deviation in the understanding of the Listing Rules of relevant management of the Company, the Company failed to be in timely compliance with the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14 and Chapter 14A of the Listing Rules. The Board had ratified, confirmed and approved the Past Fund Transactions. The Company will seek the approval and ratification from the Independent Shareholders at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the Parent Company held approximately 63.45% of the total issued Shares, and Mr. Zhang Shiping and Ms. Zhang Hongxia held approximately 0.44% and 1.48%, respectively, of the total issued Shares. To the best of the knowledge and belief of the Directors, none of the Parent Company, Mr. Zhang Shiping and Ms. Zhang Hongxia, has any associate (other than amongst themselves) who is a Shareholder.

With respect to the Past Fund Transactions, the Parent Company will abstain from voting at the EGM. Mr. Zhang Shiping and Ms. Zhang Hongxia, both being Directors, are considered to be parties acting in concert with the Parent Company and hold approximately 31.59% (directly and indirectly) and 7.00% of the equity interests in the Parent Company, respectively, and will also abstain from voting at the EGM.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Wang Naixin, Mr. Chen Shuwen and Mr. George Chan Wing Yau, has been formed to advise the Independent Shareholders on whether the Past Fund Transactions were on normal commercial terms, were fair and reasonable and how to vote in respect of the relevant resolution(s) to be proposed at the EGM after taking into account our recommendation. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect, and such appointment has been approved by the Independent Board Committee.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for any transaction.

With regard to our independence from the Company, it is noted that, apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company (collectively, the “**Management**”). We have assumed that all information and representations that have been provided by the Management, for which the Directors are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the representation and confirmation of the Management that there are no undisclosed private

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

agreements/arrangements or implied understanding with anyone concerning the Past Fund Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Management, nor have we conducted any independent in-depth investigation into the business and affairs of any members of the Group, the counter party(ies) to the Past Fund Transactions or their respective subsidiaries or associates. We also have not considered the taxation implication on the Group or the Shareholders as a result of the Past Fund Transactions. We have not carried out any feasibility study on the past, and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group. Our opinion has been formed on the assumption that any analysis, estimation, anticipation, condition and assumption provided by the Group are feasible and sustainable. Our opinion shall not be constructed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. We expressly disclaim any liability and/or any loss arising from or in reliance upon the whole or any part of the contents of this letter.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1. BACKGROUND INFORMATION

(a) Information of the Group

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

Set out below is a summary of the financial information of the Group as extracted from the interim report of the Company for the six months ended 30 June 2016 (the “**2016 Interim Report**”), the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2017 (the “**2017 Interim Report**”), details of which are as follows:

	For the year ended 31 December		For the six months ended 30 June	
	2016	2015	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	14,175,446	12,498,205	8,506,539	5,934,141
Gross profit	2,251,359	2,187,631	991,315	1,002,578
Profit before taxation	1,514,657	1,327,264	533,908	599,536
Profit attributable to owners of the Company	992,706	979,347	299,495	343,264

	As at 31 December		As at 30 June	
	2016	2015	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Cash and cash equivalents	11,292,430	12,031,910	14,325,936	8,688,829
Total assets	31,832,301	29,081,434	30,847,377	28,804,464
Total equity	17,780,738	17,095,184	18,071,441	17,133,472

For the year ended 31 December 2016

As illustrated in the above table, revenue for the year ended 31 December 2016 was approximately RMB14,175.4 million when compared to a revenue of approximately RMB12,498.2 million for the corresponding period in 2015, representing an increase of approximately 13.4%. The main reasons for the increase in revenue are the increase in sales volume and increase in sales of electricity due to the Group’s timely efforts to adjust its sales strategy and increased efforts in sales promotion.

Profit attributable to owners of the Company for the year ended 31 December 2016 amounted to approximately RMB992.7 million when compared to a profit attributable to owners of the Company for the corresponding period in 2015 of approximately RMB979.3 million, representing an increase of approximately 1.4%. The increase in the net profit

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attributable to owners of the Company was primarily due to the significant increase in profit from electricity generated from the increase in sales volume of electricity to external customers due to an increase in electricity generation volume as a result of the Group's own thermal power assets.

Cash and cash equivalents as at 31 December 2016 amounted to approximately RMB11,292.4 million, which represented a decrease of approximately 6.1% as compared to approximately RMB12,031.9 million as at 31 December 2015, and represented approximately 35.5% of the total assets of the Group at the same date.

