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魏橋紡織股份有限公司

WEIQIAO TEXTILE COMPANY LIMITED*

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

(Stock Code: 2698)

DISCLOSEABLE AND CONNECTED TRANSACTION CONTINUING CONNECTED TRANSACTIONS

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

Upon Completion:

- (a) the Group would own and operate by itself the Thermal Power Assets, which have an installed electricity generation capacity of about 600 MW and steam generation capacity of about 2,480 tons per hour, respectively;
- (b) the Group would have Continuing Connected Transactions with Holding Company whereby:
 - (i) the Company would lease from Holding Company the land use rights in respect of the land on which the Thermal Power Plants are currently located at an annual rate of RMB6 per sq.m. for a term of 20 years. The aggregate annual rent is RMB2,368,500 (equivalent to about HK\$2,546,700); and

- (ii) Holding Company will purchase from the Company electricity which is in excess of the Group's actual electricity consumption, at a rate to be agreed upon between both parties, from the date of Completion to 31 December 2010.

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

as to the Acquisition,

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

as to the Continuing Connected Transactions,

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

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

According to the Listing Rules:

- (a) the Acquisition constitutes a discloseable and connected transaction of the Company. The Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules;
- (b) the Excess Electricity Supply Transaction constitutes a continuing connected transaction of the Company. The Excess Electricity Supply Transaction is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules; and

- (c) the Leasing Transaction constitutes a continuing connected transaction of the Company. It is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under the Listing Rules.

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

Holding Company will abstain from voting at the EGM. Mr. Zhang Shiping and Ms. Zhang Hongxia, both being Directors and Mr. Zhang Bo, the son of Mr. Zhang Shiping and the brother of Ms. Zhang Hongxia, who hold 23.52%, 3% and 3% of the equity interests in Holding Company respectively, are considered to be parties acting in concert with Holding Company and will abstain from voting at the EGM. Mr. Qi Xingli, a Director who holds 0.75% of the equity interests in Holding Company will also abstain from voting at the EGM.

A circular containing, among others, further details of the Acquisition and the Excess Electricity Supply Transaction, 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 the notice of EGM will be despatched to the Shareholders as soon as practicable.

A. THE ASSET TRANSFER AGREEMENT

1. Date

14 January 2008

2. Parties

(a) Company

(b) Holding Company

3. Assets to be acquired by the Company

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

4. Consideration

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

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

5. Completion

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

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

6. Other significant terms

- (a) The Company shall employ all the existing staff at the Thermal Power Plants, upon the existing employment terms and conditions offered by Holding Company, for a trial period of three months from the date of Completion. During such trial period, all wages and bonuses payable to those employees shall be borne by the Company, but any other benefits to those employees shall be borne by Holding Company. Upon expiry of the above trial period, the Company shall elect to employ those staff as the Company deems appropriate.
- (b) Where a party is incapable of performing the Asset Transfer Agreement due to a force majeure event, which includes but is not limited to earthquake, fire, tidal wave and war, such party shall notify the other party in writing, together with supporting written evidence of such force majeure event. If the force majeure lasts three months and upon receipt of such notification by the other party, the Asset Transfer Agreement shall be terminated.

B. THE LAND LEASING AGREEMENT

1. Date

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

2. Parties

Lessor: Holding Company

Lessee: The Company

3. Transaction nature

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

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

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

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

4. Pricing basis

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

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

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

5. Payment term

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

C. THE SUPPLY OF EXCESS ELECTRICITY AGREEMENT

1. Date

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

2. Parties

(a) Company

(b) Holding Company

3. Transaction nature

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

4. Pricing basis

The price at which excess electricity is supplied to Holding Company by the Company shall be RMB0.45 per kWh or the price from time to time at which a power plant in Shandong Province would sell its electricity produced to the relevant power grid, whichever is higher. If any applicable mandatory price for the supply of electricity is prescribed by the PRC government, it would be adopted instead.

The above price of RMB0.45 per kWh has been determined after arm's length negotiation between Holding Company and the Company, taking into account that RMB0.45 per kWh is a price which (i) is higher than the current price at which a power plant in Shandong Province sells its electricity produced to the relevant power grid; and (ii) is lower than the current electricity purchase price charged by power grids in Shandong Province.

5. Payment term

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

6. Maximum aggregate annual value

Set out below is the maximum aggregate annual price (the “**Annual Excess Electricity Caps**”) (excluding VAT at the rate of 17%) for the excess electricity supplied under the Supply of Excess Electricity Agreement which is estimated to be payable by Holding Company to the Company for each of the three financial years ending 31 December 2010:

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

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

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

The historical figures for the electricity purchased by Holding Company from the Group are as follows.

| Financial year ending 31 December 2005 (RMB) | Financial year ending 31 December 2006 (RMB) | Financial year ending 31 December 2007 (RMB) |
|--|--|--|
| 36,815,800 | 206,372,000 | 111,393,600 |

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

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

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

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

Group in the year 2007. The projected total electricity consumed by the Group for the two years 2009 and 2010 is calculated with a growth rate of 10%. The difference in the growing rate for the three years ending 31 December 2010 is that due to the difference in projected expansion rate, the Group requires more electricity.

