

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of Weiqiao Textile Company Limited (the “**Company**”) for the year ended 31 December 2004 will be held at 9 a.m. on 25 April 2005 at the conference hall on the First Floor, Company Office Building, No. 1 Wei Fang Lu, Jing Ji Kai Fa Qu, Zouping County, Shandong Province, the People’s Republic of China (“**PRC**”) to consider, approve and authorise the following businesses:

## **ORDINARY RESOLUTIONS**

1. to consider and approve the Consolidated Audited Financial Statements of the Company, the Report of the Board of Directors of the Company, the Report of the Supervisory Committee of the Company and the report of the international auditors, for the year ended 31 December 2004;
2. to consider and approve the profit distribution proposal of the Company and the relevant declaration and payment of a final dividend for the year ended 31 December 2004;
3. to consider and approve the annual remuneration proposal for the Company’s Directors and Supervisors for the year ending 31 December 2005;
4. to consider and approve, the reappointment of Ernst & Young Hua Ming as the Company’s domestic auditors and Ernst & Young as the Company’s international auditors for the year ending 31 December 2005 and the granting of the authorisation to the Board of Directors of the Company to determine their remuneration; and
5. to consider and approve other matters, if any.

And as special business, to consider and, if thought fit, to pass the following, as special resolutions:

## **SPECIAL RESOLUTIONS**

6. “**THAT:**
    - (1) there be granted to the Board of Directors of the Company, an unconditional general mandate to allot, issue and deal with additional shares in the capital of the Company, whether Domestic Shares or H Shares. Such unconditional general mandate can be exercised once or more than once during the Relevant Period, subject to the following conditions:
      - (a) such mandate shall not extend beyond the Relevant Period save that the Board of Directors of the Company may during the Relevant Period make or grant offers, agreements or options which might require the exercise of such powers after the end of the Relevant Period;
      - (b) the aggregate nominal amount of shares, whether Domestic Shares or H Shares, allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Board of Directors of the Company pursuant to such mandate, shall not exceed:
        - (i) in the case of Domestic Shares, 20 per cent of the aggregate nominal amount of Domestic Shares of the Company in issue; and
        - (ii) in the case of H Shares, 20 per cent of the aggregate nominal amount of H Shares of the Company in issue,
- in each case as of the date of this Resolution; and

- (c) the Board of Directors of the Company shall only exercise its power under such mandate in accordance with the Company Law of the PRC and The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as the same may be amended from time to time) and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant PRC governmental authorities are obtained; and
- (2) contingent on the Board of Directors of the Company resolving to issue shares pursuant to sub-paragraph (1) of this Resolution, the Board of Directors of the Company be authorised to:
- (a) approve, execute and do or procure to be executed and done, all such documents, deeds and things as it may consider necessary in connection with the issue of such new shares including (without limitation):
    - (i) determine the class and number of shares to be issued;
    - (ii) determine the issue price of the new shares;
    - (iii) determine the opening and closing dates of the new issue;
    - (iv) determine the use of proceeds of the new issue;
    - (v) determine the class and number of new shares (if any) to be issued to the existing shareholders;
  - (b) increase the registered capital of the Company in accordance with the actual increase of capital by issuing shares pursuant to sub-paragraph (1) of this Resolution, register the increased capital with the relevant authorities in the PRC and make such amendments to the Articles of Association of the Company as it thinks fit so as to reflect the increase in the registered capital of the Company; and
  - (c) make all necessary filings and registrations with the relevant PRC, Hong Kong and/or other authorities.
- For the purposes of this Resolution:
- “**Domestic Shares**” means domestic invested shares in the share capital of the Company, with a par value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC investors;
- (vi) make or grant such offers, agreements and options as may be necessary in the exercise of such powers; and
  - (vii) in the case of an offer or allotment of shares to the shareholders of the Company, exclude shareholders who are resident outside the PRC or the Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”) on account of prohibitions or requirements under overseas laws or regulations or for some other reason(s) which the Board of Directors of the Company considers necessary or expedient;

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“**H Shares**” means the overseas listed foreign invested shares in the share capital of the Company, with a par value of RMB1.00 each, and which are subscribed for and traded in Hong Kong dollars; and

“**Relevant Period**” means the period from the passing of this Resolution until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company following the passing of this Resolution; or
- (b) the expiration of the 12-month period following the passing of this Resolution; or
- (c) the date on which the authority set out in this Resolution is revoked or varied by a special resolution of the shareholders of the Company in a general meeting.”

7. “**THAT** amendments shall be made to the Articles of Association of the Company in order to reflect the relevant provisions of the new Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which came into effect on 1 January 2005 (subject to certain transitional arrangements). The details of the amendments are as follows:

- (a) By inserting the following sentence at the end of Article 10.1:

“The Company should appoint independent non-executive directors representing at least one-third of the Board of Directors.”

- (b) The first paragraph of Article 10.2 shall be deleted in its entirety and replaced by the following:

“Directors are elected by the shareholders at general meeting. Directors shall serve a term of three (3) years commencing from the date on which he or she is elected. A Director should retire upon the expiration of his or her term, but may serve consecutive terms if re-elected by the shareholders at general meeting. Non-executive directors should be appointed for a specific term. All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.”