The total equity of the Group as at 31 December 2016 amounted to approximately RMB17,780.7 million, which represented an increase of approximately 4.0% as compared to approximately RMB17,095.2 million as at 31 December 2015.

For the six months ended 30 June 2017

Revenue for the six months ended 30 June 2017 was approximately RMB8,506.5 million when compared to a revenue of approximately RMB5,934.1 million for the corresponding period in 2016, representing an increase of approximately 43.3%. The main reasons for the increase in revenue were the increase in product sales volume due to the Group's reinforced efforts in sales promotion for textile products, and the increase in sales of electricity following the completion of acquisition of the thermal power assets by the Group in May 2016.

Profit attributable to owners of the Company for the six months ended 30 June 2017 amounted to approximately RMB299.5 million when compared to a profit attributable to owners of the Company for the corresponding period in 2016 of approximately RMB343.3 million, representing an decrease of approximately 12.8%. The decrease in the net profit attributable to owners of the Company was primarily due to the narrowing profit margin resulting from the increasing coal price during the six months ended 30 June 2017, the adjustment to the sales policy by the Group and the decreasing sales price of electricity.

Cash and cash equivalents as at 30 June 2017 amounted to approximately RMB14,325.9 million, which represented an increase of approximately 64.9% as compared to approximately RMB8,688.8 million as at 30 June 2016, and represented approximately 46.4% of the total assets of the Group at the same date.

The total equity of the Group as at 30 June 2017 amounted to approximately RMB18,071.4 million, which represented an increase of 5.5% as compared to approximately RMB17,133.5 million as at 30 June 2016.

(b) Information of the Parent Company

The Parent Company is principally engaged in the processing and sale of cotton, lint cotton, cotton seed oil, fabrics, cotton yarn, print cloth, retail and distribution of cloth.

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(c) Background of the Past Fund Transactions

The Group provided the past funds to the Parent Group (excluding the Group) with the total accumulated transaction amounts of approximately RMB900,000,000 and RMB8,589,000,000 for the two years ended 31 December 2015 and 2016, respectively.

2. PAST FUND TRANSACTIONS

The Company is a subsidiary of the Parent Company and during its operation, the Parent Group (including the Group) has funding needs from time to time. In order to reinforce the inter-group fund management and the efficiency of utilization of funds, the Parent Group and the Group conducted fund transfers within the Parent Group. The amount for such fund transfers depended on series of factors, such as the cash or cash equivalent held by the Group, the financial conditions of the Parent Group and commercial loans or other financial resources available to the Group and the Parent Group.

Based on their commercial nature, the Past Fund Transactions can be generally categorized as three types:

- (i) the short-term fund transfer conducted between the Company and the Parent Group as short-term loan, with a total transaction amount of approximately RMB2,245,836,000 (the “**Short-term Fund Transfer**”) with a view to enhance the utilization efficiency of internal financial resources. Since the nature of the Short-term Fund Transfer was similar to short-term commercial loans provided by the Company using its internal financial resources, the Parent Group and the Company fixed the interest rate with reference to the RMB one-year benchmark lending rates of the People’s Bank of China at relevant time. As at the Latest Practicable Date, the Parent Group has paid the accrued interest in the amount of approximately RMB17,897,000 arising from the Short-term Fund Transfer to the Company in full;
- (ii) the fund transactions arrangement under which the Parent Group used the loans borrowed by the Group and repaid all of the principal and accrued interests in accordance with the loan agreements with the total transaction amount of approximately RMB2,522,500,000 (the “**Assigned Bank Loans**”); and
- (iii) the fund transfer channel service provided by the Company to the Parent Group, with the total transaction amount of RMB900,000,000 and RMB3,820,500,000 for the two years ended 31 December 2015 and 2016, respectively (the “**Fund Transfer Service**”), pursuant to which, the Group received funds first and transferred such funds out according to the instructions from the Parent Company from time to time. Since there is no commercial merit for the Fund Transfer Service, the Parent Company did not pay any fees to the Company for such transactions. For the year ended 31 December 2015, the Company only provided the Fund Transfer Service to the Parent Company and did not conduct the Short-term Fund Transfer and Assigned Bank Loans with the Parent Group.