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

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

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

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

- (a) the integration of the thermal power assets with the Group would facilitate a more efficient control on the scale of electricity and steam generation, and would ensure a stable supply of electricity and steam for its operational needs, which would benefit the development of the Group's existing business and the further expansion of production capabilities. The Company's expected requirements for electricity will exceed the current electricity produced by the Company after the natural loss in electricity from the year 2008; and
- (b) the excess electricity to be purchased by Holding Company under the Supply of Excess Electricity Agreement would (i) optimize the utilization of the power plant assets and thus improving operation efficiency and achieving economies of scale of the Group (by reducing the fixed costs of electricity generation); and (ii) allow the Group to receive an additional stream of income and thus enhancing the profits of the Group upon completion of the Acquisition.
- (c) The Weihai Power Plant and Zouping Thermal Power can provide electricity and steam to meet the requirements of the Company's production bases there.

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

Based on the above, the Board believes that the Acquisition and the Continuing Connected Transactions would be conducive to enhancing the operating efficiency and competitiveness of the Group and would result in cost savings and enhancement of its profitability of the Group.

E. INFORMATION REGARDING THE THERMAL POWER ASSETS

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

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

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

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

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

F. LISTING RULES IMPLICATIONS

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

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

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

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

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

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

G. EGM

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

According to the Listing Rules, Holding Company (there being no Shareholder who is an associate of Holding Company) will abstain from voting in respect of the resolutions relating to the Acquisition and Excess Electricity Supply Transaction (including the Annual Excess Electricity Caps) at the EGM. Mr.

Zhang Shiping and Ms. Zhang Hongxia, both being Directors and Mr. Zhang Bo, the son of Mr. Zhang Shiping and the brother of Ms. Zhang Hongxia, are considered to be parties acting in concert with Holding Company and hold 23.52%, 3% and 3% of the equity interests in Holding Company respectively, will abstain from voting in respect of the same resolutions at the EGM. Mr. Qi Xingli, being a Director of the Company holds 0.75% of the equity interests in Holding company and will also abstain from voting in respect of the resolutions relating to the Acquisition and Excess Electricity Supply Transaction (including the Annual Excess Electricity Caps) at the EGM.

As at the date of this announcement, Holding Company holds 61.86% of the total issued Shares, and Mr. Zhang Shiping, Mr. Zhang Bo, Ms. Zhang Hongxia and Mr. Qi Xingli hold 0.44%, 1.08%, 1.48% and 0.51%, respectively, of the total issued Shares. To the best of the knowledge and belief of the Directors, (a) none of Holding Company, Mr. Zhang Shiping, Mr. Zhang Bo, Ms. Zhang Hongxia has any associate (other than amongst themselves) who is a Shareholder; and (b) Mr. Qi Xingli does not have any associate who is a Shareholder.

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

The Independent Board Committee will be established to advise the Independent Shareholders in relation to Acquisition and the Excess Electricity Supply Transaction (including the Annual Excess Electricity Caps). Evolution Watterson Securities Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the same transactions.

A circular containing, among others, further details of the Acquisition and the Excess Electricity Supply Transaction, 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, the Assets Valuation Reports and the notice of the EGM will be despatched to the Shareholders as soon as practicable.

H. 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.

I. DEFINITIONS

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

| | |
|-------------------------------------|---|
| “Acquisition” | the transaction as contemplated under the Asset Transfer Agreement |
| “Asset Transfer Agreement” | the agreement dated 14 January 2008 and entered into between the Company and Holding Company relating to the acquisition of the Thermal Power Assets by the Company |
| “Assets Valuation Reports” | the equipment and machinery valuation report and the property valuation report prepared by the Valuer in relation to the valuation of the Thermal Power Assets for the purpose of determining their values as at 15 December 2007 |
| “Associate” | has the meaning ascribed to it in the Listing Rules |
| “Board” | the board of directors of the Company |
| “Business Day” | any day other than the public holidays stipulated under PRC laws, Saturdays and Sundays |
| “Company” | 魏橋紡織股份有限公司 (Weiqiao Textile Company Limited) |
| “Completion” | the completion of the Acquisition |
| “Continuing Connected Transactions” | the continuing connected transactions contemplated under the Land Leasing Agreement and the Supply of Excess Electricity Agreement |
| “Director(s)” | the director(s) of the Company |
| “Domestic Share(s)” | ordinary share(s) issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which are subscribed for and paid up in Renminbi and are not tradable on the Stock Exchange |

