



魏橋紡織股份有限公司
Wei Qiao 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 (Vice Chairman)
Mr. Wei Jiakun (General Manager)
Ms. Zhao Suwen
(Chief Financial Officer, Authorised Representative)
Mr. Zhang Jinglei
(Company Secretary, Authorised Representative)

Non-executive Director:

Ms. Zhao Suhua

Independent non-executive Directors:

Mr. George Chan Wing Yau
Mr. Chen Shuwen
Mr. Liu Yanzhao

Registered Office:

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

Principal office in the PRC:

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

Principal place of business in Hong Kong:

Unit 5105
51/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

23 January 2024

To the Shareholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF WEIQIAO TEXTILE
BY WEIQIAO TEXTILE TECHNOLOGY BY WAY OF MERGER
BY ABSORPTION OF WEIQIAO TEXTILE**

1. INTRODUCTION

Reference is made to the Joint Announcement dated 4 December 2023 pursuant to which the Offeror and the Company jointly announced that the Offeror and the Company have entered into the Merger Agreement, pursuant to which the Offeror and the Company will implement the Merger subject to the terms and conditions of the Merger Agreement, including the Pre-Conditions and the Conditions. After completion of the Merger, the Company will be merged into and absorbed by the Offeror in accordance with the PRC Company Law and other applicable PRC Laws.

2. PROPOSED TRANSACTION

Pursuant to the Merger Agreement, conditional upon the fulfilment (or waiver, as applicable) of the Pre-Conditions and the Conditions set out in the section headed “3. *PRINCIPAL TERMS OF THE MERGER AGREEMENT*” below, the Offeror will pay the Cancellation Price in the amount of (a) HK\$3.50 per H Share to the H Shareholders for the cancellation of the H Shares and (b) RMB3.180870 per Domestic Share, which is equivalent to the Cancellation Price of each H Share based on the Exchange Rate, to the Domestic Shareholders for the cancellation of the Domestic Shares (other than Weiqiao Chuangye, being the parent company of the Offeror, as described in the section headed “3. *PRINCIPAL TERMS OF THE MERGER AGREEMENT*” below).

The amount of aggregate Cancellation Price required to be paid by the Offeror to cancel (i) the H Shares held by the H Shareholders and (ii) the Domestic Shares held by the Domestic Shareholders (other than Weiqiao Chuangye as described in the section headed “3. *PRINCIPAL TERMS OF THE MERGER AGREEMENT*” below) is HK\$1,447,666,500.00 and approximately RMB72,843,195.34, respectively.

Save for the final dividend of the Company for the year ended 31 December 2023 (if any), if, after the date of the Joint Announcement, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the gross amount or value of such dividend, distribution and/or, as the case may be, return of capital (before tax) after consultation with the Executive, in which case any reference in the Joint Announcement, this document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

After completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company and the Company will be eventually deregistered.

3. PRINCIPAL TERMS OF THE MERGER AGREEMENT

The principal terms and conditions of the Merger Agreement include:

- Parties**
- (1) The Offeror; and
 - (2) the Company.

Overview of the Merger

Subject to the terms and conditions of the Merger Agreement, which will involve a cancellation of all the Shares and the subsequent absorption of the Company by the Offeror, the Merger will be implemented by the Offeror merging the Company by way of merger by absorption.

After completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company and the Company will be eventually deregistered.

Consideration

Pursuant to the Merger Agreement, conditional upon the fulfilment (or waiver, as applicable) of the Pre-Conditions, the Conditions to effectiveness and the Conditions to implementation set out in the paragraphs headed “Pre-Conditions to the Merger Agreement becoming effective”, “Conditions to effectiveness” and “Conditions to implementation” below, the Offeror will pay the Cancellation Price for the cancellation of the Shares in the amount of (a) HK\$3.50 per H Share to the H Shareholders for the cancellation of the H Shares and (b) RMB3.180870 per Domestic Share, which is equivalent to the Cancellation Price of each H Share based on the Exchange Rate, to the Domestic Shareholders for the cancellation of the Domestic Shares (other than Weiqiao Chuangye, being the parent company of the Offeror, as described below).

Pursuant to the Merger Agreement and subject to the same conditions as stated above, in consideration for the cancellation of the Domestic Shares held by Weiqiao Chuangye, Weiqiao Chuangye will be issued with RMB3.180870 registered capital of the Offeror for each Domestic Share, which is equivalent to the Cancellation Price in RMB based on the Exchange Rate for each Domestic Share.

Weiqiao Chuangye, Mr. Zhang Bo, Ms. Zhang, Ms. Zhang Yanhong and the Offeror entered into the Operating Agreement to document the parties' agreement to (i) the issuance of the Offeror's registered capital to Weiqiao Chuangye for the cancellation of the Domestic Shares held by it and (ii) the payment of RMB3.180870 per Domestic Share, which is equivalent to the Cancellation Price of each H Share based on the Exchange Rate, to the Domestic Shareholders for the cancellation of the Domestic Shares (other than Weiqiao Chuangye, being the parent company of the Offeror, as described above).