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For the purpose of assessing implication under the Listing Rules for the Past Fund Transactions, the maximum aggregate daily transaction amount of RMB641,000,000 was used for running the size tests. Such amount was the maximum daily transaction amounts (calculated on an aggregation basis) of the Past Fund Transactions. As at the end of April 2017, the balance of the Past Fund Transactions was nil.

In assessing the Past Fund Transactions, we have discussed with the Management and are given to understand that there was no formal agreement entered between the Group and the Parent Group for setting out the terms of the Past Fund Transactions. But, as verbally agreed by the Parent Group and the Company and according to the actual practice, the term of the Short-term Fund Transfer of approximately RMB2,245,836,000 provided by the Company to the Parent Group were not longer than one year and the amount of the interest charged of approximately RMB17,897,000 was based on the RMB one-year benchmark lending rate of the People's Bank of China at relevant time. We have reviewed the fund transactions and settlement list of the Short-term Fund Transfer provided by the Company. We have also checked the official website of the People's Bank of China and consider that such interest rate as determined with reference to the interest rate with applicable term (i.e. one year) published by the People's Bank of China, a competent government authority in the PRC, to be fair and reasonable.

As further advised by the Management, in relation to the Assigned Bank Loans and the Fund Transfer Service, the Group in essence acted as a transfer channel and the Parent Group (excluding the Group) has paid all principals and interests due to relevant banks. The Group did not incur any risk nor cost or interest burden in relation to the provision of the Assigned Bank Loans and the Fund Transfer Service as all such risk, cost and burden were assumed and borne by the Parent Company itself. In addition, we have reviewed the fund transactions and settlement list provided by the Company and we are given to understand that there were no default on payment by the Parent Company in the past and the Past Fund Transactions were all settled so that the balance of which was nil.

3. REASONS FOR AND BENEFITS OF THE PAST FUND TRANSACTIONS

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

The Past Fund Transactions rendered the Group and the Parent Group greater flexibility in the management of their working capital and more efficient utilization of the funds by enabling the Group and the Parent Group to utilize a portion of the temporarily surplus cash resources. In addition, through the Past Fund Transactions, the long-term cooperation relationship between the Parent Company and the Company has been further strengthened, which was conducive for the Group's development in the long-term.

4. INTERNAL CONTROL PROCEDURES

As stated in the Letter from the Board, with a view to ensuring the timely compliance with the relevant requirements of the Listing Rules and to preventing any recurrence of any similar event in the future, the Company has engaged the Internal Control Adviser to conduct a thorough review of and make recommendations to the financial reporting procedures and internal control systems of the Company. The Company has consulted with the Internal Control Adviser and adopted its advice with regards to the implementation of its recommendations. Having considered the report issued by the Internal Control Adviser

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and the Company's remedial measures, the Directors are of the view that the Company's current financial reporting procedures and internal control systems are adequate to meet the obligations under the Listing Rules. For further details of the remedial internal control procedures, please refer to the announcement of the Company dated 11 August 2017. In addition, in order to ensure future compliance with the Listing Rules, and enhance the internal control systems of the Company, the Company has adopted the following measures:

- the audit committee of the Company consisting of all three independent non-executive Directors will be entrusted with the responsibility to review and modify the internal control system and update the internal handbook with reference to the Listing Rules as and when necessary;
- the Group's finance department will periodically provide the management of the Company with a list of the connected persons of the Company and their corresponding relationships with the Group and will request such connected persons to notify the Company and the audit committee of the Company immediately in respect of any proposed transactions to be entered into by the Group with any of such connected persons;
- the Board has reviewed and will continue to periodically review the Company's internal control and financial reporting systems and their effectiveness; and
- the Company will seek legal advice and/or other professional advice from time to time, as and when necessary, to ensure the disclosure in future annual reports will be in compliance with the relevant requirements of the Listing Rules.

Having discussed with the Management and given that the internal control procedures as set out above, we are of the view that the internal control procedures adopted by the Company for the continuing connected transactions are adequate.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the Past Fund Transactions were on normal commercial terms and were fair and reasonable so far as the Independent Shareholders were concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Past Fund Transactions.