| | |
|---|---|
| “EGM” | an extraordinary general meeting of the Company proposed to be convened and held as soon as practicable for the Independent Shareholders to consider and, if thought fit, approve the Acquisition and the Excess Electricity Supply Transaction (including the Annual Excess Electricity Caps) |
| “Excess Electricity Supply Transaction” | the continuing connected transaction contemplated under the Supply of Excess Electricity Agreement |
| “Group” | the Company and its subsidiaries |
| “H Share(s)” | overseas listed foreign share(s) in the share capital of the Company, with a Renminbi-denominated par value of RMB1.00 each, and which are subscribed for and traded in Hong Kong dollars on the Stock Exchange |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Holding Company” | 山東魏橋創業集團有限公司 (Shandong Weiqiao Chuangye Group Company Limited), a limited liability company established in the PRC, being a promoter and the controlling shareholder of the Company |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | an independent board committee of the Company comprising of all the Independent Directors |
| “Independent Directors” | the independent non-executive directors of the Company, who are invited to advise the Independent Shareholders on the Acquisition and the Excess Electricity Supply Transaction (including the Annual Excess Electricity Caps) |
| “Independent Financial Adviser” or “Evolution Watterson Securities Limited” | the independent financial adviser appointed to make the relevant recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Excess Electricity Supply Transaction (including the Annual Excess Electricity Caps) being a registered investment adviser and dealer under the Securities and Futures Ordinance |

| | |
|--|---|
| “Independent Shareholders” | the shareholders of the Company other than Holding Company, Mr. Zhang Shiping, Mr. Zhang Bo, Ms. Zhang Hongxia and Mr. Qi Xingli |
| “kWh” | kilowatt hour. The standard unit of energy used in the electric power industry. One kilowatt hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour |
| “Land Leasing Agreement” | the land use rights leasing agreement which is proposed to be entered into between the Company and Holding Company at Completion for the leasing of land use rights in respect of the land on which the Thermal Power Plants are respectively located, for a term of 20 years commencing from the date of Completion |
| “Leasing Transaction” | the continuing connected transaction contemplated under the Land Leasing Agreement |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “MW” | Megawatt. One million watts |
| “PRC” | People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholder(s)” | registered holder(s) of the shares of the Company |
| “Shares” | Domestic Shares and H Shares |
| “sq.m.” | square metres |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Supply of Excess Electricity Agreement” | the supply of excess electricity agreement which is proposed to be entered into between the Company and Holding Company at Completion for the supply of electricity which is in excess of the actual electricity consumed by the Group to Holding Company for a term commencing from the date of Completion and ending on 31 December 2010 (both dates inclusive) |

| | |
|--------------------------------------|--|
| “Thermal Power Assets” | certain assets proposed to be acquired by the Company from Holding Company pursuant to the Asset Transfer Agreement. Such assets principally comprise buildings, machinery and equipment, which make up the Thermal Power Plants. Details of the Thermal Power Assets are set out in the Assets Valuation Reports |
| “Thermal Power Plants” | means Zouping Second Thermal Power Plant and Weihai Power Plant |
| “Zouping Second Thermal Power Plant” | 山東魏橋創業集團有限公司鄒平第二熱電廠 (Shandong Weiqiao Chuangye Group Company Limited Zouping Second Thermal Power Plant) |
| “Valuer” | Sallmanns (Far East) Limited, an independent third party not connected to the directors, chief executive or substantial shareholders of the Company or its subsidiaries and their respective associates |
| “VAT” | value added tax |
| “Weihai Weiqiao” | 威海魏橋紡織有限公司 (Weihai Weiqiao Textile Company Limited), a limited liability company established on July 25, 2001 in the PRC with a registered capital of RMB148,000,000 and owned as to 87.2% by the Company and 12.8% by 威海民航實業有限公司 (Weihai Civil Aviation Industrial Compnay Limited) |
| “Weihai Industrial Park” | 威海魏橋科技工業園有限公司 (Weihai Weiqiao Industrial Park Limited) |
| “Weihai Power Plant” | 威海西郊熱電有限公司 (Weihai Xijiao Thermal Power Company Limited) |

By Order of the Board
Weiqiao Textile Company Limited
Zhang Hongxia
Executive Director and Chairman

14 January 2008
Shandong, The People’s Republic of China

Notes:

1. As at the date of this announcement, the board of Directors of the Company comprises of 9 Directors Ms. Zhang Hongxia, Mr. Qi Xingli, Ms. Zhao Suwen and Ms. Zhang Yanhong as executive Directors, Mr. Zhang Shiping and Mr. Wang Zhaoting as non-executive Directors and Mr. Wang Naixin, Mr. Xu Wenying and Mr. George Chan Wing Yau as independent non-executive Directors.
 2. The conversion of RMB into HK\$ is based on the exchange rate of RMB0.93=HK\$1.
 3. Save as specified in this announcement, the unit price of electricity is presented on a VAT inclusive basis.
- * *The Company is registered in Hong Kong as an oversea company under the English name “Weiqiao Textile Company Limited”.*