Upon completion of the cancellation of the Shares and the issuance of the registered capital of the Offeror to Weiqiao Chuangye, the Offeror would be fully held by Weiqiao Chuangye.

Save for the final dividend of the Company for the year ended 31 December 2023 (if any), if, after the date of the Merger Agreement, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the gross amount or value of such dividend, distribution and/or, as the case may be, return of capital (before tax) after consultation with the Executive, in which case any reference in the Merger Agreement will be deemed to be a reference to the Cancellation Price as so reduced.

**Pre-Conditions to the Merger
Agreement becoming effective**

The Merger Agreement is subject to the satisfaction of the pre-conditions, being the filing, registration or approval, as applicable, with or by (a) the National Development and Reform Commission of the PRC, (b) Ministry of Commerce of the PRC, and (c) the State Administration of Foreign Exchange of the PRC, or their respective local authorities, and such other applicable governmental approvals in respect of the Merger having been obtained or completed (collectively, the “**Pre-Conditions**”). The offshore funds held by Weiqiao Chuangye (HK) as at the Latest Practicable Date for the payment of the total consideration for the cancellation of the H Shares are not subject to further filing, registration or approval under Pre-Condition (c) above. Save for the governmental approvals as mentioned above, the Offeror is not currently aware of any other applicable governmental approval which is required in respect of the Merger.

The above Pre-Conditions are not waivable. If the Pre-Conditions are not satisfied by the Long-stop Date, the Merger Agreement will not become effective and will be automatically terminated.

As at the Latest Practicable Date, the Pre-Conditions have been fulfilled.

Conditions to effectiveness

After the Pre-Conditions are satisfied, the Merger Agreement shall become effective upon satisfaction of all of the following conditions (none of which is capable of being waived) (the “**Conditions to effectiveness**”):

- (1) the passing of special resolution(s) by a majority of not less than two-thirds of the votes cast by way of poll by the Shareholders present and voting in person or by proxy at the EGM to approve the Merger under the Merger Agreement in accordance with the Articles and the PRC Laws; and
- (2) the passing of special resolution(s) by way of poll approving the Merger under the Merger Agreement at the H Shareholders’ Class Meeting to be convened for this purpose, provided that: (a) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and (b) the number of votes cast against the resolution(s) is not more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders.

If the above Conditions to effectiveness are not satisfied by the Long-stop Date, the Merger Agreement may be terminated by either party. Please also refer to the paragraph headed “Termination” in this section.

Conditions to implementation

After the Merger Agreement becomes effective upon satisfaction of the Pre-Conditions and all the Conditions to effectiveness, the implementation of the Merger shall be subject to the following conditions being satisfied (the “**Conditions to implementation**”):

- (1) there being no material breach of the representations, warranties or undertakings given by the Offeror in the Merger Agreement on the Delisting Date which has a material adverse impact on the Merger;
- (2) there being no material breach of the representations, warranties or undertakings given by the Company in the Merger Agreement on the Delisting Date which has a material adverse impact on the Merger; and
- (3) there being no law, restriction or prohibition or order of any governmental authority or any judgment, decision or adjudication of any court on the Delisting Date which restricts, prohibits or terminates the Merger.

The Company shall be entitled to waive Condition (1) above and the Offeror shall be entitled to waive Condition (2) above. Condition (3) above is not capable of being waived. If the above Conditions to implementation are not satisfied by the Long-stop Date, the Merger Agreement may be terminated by either party. Please also refer to the paragraph headed “Termination” in this section.

Payment of consideration

The Offeror shall, as soon as possible and in any event no later than seven (7) business days after fulfilment (or waiver, if applicable) of the Pre-Conditions and all the Conditions (being the Conditions to effectiveness and the Conditions to implementation), pay the Cancellation Price to all H Shareholders and all Domestic Shareholders (other than Weiqiao Chuangye), and issue its registered capital to Weiqiao Chuangye (as described above in this section).

After payment of consideration is made to the Shareholders by or on behalf of the Offeror, all rights attaching to such Shares shall cease to have effect and the relevant Shares shall be cancelled. The share certificates for the relevant Shares will cease to have effect as documents or evidence of title.

Payment of consideration to the H Shareholders is deemed to be completed once the Offeror or any entity designated by it has despatched to the H Shareholders the cheques for such consideration and payment of consideration to the Domestic Shareholders (other than Weiqiao Chuangye, as described above in this section) is deemed to be completed once the Offeror or any entity designated by it has made remittance of such consideration by way of bank transfer or has despatched the cheques for such consideration, while payment of consideration to Weiqiao Chuangye is deemed to be completed once the Offeror has delivered to Weiqiao Chuangye the Offeror's register of members and certification of capital contribution affixed with the Offeror's official seal reflecting the Offeror's shareholding structure after the issuance of the registered capital of the Offeror to Weiqiao Chuangye in accordance with the Merger Agreement.