Yours faithfully,
For and on behalf of
Amasse Capital Limited
May Tsang
Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

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

Interests in the Domestic Shares:

Name of Shareholders	Type of interest	Number of Domestic Shares <i>(Note 1)</i>	Approximate	
			percentage of total issued domestic share capital <i>(%)</i>	percentage of total issued share capital <i>(%)</i>
Zhang Hongxia <i>(Executive Director/Chairman)</i>	Beneficial interests	17,700,400 (Long position)	2.27	1.48
Zhang Shiping <i>(Non-executive Director)</i>	Beneficial interests	5,200,000 (Long position)	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) were as follows:

Name of Shareholders	Name of associated corporation	Type of interest	Approximate percentage of total issued share capital (%)
Zhang Shiping (Non-executive Director)	Parent Company	Beneficial interests	31.59
Zhang Hongxia (Executive Director)	Parent Company	Beneficial interests and spouse interests (Note 1)	9.73 (Note 1)
Zhang Yanhong (Executive Director)	Parent Company	Beneficial interests	5.62
Zhao Suwen (Executive Director)	Parent Company	Beneficial interests	0.38
Zhao Suhua (Non-executive Director)	Parent Company	Spouse interests (Note 2)	4.93 (Note 2)

Note 1: Ms. Zhang Hongxia is interested in a total of 9.73% of the equity interests of the Parent Company, among which, 7.00% of the equity interests is directly held by Ms. Zhang. The remaining 2.73% of the equity interests is held by her husband, Mr. Yang Congsen and Ms. Zhang is deemed to be interested in such equity interests under the SFO.

Note 2: Ms. Zhao Suhua is deemed to be interested in 4.93% of the equity interests of the Parent Company held by her husband Mr. Wei Yingzhao, under the SFO.

Each of Ms. Zhang Hongxia, the chairman of the Company and an executive Director, and Ms. Zhao Suwen and Ms. Zhang Yanhong, the executive Directors, and Mr. Zhang Shiping, a non-executive Director, also serves as a director of the Parent Company, respectively. The Parent Company has an interest in the Shares and underlying shares of the Company which falls to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Please refer to the disclosure below on the interest of the Parent Company in the Shares.

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 any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short

positions which they are taken or deemed to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as known to any Directors, Supervisors or the chief executive of the Company, the following persons (other than a Director, Supervisor or chief executive of the Company) had 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 Divisions 2 and 3 of Part XV of the SFO:

Interests in the Domestic Shares:

Name of Shareholders	Number of Domestic Shares <i>(Note 1)</i>	Approximate percentage of total issued domestic share capital <i>(%)</i>	Approximate percentage of total issued share capital <i>(%)</i>
Parent Company	757,869,600 (Long position)	97.07	63.45
Shandong Weiqiao Investment Holdings Company Limited ("Weiqiao Investment")	757,869,600 (Long position) <i>(Note 2)</i>	97.07	63.45

Interests in the H Shares:

Name of Shareholders	Type of interest	Number of H Shares <i>(Note 3)</i>	Approximate percentage of total issued H share capital <i>(%)</i>	Approximate percentage of total issued share capital <i>(%)</i>
Brandes Investment Partners, L.P.	Investment manager	69,693,852 (Long position) <i>(Note 4)</i>	16.85	5.84

Note 1: Unlisted Shares.

Note 2: Weiqiao Investment holds 39.00% equity interests in Parent Company. Therefore, under the SFO, Weiqiao Investment is deemed to be interested in all the Domestic Shares in which the Parent Company is interested.

Note 3: Shares listed on the main board of the Stock Exchange.

Note 4: These 69,693,852 H Shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.

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

5. SERVICE CONTRACTS

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

6. COMPETING INTEREST

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

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2016, being the date to which the latest audited financial statements of the Group were made up.

8. LITIGATION

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

9. EXPERT AND CONSENT

The following is the qualifications of the expert who has given opinion or advice, which is contained in this circular:

Name	Qualifications
Amasse Capital Limited	a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

Amasse Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name in the form and context in which it appears.

