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

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2698)

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

Reference is made to the announcement of the Company dated 20 October 2008. According to the aforesaid announcement, among others, the Company has agreed to supply or procure its subsidiaries to supply cotton yarn/grey fabric and denim to Parent Group for the production of downstream cotton textile products for a term of three years commencing on 1 January 2009 and ending on 31 December 2011.

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

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

As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) computed pursuant to Rule 14.04(9) of Listing Rules for the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement are more than 5%, the transactions contemplated thereunder constitute non-exempt Continuing Connected Transactions subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements set in Chapter 14A of the Listing Rules.

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

A circular containing, among others, further details of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps, the letter from the Independent Board Committee to the Independent Shareholders, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and notice of the EGM will be dispatched to the Shareholders on or before 15 November 2011.

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

1. Date

31 October 2011

2. Parties

Seller: the Company

Buyer: Holding Company

3. Connected Person

Holding Company

4. Transaction Nature

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

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

5. Pricing Basis and Payment Terms

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

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

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

6. Maximum Aggregate Annual Value

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

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

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

The Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps for each of the three years ending on 31 December 2014 were determined by reference to (a) the average growth rate of the values of the aggregate supply of cotton yarn and grey fabric by the Group to Parent Group of approximately 54 % for the three years ended 31 December 2008. Due to the negative impact of the global financial crisis, the transaction value for the two years ended 31 December 2010 reduced accordingly and therefore such transaction value did not reflect the demands of the Parent Group under normal market conditions; (b) the additional growth rate of 10% was determined with reference to the average growth rate for the consumption index for the three years ended 2010, which was approximately 11.2%; and (c) the future demands of Holding Company for the three years ending on 31 December 2014, including the production capacity of Holding Company.

7. Reasons for the Transaction

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

B. LISTING RULES IMPLICATIONS

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

As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) computed pursuant to Rule 14.04(9) of Listing Rules for the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement are more than 5%, the transactions contemplated thereunder constitute non-exempt Continuing Connected Transactions subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

The Directors (excluding the independent non-executive Directors who reserve their rights pending receipt of advice from the Independent Financial Adviser) consider that the terms and conditions of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement have been negotiated on an arm's length basis, and are normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

C. EGM

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

- (a) the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and the continuing connected transaction thereunder; and
- (b) the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps for each of the three years ending on 31 December 2014.

Holding Company will abstain from voting at the EGM for the approval of the relevant agreements and annual caps in paragraph C(a) and (b) in the announcement. Mr. Zhang Shiping and Ms. Zhang Hongxia, both being Directors and Mr. Zhang Bo, the son of Mr. Zhang Shiping and the brother of Ms. Zhang Hongxia, who hold 33.72% (including the indirect equity interests held by Mr. Zhang Shiping), 3% and 3% of the equity interests in Holding Company, respectively, will also abstain from voting at the EGM for the approval of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps in Paragraph C(a) and (b) in the announcement.

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

The Independent Board Committee will advise the Independent Shareholders in relation to their voting on the resolutions relating to Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps for each of the three years ending on 31 December 2014.

CIMB Securities (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps.

A circular containing, among others, further details of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps, the letter from the Independent Board Committee to the Independent Shareholders, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and notice of the EGM will be dispatched to the Shareholders on or before 15 November 2011.

D. 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.

E. DEFINITIONS

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

“Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps”	the annual caps for the continuing connected transactions under the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement commencing on 1 January 2012 and ending on 31 December 2014 as set out in the section headed “6. Maximum Aggregate Annual Value” of this announcement
“Board”	the board of directors of the Company (including the independent non-executive Directors)
“Company”	魏橋紡織股份有限公司(Weiqiao Textile Company Limited)
“Continuing Connected Transactions”	the continuing connected transactions under the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement

“Directors”	the directors of the Company
“Domestic Shares”	ordinary shares issued by the Company, with a RMB-denominated par value of RMB1.00 each, which are subscribed for and paid up in RMB
“EGM”	an extraordinary general meeting of the Company proposed to be convened and held as soon as possible for the Independent Shareholders to consider and, if thought fit, approve the continuing connected transaction to be carried out by the Company pursuant to the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement, the Company’s entering into of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement and the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps
“Group”	the Company and its subsidiaries from time to time
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company, with a Renminbi-denominated par value of RMB1.00 each, and which are subscribed for and traded in Hong Kong dollars
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Holding Company”	山東魏橋創業集團有限公司(Shandong Weiqiao Chuangye Group Company Limited), a limited liability company established in the PRC, being the controlling shareholder of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising of all the independent Directors
“Independent Financial Adviser”	CIMB Securities (HK) Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement, and the Annual Parent Cotton Yarn/Grey Fabric and Denim Supply Caps
“Independent Shareholders”	the shareholders of the Company other than Holding Company, Mr. Zhang Shiping, Mr. Zhang Bo and Ms. Zhang Hongxia for the purpose of the Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Old Cotton Yarn/Grey Fabric and Denim Supply Agreement”	the cotton yarn/grey fabric and denim supply agreement entered into between the Company and Holding Company on 20 October 2008
“Parent Group”	Holding Company, its subsidiaries and associates from time to time (excluding the Group)
“PRC”	People’s Republic of China
“Renewed Cotton Yarn/Grey Fabric and Denim Supply Agreement”	the cotton yarn/grey fabric and denim supply agreement entered into between the Company and Holding Company of on 31 October 2011
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	registered holder(s) of the shares of the Company
“Shares”	Domestic Shares and H Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“VAT”	value added tax

On behalf of the Board
Weiqiao Textile Company Limited
Zhang Jinglei
Executive Director and Company Secretary

Hong Kong, 31 October 2011

* *The Company is registered in Hong Kong as a non-Hong Kong company under the English name “Weiqiao Textile Company Limited” and the Chinese name of the Company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).*

Notes:

1. *As at the date of this announcement, the board of Directors of the Company comprises 11 Directors, namely Ms. Zhang Hongxia, Ms. Zhao Suwen, Ms. Zhang Yanhong and Mr. Zhang Jinglei as executive Directors, Mr. Zhang Shiping, Mr. Wang Zhaoting, Ms. Zhao Suhua and Ms. Wang Xiaoyun as non-executive Directors and Mr. Wang Naixin, Mr. Xu Wenying and Mr. George Chan Wing Yau as independent non-executive Directors.*
2. *The conversion of RMB into HK\$ is based on the exchange rate of RMB0.81=HK\$1.00.*