Dividend

Unless with the prior written consent of the Offeror, the Company shall not declare, make or pay any dividend, distribution (whether in cash or in kind) and/or return of capital to the Shareholders since the date of the Merger Agreement (other than the final dividend of the Company for the year ended 31 December 2023 (if any)).

As at the Latest Practicable Date, the Company had not declared any dividend that had not been paid, and had no intention to declare, make or pay any dividend or other distribution (whether in cash or in kind) to the Shareholders.

Right of a Dissenting Shareholder

According to the Articles, any Dissenting Shareholder may request the Company and/or other Shareholders who have approved the Merger to acquire its Shares at a “fair price”.

If any Dissenting Shareholder exercises its right, the Offeror (if so elected by the Company and/or the Consenting Shareholders) will assume the obligation which the Company and/or the Consenting Shareholders may have towards such Dissenting Shareholder to acquire the Shares held by such Dissenting Shareholder at a “fair price”.

The exercise of its right by a Dissenting Shareholder is subject to the following criteria:

- (1) such Dissenting Shareholder having validly voted against the resolutions in respect of the Merger at the EGM and the H Shareholders' Class Meeting;
- (2) such Dissenting Shareholder having been validly registered as a Shareholder on the share register of the Company since the record date for the EGM and the H Shareholders' Class Meeting, and having held such Share(s) in respect of which it intends to exercise its right until the Exercise Date; and
- (3) such Dissenting Shareholder having exercised its right during the Declaration Period.

A Shareholder is not entitled to exercise its right in respect of such Share(s) held by it if:

- (1) such Shareholder has undertaken to the Company to waive its right;
- (2) such Shareholder is prohibited from exercising its right in accordance with applicable laws; or
- (3) any Share held by such Shareholder is subject to pledge, other third-party rights or judicial moratorium, without having legally obtained written consent or approval from the relevant pledgee, third party or competent authority.

Termination

The Merger Agreement may be terminated in any of the following circumstances:

- (1) by either the Offeror or the Company, if
 - (i) any competent governmental authority issues any order, decree, ruling or takes any other action which permanently restricts, impedes or otherwise prohibits the Merger and which is final, binding and not capable of being appealed (both the Offeror and the Company shall use reasonable endeavours to procure the withdrawal of such order, decree, ruling or action prior to exercising any right of termination);
 - (ii) the Conditions to effectiveness not having been satisfied on or before the Long-stop Date; or
 - (iii) the Conditions to implementation not having been satisfied or if applicable waived on or before the Long-stop Date;
- (2) by the Offeror, if the Company commits a material breach of the representations, warranties and undertakings under the Merger Agreement or any other agreement related to the Merger which has a material impact on the Merger and such breach is not remedied by the Company within 30 days following the written notice from the Offeror; or

- (3) by the Company, if the Offeror commits a material breach of the representations, warranties and undertakings under the Merger Agreement or any other agreement related to the Merger which has a material impact on the Merger and such breach is not remedied by the Offeror within 30 days following the written notice from the Company.

Conditional upon the fulfilment (or waiver, as applicable) of the Conditions to effectiveness and the Conditions to implementation set out in the paragraphs headed “Conditions to effectiveness” and “Conditions to implementation” above, the Merger will be implemented. After completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company and the Company will be eventually deregistered.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions to implementation (1) to (3) set out in the paragraph headed “Conditions to implementation” in this section or terminate the Merger Agreement in accordance with the paragraph headed “Termination” in this section as a basis for not proceeding with the Merger only if the circumstances which give rise to the right to invoke any such condition or termination right are of material significance to the Offeror in the context of the Merger.

4. CANCELLATION PRICE

(1) Comparison of value

The Cancellation Price is HK\$3.50 per H Share and RMB3.180870 per Domestic Share (equivalent to the Cancellation Price of HK\$3.50 per H Share based on the Exchange Rate).

The Cancellation Price per H Share represents:

- (a) a premium of approximately 104.68% over the closing price per H Share of HK\$1.710 on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 104.92% over the average closing price of HK\$1.708 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Date;

- (c) a premium of approximately 102.66% over the average closing price of HK\$1.727 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Date;
- (d) a premium of approximately 142.89% over the average closing price of HK\$1.441 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Date;
- (e) a premium of approximately 144.93% over the average closing price of HK\$1.429 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 180 trading days immediately prior to and including the Last Trading Date;
- (f) a premium of approximately 2.04% over the closing price of HK\$3.43 per H Share on the Stock Exchange on the Latest Practicable Date;
- (g) a discount of approximately 78.43% to the Company's audited net asset value attributable to the Shareholders per Share of approximately RMB14.49 (equivalent to approximately HK\$16.23) per Share as at 31 December 2022, based on the exchange rate of HK\$1: RMB0.89327, being the median exchange rate on 30 December 2022 as announced by the People's Bank of China;
- (h) a discount of approximately 77.07% to the Company's unaudited net asset value attributable to the Shareholders per Share of approximately RMB14.07 (equivalent to approximately HK\$15.26) as at 30 June 2023, based on the exchange rate of HK\$1: RMB0.92198, being the median exchange rate on 30 June 2023 as announced by the People's Bank of China; and
- (i) a discount of approximately 78.34% to the unaudited adjusted net asset value of the Group attributable to the owners of the Company per Share of approximately HK\$16.16 as at 30 June 2023 prepared by the management of the Group taking into account the valuation of the property interests of the Group as at 30 November 2023, and the related tax effects.