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

10. MISCELLANEOUS

- (i) The registered office of the Company is at No. 34 Qidong Road, Weiqiao Town, Zouping County, Shandong Province, the PRC.
- (ii) The address of the head office of the Company is No. 1 Wei Fang Road, Zouping Economic Development Zone, Zouping County, Shandong Province, the PRC.
- (iii) The principal place of business of the Company in Hong Kong is Suite 5109, The Center, 99th Queen's Road Central, Central, Hong Kong.
- (iv) The Company's H share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

- (v) The secretary of the Company is Mr. Zhang Jinglei, who was accepted by the Stock Exchange as an individual who meets the requirements of a secretary under Rule 8.17 of the Listing Rules.
- (vi) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Suite 5109, The Center, 99th Queen's Road Central, Central, Hong Kong during normal business hours on any weekday (except public holidays) for a period of 14 days from the date of this circular:

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

NOTICE OF THE EGM



魏橋紡織股份有限公司

Weiqiao Textile Company Limited*

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

(Stock Code: 2698)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Weiqiao Textile Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) will be convened and held at 9:00 a.m. on 1 March 2018 (Thursday) at the conference hall 401 on the Fourth Floor, Company Office Building, No. 1 Wei Fang Road, Zouping Economic Development Zone, Zouping County, Shandong Province, the People's Republic of China (the “**PRC**”), to consider and, if thought fit, approve the following:

AS ORDINARY RESOLUTIONS

1. to consider and approve the appointment of Ms. Fan Xuelian (范雪蓮女士) as a supervisor of the Company, and to authorise the chairman of the Board or any executive director of the Company to execute a service contract or such other documents or supplemental agreements or deeds on behalf of the Company;
2. to consider and approve the appointment of Ms. Bu Xiaoxia (卜曉霞女士) as a supervisor of the Company, and to authorise the chairman of the Board or any executive director of the Company to execute a service contract or such other documents or supplemental agreements or deeds on behalf of the Company; and
3. to consider, approve and ratify the past fund transactions (whose details were disclosed in the circular of the Company dated 15 January 2018) conducted between the Group and the parent group.

By order of the Board
Weiqiao Textile Company Limited*
Zhang Jinglei
Executive Director and Company Secretary

15 January 2018
Shandong, the PRC

NOTICE OF THE EGM

As at the date of this notice, the board of directors comprises nine directors, namely Ms. Zhang Hongxia, Ms. Zhao Suwen, Ms. Zhang Yanhong and Mr. Zhang Jinglei as executive directors, Mr. Zhang Shiping and Ms. Zhao Suhua as non-executive directors and Mr. Wang Naixin, Mr. Chen Shuwen and Mr. George Chan Wing Yau as independent non-executive directors.

Notes:

- (A) A circular dated 15 January 2018 containing, among others, (i) further details of the change of the supervisors of the Company and the Past Fund Transactions; (ii) the letter from the independent board committee to the independent shareholder; and (iii) the letter of advice from the independent financial adviser to the independent board committee and the independent shareholders has been despatched to the shareholders.
- (B) The H share register of the Company will be closed from Tuesday, 30 January 2018 to Thursday, 1 March 2018 (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 4:30 p.m. on Monday, 29 January 2018, are entitled to attend and vote at the EGM after completing the registration procedures for attending the meeting. In order to be entitled to attend and vote at the EGM, share transfer documents should be lodged with the Company's H share registrar not later than 4:30 p.m. on Monday, 29 January 2018.

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

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

- (C) Holders of H shares and domestic shares of the Company, who intend to attend the EGM, must complete the reply slips for attending the EGM and return them to the Office of the Secretary to the board of directors of the Company not later than 20 days before the date of the EGM, i.e. on or before Friday, 9 February 2018.

Details of the Office of the Secretary to the board of directors of the Company are as follows:

Room 412, Fourth Floor
Company Office Building
No. 1 Wei Fang Road
Zouping Economic Development Zone
Zouping County
Shandong Province
The PRC
Tel: 86 (543) 416 2222
Fax: 86 (543) 416 2000

- (D) The resolutions proposed at the EGM will be voted by way of poll.
- (E) Each holder of H shares of the Company 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.

NOTICE OF THE EGM

- (F) 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.
- (G) 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 share registrar, Computershare Hong Kong Investor Services Limited, on Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, 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.
- (H) Each holder of domestic shares of the Company is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on its behalf at the EGM. Notes (D) to (E) also apply to holders of domestic shares of the Company, 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.
- (I) 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.
- (J) 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.
- * *For identification purposes only. The Company is registered in Hong Kong as a non-Hong Kong company under the English name "Weiqiao Textile Company Limited" and the Chinese name of the Company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).*