- (c) Regarding Article 10.3,

by inserting a new Article 10.3(15) as follows:

“(15) to conduct a review of the effectiveness of the internal control system of the Company and its subsidiaries at least once per year; and”

by re-numbering Article 10.3(15) as Article 10.3(16).

- (d) Regarding Article 10.5,

by deleting Article 10.5(1) in its entirety and replacing it with the following:

“(1) to preside at shareholders’ general meetings, to convene and preside at meetings of the Board of Directors, and to ensure that all directors are properly briefed on issues arising at board meetings;” and

- by replacing “.” with “; and” in Article 10.5(4)
- by inserting a new Article 10.5(5) as follows:
- “(5) to ensure that each director receives adequate information.”
- (e) A new Article 10.5A shall be inserted after Article 10.5 as follows:
- “Article 10.5A The functions of non-executive directors should include the following:
- (1) participating in board meetings of the Company to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
  - (2) taking the lead where potential conflicts of interests arise;
  - (3) serving on the audit, remuneration, nomination and other governance committees, if invited; and
  - (4) scrutinizing the Company’s performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance; and
  - (5) other functions and powers conferred by the Board of Directors.”
- (f) Article 10.6 shall be deleted in its entirety and replaced by the following:

“Meetings of the Board of Directors shall be held regularly and at least four times each year. Such meetings shall be convened by the chairman of the Board of Directors by giving notice to all the Directors at least fourteen (14) days before the meeting date. An agenda of a regular board meeting should be sent at least three (3) days before the intended date of the board meeting. Where there is an emergency, an extraordinary meeting of the Board of Directors may be convened at the suggestion of 1/3 or more of the Directors or at the suggestion of the Company’s general manager.”

- (g) The first sentence of Article 10.11 of shall be deleted in its entirety and replaced by the following:
- “The Board of Directors may adopt a written resolution instead of convening a meeting of the Board of Directors, save that any regular meeting as referred to in Article 10.6 should not include the practice of obtaining board consent through the circulation of written resolutions.”
- (h) By replacing “.” with “; and” in Article 11.2(3)
- (i) By inserting a new Article 11.2(4) as follows:
- “(4) to keep minutes, of board meetings and meetings of board committees.””

By Order of the Board  
**Zhao Suwen**  
*Company Secretary*

Shandong, PRC, 28 February 2005

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As at the date of this notice, the Board of the Company is comprised of Mr. Zhang Bo, Ms. Zhang Hongxia, Mr. Qi Xingli, Ms. Zhao Suwen as executive Directors, Mr. Zhang Shiping and Mr. Wang Zhaoting as non-executive Directors and Mr. Wang Naixin, Mr. Xu Wenyong and Mr. George Chan Wing Yau as independent non-executive Directors.

## Notes:

- (A) The H Share register of the Company will be closed from Friday, 25 March 2005, to Sunday, 24 April 2005 (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 the close of business on Thursday, 24 March 2005, are entitled to attend and vote at the Annual General Meeting after completing the registration procedures for attending the meeting. In order to be entitled to attend and vote at the Annual General Meeting, share transfer documents should be lodged with the Company's H Shares share registrar not later than 4:00 p.m. on Thursday, 24 March 2005.

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

Hong Kong Registrars Limited  
Rooms 1712-1716  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

- (B) Holders of H Shares and Domestic Shares, who intend to attend the Annual General Meeting, must complete the reply slips for attending the Annual General Meeting 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 Annual General Meeting, i.e. no later than Monday, 4 April 2005.

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

First Floor  
Company Office Building  
No. 1 Wei Fang Lu  
Jing Ji Kai Fa Qu  
Zouping County  
Shandong Province  
People's Republic of China  
Tel: (86) 543 4162222  
Fax: (86) 543 4162000

- (C) Each holder of H Shares who has the right to attend and vote at the Annual General Meeting is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the Annual General Meeting. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll. Each shareholder who wishes to appoint one or more proxies should first review the annual report of the Company for the year 2004.
- (D) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified.
- (E) To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H Shares share registrar, Hong Kong Registrars Limited, on the 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 24 hours before the time for holding the Annual General Meeting or any adjournment thereof in order for such documents to be valid.
- (F) Each holder of Domestic Shares is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on its behalf at the Annual General Meeting. Notes (C) to (D) also apply to holders of Domestic Shares, except that the proxy form or other documents of authority must be delivered to the Office of the Secretary to the Board of Directors, the address of which is set out in Note (B) above, not less than 24 hours before the time for holding the Annual General Meeting or any adjournment, thereof in order for such documents to be valid.
- (G) If a proxy attends the Annual General Meeting 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 Annual General Meeting, such legal representative should produce his ID card and valid documents evidencing his capacity as such legal representative. If a legal person share shareholder appoints a representative of the company other than its legal representative to attend the Annual General Meeting, such representative should produce his ID card and an authorization instrument affixed with the seal of the legal person share shareholder and duly signed by its legal representative.
- (H) The Annual General Meeting is expected to last for half a day. Shareholders attending the Annual General Meeting are responsible for their own transportation and accommodation expenses.