The Cancellation Price has been determined on a commercial basis after taking into account, among other things, the prices of the Shares traded on the Stock Exchange and with reference to other privatisation transactions in Hong Kong in recent years.

The Cancellation Price will not be increased and the Offeror does not reserve the right to do so.

(2) Highest and lowest prices

During the Relevant Period, the highest closing price of the H Shares as quoted on the Stock Exchange was HK\$3.43 on 19 January 2024 and the lowest closing price of the H Shares as quoted on the Stock Exchange was HK\$1.12 on 31 August 2023 and 19 September 2023.

(3) Funding for the Merger

On the basis of (i) the Cancellation Price of HK\$3.50 per H Share and RMB3.180870 per Domestic Share (equivalent to the Cancellation Price of HK\$3.50 per H Share based on the Exchange Rate), (ii) 413,619,000 H Shares and 780,770,000 Domestic Shares in issue as at the Latest Practicable Date, and (iii) the Cancellation Price for 757,869,600 Domestic Shares held directly by Weiqiao Chuangye is to be satisfied through the issuance of the registered capital of the Offeror as described in the section headed “3. *PRINCIPAL TERMS OF THE MERGER AGREEMENT*” above, the amount of aggregate Cancellation Price required to be paid by the Offeror to cancel (i) the H Shares held by the H Shareholders and (ii) the Domestic Shares held by the Domestic Shareholders (other than Weiqiao Chuangye as described in the section headed “3. *PRINCIPAL TERMS OF THE MERGER AGREEMENT*” above) is HK\$1,447,666,500.00 and approximately RMB72,843,195.34, respectively.

Settlement of the consideration to which the Shareholders are entitled will be implemented in full in accordance with the terms of the Merger Agreement without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholders.

Weiqiao Chuangye (HK) has undertaken with the Offeror to pay on its behalf the total consideration for the cancellation of the H Shares if required.

The payment of the total consideration will be financed by internal cash resources and/or external debt financing.

The Offeror has appointed CICC as its financial adviser in respect of the Merger. CICC, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for the satisfaction of the Offeror’s obligations in respect of the full implementation of the Merger (excluding the consideration payable to Weiqiao Chuangye in the form of registered capital of the Offeror).

5. IRREVOCABLE UNDERTAKING BY BRANDES INVESTMENT

On 4 December 2023, the Offeror and Weiqiao Chuangye obtained an irrevocable undertaking from Brandes Investment, which is an investment adviser with investment authority from its clients over 38,419,000 H Shares as at the Latest Practicable Date (representing approximately 9.29% of the total issued H share capital of the Company and approximately 9.35% of the total issued H Shares held by the Independent H Shareholders as at the Latest Practicable Date). Of the 38,419,000 H Shares held by Brandes Investment, 23,029,500 H Shares were held on behalf of the Discretionary Brandes Clients (representing approximately 5.57% of the total issued H share capital of the Company and approximately 5.60% of the total issued H Shares held by the Independent H Shareholders as at the Latest Practicable Date), and the remaining 15,389,500 H Shares were held on behalf of the Non-discretionary Brandes Clients (representing approximately 3.72% of the total issued H share capital of the Company and approximately 3.74% of the total issued H Shares held by the Independent H Shareholders as at the Latest Practicable Date).

Pursuant to the Irrevocable Undertaking, Brandes Investment has irrevocably undertaken to the Offeror and Weiqiao Chuangye that it will, and will make best efforts to request the Non-discretionary Brandes Clients to, exercise (or procure the exercise of) all voting rights attached to the IU Shares:

- (i) at any EGM or H Shareholders' Class Meeting, in favour of all the resolutions to approve the Merger and any matters in connection with the Merger;
- (ii) otherwise exercise (or, in the case of the Non-discretionary Brandes Clients, make best efforts to request the exercise of) the voting rights attached to the IU Shares in accordance with the instruction of the Offeror on any resolution which may impact on the success of the Merger; and
- (iii) exercise (or, in the case of the Non-discretionary Brandes Clients, make best efforts to request the exercise of) the voting rights attached to the IU Shares against any resolution which (i) might reasonably be expected to restrict, impede or delay implementation of the Merger; or (ii) approves or gives effect to a proposal by a person other than the Offeror, to acquire (or have issued to it) any Shares or any assets of the Company or to privatise or delist the Company.

Restrictive covenants

Brandes Investment has irrevocably undertaken on behalf of the Discretionary Brandes Clients that it will, and will use its best effort to request the Non-discretionary Brandes Clients to, procure the relevant direct Shareholders holding the Shares on behalf of the Discretionary Brandes Clients or the Non-discretionary Brandes Clients (as applicable), not to:

- (i) directly or indirectly sell, transfer, charge, encumber, grant any option over (or cause the same to be done) or otherwise dispose of any interest in the IU Shares prior to completion or lapse of the Merger, or 31 October 2024 (whichever is earlier), save and except for (i) the closure of accounts held by any client(s) and (ii) cash withdrawal that exceeds 20% of account balance initiated by any client(s) of Brandes Investment; and
- (ii) accept any other offer in respect of the IU Shares, unless a competing general offer has been made in respect of the Shares which provides a higher offer price than the Cancellation Price as stated in this document, and the Offeror fails to match the terms of the competing general offer within ten business days of the announcement of the competing general offer.

Representations and warranties

Brandes Investment has represented and warranted to the Offeror and Weiqiao Chuangye in relation to the ownership of the IU Shares and other matters related to the Merger including ownership in securities of the Company, no encumbrances, due incorporation, obtaining of approvals and binding force of the Irrevocable Undertaking.

Termination

The Irrevocable Undertaking will terminate and the parties' obligations thereunder will cease if the Merger does not become effective, lapses or is withdrawn in accordance with the terms of the Merger. There are no other circumstances pursuant to which the Irrevocable Undertaking may be terminated.

Brandes Investment

Brandes Investment is a limited partnership registered under the laws of Delaware, the United States. Brandes Investment is a U.S. registered investment adviser that provides discretionary investment advisory services to individuals and institutional investors.

6. REASONS AND BENEFITS OF THE MERGER

The reasons and benefits of the Merger include:

- (1) Due to the influence of the macro environment and industry development trend, the Company's performance is under pressure.**

Since 2021, the global economy has been facing continuous challenges such as the COVID-19 pandemic, geopolitical tensions including the on-going Russia-Ukraine conflict and the Middle East crisis, and increased U.S. interest rate. As an integral part of the world economy, the Chinese market, in which the Company operates textile and electricity and steam businesses, has been under pressure as well.

The textile industry continues to face multiple challenges such as rising production costs and change of the global supply chain. In addition, domestic power industry has transitioned towards clean energy with reduced coal power capacity. The Company recorded a loss of approximately RMB1,558 million for the financial year ended 31 December 2022 and a loss of approximately RMB504 million for the first half of 2023, respectively.

Facing such challenges and uncertainties, the Company needs to implement strategic initiatives which may affect short-term financial performance. Implementation of the Merger will provide the Company with greater flexibility for long-term strategic options.

- (2) The Company has lost its advantage as a listed platform and has limited equity financing capabilities.**

Since 11 March 2006, the Company has not raised any fund from the public market through the issuance of Shares, indicating an apparent limitation in its ability to raise funds from the stock market. After the completion of the Merger, the H Shares will be delisted from the Stock Exchange, which may help the Company save costs related to compliance and maintaining its listed status.

- (3) Excellent exit opportunity for H Shareholders to sell illiquid H Shares at an attractive premium over the historical trading price of the Shares.**

The liquidity of the H Shares has been at a low level for a long period of time. The average daily trading volume for the last 12 months up to and including the Last Trading Date was approximately 515,723 Shares, equivalent to only approximately 0.12% of the Company's current H-share capital, making it very difficult for H Shareholders to realise their H Shares holdings through secondary market transactions on a large scale at ideal prices, and the lack of liquidity in the H-share trading may result in a discounted exit price. The Cancellation Price is set at an attractive premium over the H-share market price, which provides H Shareholders with a valuable exit opportunity to realise their investment in the Company, and the realisation of the exit proceeds will not be affected by the illiquidity of the H Shares. The Cancellation Price of HK\$3.50 per H Share represents a premium of approximately 104.68% over the closing price of HK\$1.710 per share of the H Shares on 24 November 2023 (the Last Trading Date), and also represents a premium of approximately 142.89% and 144.93% over the average closing price of the H Shares as quoted on the Stock Exchange of approximately HK\$1.441 per share and HK\$1.429 per share, respectively, for the 60 and 180 consecutive trading days up to and including the Last Trading Date.

The Board (other than members of the Independent Board Committee, whose views are given in the “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” in this document) is of the view that the terms of the Merger are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

7. FUTURE INTENTION OF THE OFFEROR

After the Merger, the Company will merge into the Offeror, with the Offeror as the surviving entity, and will cease to exist as a separate legal entity. It is the intention of the Offeror that it will continue to carry on its business as stated in the paragraph headed “(1) Information on the Offeror” in the section headed “8. *INFORMATION ON THE OFFEROR AND THE COMPANY*” below. It is also the intention of the Offeror that it will continue to carry on the business of the Group as stated in the paragraph headed “(2) Information on the Company” in the section headed “8. *INFORMATION ON THE OFFEROR AND THE COMPANY*” below following the Merger.

In view of the Merger, the Offeror will review the holding structure of certain business, assets, properties and operation units within the Group, and may implement changes to be determined with reference to such review to be conducted after the delisting of the Company’s H Shares which the Offeror deems necessary, appropriate or convenient, which may include redeployment of fixed assets of the Group, such as the reallocation of fixed assets from the Offeror to the operating subsidiaries of the Group after completion of the Merger. As at the Latest Practicable Date, the Offeror had not formulated any concrete plans for redeployment of fixed assets of the Group.

The Offeror does not intend to make any significant changes to the continued employment of the employees of the Group. Following completion of the Merger, the employment contracts of all employees of the Company will continue with the Offeror as the surviving entity. The Board is willing to cooperate with the Offeror and act in the best interests of the Company and the Shareholders as a whole.

Even if payment of Cancellation Price is to be financed by external debt financing, as described in the paragraph headed “(3) Funding for the Merger” in the section headed “4. *CANCELLATION PRICE*” in this letter, the payment of interests on, repayment of or security for any liability, contingent or otherwise, in connection with such external debt financing, is not intended to depend on, to any significant extent, business of the Company.

8. INFORMATION ON THE OFFEROR AND THE COMPANY

(1) Information on the Offeror

The Offeror is a company incorporated in the PRC with limited liability on 24 October 2023. The Offeror is newly incorporated by Weiqiao Chuangye for the purpose of the Merger. The business scope of the Offeror as set out in the business registration certificate including, *inter alia*, the production, sale and distribution of cotton yarn, fabric dyeing and processing, garment manufacturing, sale of metal ores and electricity and steam business.

As at the Latest Practicable Date, the Offeror was wholly owned by Weiqiao Chuangye, which is principally engaged in the processing and sales of cotton, lint cotton, cotton seed oil, fabrics, cotton yarn and print cloth, retail and distribution of cloth and supply of industrial water.

As at the Latest Practicable Date, Weiqiao Chuangye was owned as to 31.20% by Shandong Weiqiao Investment Holdings Company Limited (山東魏橋投資控股有限公司) (“**Shandong Weiqiao Investment**”), the single largest shareholder of Weiqiao Chuangye, as to 48.80% by 13 current and former senior management members of Weiqiao Chuangye (among which, approximately 18.81% is currently in the estate of the late Mr. Zhang, approximately 5.60% by Mr. Zhang Bo, approximately 7.78% by Ms. Zhang and her close relative collectively, approximately 4.50% by Ms. Zhang Yanhong), and as to 20% by Binzhou Hanchuang Technological Development Partnership (Limited Partnership) (濱州瀚創科技發展合夥企業(有限合夥))(the “**Partnership**”), a partnership held as to approximately 99.98% by Shandong Weiqiao Chuangye Group Company Limited Union Committee (山東魏橋創業集團有限公司工會委員會) and approximately 0.02% by Mr. Zhang Bo. Mr. Zhang Bo is also the general partner and executive partner of the Partnership.

As at the Latest Practicable Date, Shandong Weiqiao Investment had 25 registered individual shareholders. 20.69% of the equity interests of Shandong Weiqiao Investment is currently in the estate of the late Mr. Zhang, and additional 5.17% of the equity interests is registered in the name of the late Mr. Zhang on behalf of 29 individuals. Mr. Yang Guangchang holds as to 3.45% of the equity interests in Shandong Weiqiao Investment and additional 1.72% of the equity interests is registered in the name of Mr. Yang Guangchang on behalf of 10 individuals. The remaining 68.97% of the equity interests in Shandong Weiqiao Investment are held by the other 23 individuals and the shareholding of each of them does not exceed 5%.

The Offeror and the parties acting in concert with it will not be considered as Independent H Shareholders under the Takeovers Code and will not be entitled to vote at the H Shareholders’ Class Meeting.

(2) Information on the Company

The Company is a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed and traded on the Stock Exchange. The Group is primarily engaged in the production, sales and distribution of cotton yarn, grey fabric and denim as well as electricity and steam business.

The Company is owned directly and indirectly as to approximately 63.67% by Weiqiao Chuangye. Each of Mr. Zhang Bo, Ms. Zhang and Ms. Zhang Yanhong owns 2,080,000 Domestic Shares, 19,260,400 Domestic Shares and 1,560,000 Domestic Shares, representing approximately 0.17%, 1.61% and 0.13% of the voting interests in the Company, respectively.

(3) Shareholding in the Company

As at the Latest Practicable Date, the relevant securities of the Company in issue were 1,194,389,000 Shares, which comprised 413,619,000 H Shares and 780,770,000 Domestic Shares.

Set out below was the shareholding in the Company as at the Latest Practicable Date:

Shareholders	Number of H Shares interested	Approximate % of the H Shares in issue	Approximate		Number of Shares in issue	Approximate % of the Shares in issue
			Number of Domestic Shares interested	% of the Domestic Shares in issue		
The Offeror	-	-	-	-	-	-
Weiqiao Chuangye	-	-	757,869,600	97.07%	757,869,600	63.45%
Weiqiao Chuangye (HK)	2,571,500	0.62%	-	-	2,571,500	0.22%
Mr. Zhang Bo	-	-	2,080,000	0.27%	2,080,000	0.17%
Ms. Zhang	-	-	19,260,400	2.47%	19,260,400	1.61%
Ms. Zhang Yanhong	-	-	1,560,000	0.20%	1,560,000	0.13%
The Offeror and its concert parties	2,571,500	0.62%	780,770,000	100%	783,341,500	65.59%
Independent H Shareholders	411,047,500	99.38%	-	-	411,047,500	34.41%
Total number of Shares in issue	413,619,000	100%	780,770,000	100%	1,194,389,000	100%

Notes:

- CICC is the financial adviser to the Offeror in respect of the Merger. Accordingly, CICC and members of the CICC group are presumed to be acting in concert with the Offeror in respect of shareholdings of the CICC group in the Company in accordance with class (5) of the definition of "acting in concert" under the Takeovers Code (except in respect of the Shares held by members of the CICC group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code). Members of the CICC group which are exempt principal traders and exempt fund managers which are connected for the sole reason that they control, are controlled by or are under the same control as CICC are not presumed to be acting in concert with the Offeror.*

As at the Latest Practicable Date, except for Shares held by members of the CICC group acting in the capacity of exempt principal traders or exempt fund managers or Shares held on behalf of non-discretionary investment clients, members of CICC group did not own or control any Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, nor were there any Shares (or convertible securities, warrants, options or derivatives in respect thereof) borrowed or lent, or dealt for value in, by any member of the CICC group during the Relevant Period.

Shares held by any member of the CICC group acting in the capacity of an exempt principal trader connected with the Offeror or the Company shall not be voted at the EGM or the H Shareholders' Class Meeting in accordance with the requirement of Rule 35.4 of the Takeovers Code, and the Shares held by any member of the CICC group in the capacity of an exempt principal trader for and on behalf of non-discretionary investment clients (that are not the Offeror or any person who is acting in concert with the Offeror) shall not be voted at the EGM or the H Shareholders' Class Meeting unless otherwise confirmed with the Executive. Shares held by such exempt principal traders may, subject to consent of the Executive, be allowed to be voted at the EGM and the H Shareholders' Class Meeting if (i) the relevant connected exempt principal trader holds the Shares as a simple custodian for and on behalf of non-discretionary clients; and (ii) there are contractual arrangements in place between the relevant connected exempt principal trader and its client that strictly prohibit the relevant connected exempt principal trader from exercising any voting discretion over the relevant Shares, (iii) all voting instructions shall originate from the client only (if no instructions are given, then no votes shall be cast for the relevant Shares held by the relevant connected exempt principal trader); and (iv) the client is not the Offeror or any person who is acting in concert with the Offeror.

As at the Latest Practicable Date, the Offeror did not own any Share. Weiqiao Chuangye, which directly and beneficially owns the entire equity interest of the Offeror, owned 757,869,600 Domestic Shares directly and 2,571,500 H Shares through Weiqiao Chuangye (HK), together representing approximately 63.67% of the voting interests in the Company. Mr. Zhang Bo, Ms. Zhang and Ms. Zhang Yanhong owned 2,080,000 Domestic Shares, 19,260,400 Domestic Shares and 1,560,000 Domestic Shares, representing approximately 0.17%, 1.61% and 0.13% of the voting interests in the Company, respectively. Therefore, as at the Latest Practicable Date, the Offeror and its concert parties in aggregate held 783,341,500 Shares (including 780,770,000 Domestic Shares and 2,571,500 H Shares), representing approximately 65.59% of the voting interests in the Company.

As at the Latest Practicable Date, the Company did not have any outstanding options, warrants, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

9. ARRANGEMENTS FOR IMPLEMENTATION OF THE MERGER AGREEMENT

On 17 January 2024, the Offeror and the Company jointly announced that the Pre-Conditions had been satisfied. As at the Latest Practicable Date, none of the Conditions to effectiveness and Conditions to implementation had been satisfied or (if applicable) waived. Upon satisfaction of all the Conditions to effectiveness, the Company does not intend to retain its listing on the Stock Exchange and will apply to the Stock Exchange for voluntary withdrawal of the listing of the H Shares from the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules.

The Company will issue separate announcement(s) notifying H Shareholders of the proposed withdrawal of listing and the exact dates and relevant arrangements for the last day for dealing in the H Shares on the Stock Exchange as well as when the formal delisting of the H Shares will become effective.

The listing of the H Shares on the Stock Exchange will not be withdrawn if the Merger is not approved or lapses or does not become unconditional for any reason. In such cases, no cancellation of the Shares will take place pursuant to the Merger Agreement and the Company's public float will not be affected as a result of the Merger not being approved or otherwise lapses or does not become unconditional.

10. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Board has established the Independent Board Committee, consisting of all of the independent non-executive Directors, being Mr. George Chan Wing Yau, Mr. Chen Shuwen and Mr. Liu Yanzhao, to advise the Independent H Shareholders as to: (a) whether the terms of the Merger are fair and reasonable for the purpose of the Takeovers Code; and (b) whether to vote in favour of the Merger at the EGM and the H Shareholders' Class Meeting. As Ms. Zhao Suhua, the non-executive Director, is the wife and the sister of the relevant shareholders of Weiqiao Chuangye, the Board is of the view that Ms. Zhao Suhua does not possess sufficient independence to serve as a member of the Independent Board Committee. For the opinions and advice of the Independent Board Committee, please refer to section headed "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" in this document.

Elstone Capital has been appointed as the Independent Financial Adviser to provide advice to the Independent Board Committee and the Independent H Shareholders in respect of the Merger. Such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code. For the opinions and advice of the Independent Financial Adviser, please refer to section headed "LETTER FROM THE INDEPENDENT FINANCIAL ADVISER" in this document.

11. EGM AND H SHAREHOLDERS' CLASS MEETING

The Company will convene the EGM and the H Shareholders' Class Meeting for the Shareholders and the H Shareholders respectively, to consider and, if thought fit, approve matters including the Merger.

In compliance with Rule 2.10 of the Takeovers Code, which is applicable to the Merger, the Merger Agreement and the Merger are conditional on (1) the approval by way of poll by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy at the H Shareholders' Class Meeting; and (2) the number of votes cast against the resolution(s) at the H Shareholders' Class Meeting is not more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders.

The H Shareholders who have been registered as holders of H Shares on the register of members of the Company kept by the registrar of H Shares, Computershare Hong Kong Investor Services Limited, on Friday, 8 March 2024 will be entitled to attend the EGM and the H Shareholders' Class Meeting.

(1) Suspension of registration of Share transfers

The register of members of the Company will be closed from Wednesday, 7 February 2024 to Friday, 8 March 2024 (both dates inclusive), during which no registration of transfers of Shares will be processed. If applicable, the Shareholders and the H Shareholders intending to attend the EGM and the H Shareholders' Class Meeting respectively must lodge their respective transfer documents and relevant share certificates with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for H Shareholders) or the office of the secretary to the Board at Room 412, Fourth Floor, Company Office Building, No. 1 Wei Fang Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the PRC (for Domestic Shareholders) no later than 4:30 p.m. on Tuesday, 6 February 2024.

(2) Proxy forms and reply slips

Whether or not you intend to attend the EGM or the H Shareholders' Class Meeting, you are strongly urged to indicate your voting instructions and complete and return the proxy forms in accordance with the instructions printed thereon. The proxy forms should be returned as soon as possible (but in any event not less than 24 hours before the appointed time for holding the relevant meeting or any adjournment thereof, i.e. by 9:00 a.m. on Thursday, 7 March 2024 in respect of the EGM and by 9:30 a.m. on Thursday, 7 March 2024 in respect of the H Shareholders' Class Meeting). In the event that the relevant proxy form has been returned to the Company's H Share registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or the office of the secretary to the Board

(as the case may be) after the abovementioned deadline (where applicable), it will be considered to be invalid and will not be taken into account. After completion and return of the proxy forms, you may still attend and vote at the relevant meetings should you so wish.

If you are eligible and intend to attend the relevant meetings, please complete and return the relevant reply slips in accordance with the instructions printed thereon. Reply slips should be returned as soon as possible (but in any event not later than 20 days before the scheduled date for holding the relevant meetings or any adjournment thereof).

(3) Voting at the EGM and the H Shareholders' Class Meeting

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions will be passed by way of poll at the EGM and the H Shareholders' Class Meeting.

In addition, the Company reminds all Shareholders that physical attendance in person at the EGM and/or the H Shareholders' Class Meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the relevant meetings as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM and/or the H Shareholders' Class Meeting in person.

The PRC Company Law does not require any Shareholders to abstain from voting in respect of the Merger at the EGM, and hence the Offeror, Weiqiao Chuangye and any parties acting in concert with any of them will vote in favour of the resolutions in relation to the Merger at the EGM. Nevertheless, the Offeror, Weiqiao Chuangye and any parties acting in concert with any of them (including Weiqiao Chuangye (HK), Mr. Zhang Bo, Ms. Zhang and Ms. Zhang Yanhong) will abstain from voting at the H Shareholders' Class Meeting for the purpose of satisfying the requirements under Rule 2.10 of the Takeovers Code, as set out under paragraph (2) of the Conditions to effectiveness in the section headed "3. *PRINCIPAL TERMS OF THE MERGER AGREEMENT*" in this document. There are no other restrictions imposed on any Independent H Shareholders to cast votes on the relevant resolutions at the H Shareholders' Class Meeting.

12. TAXATION

(1) Non-tax advice

You should consult with your professional adviser to understand the possible tax implications of the Merger or the exercise of the Dissenting Shareholders' rights. None of the Company, the Offeror, CICC or the Independent Financial Adviser, nor their respective ultimate beneficial owners, directors, officers, employees, agents, affiliates, advisers, associates or any person participating in the Merger, assume any liability in respect of any tax incurred or other implication of any exercise of the Dissenting Shareholders' rights.

(2) Hong Kong stamp duty

As implementation of the Merger involves cancellation of the H Shares but not the sale and purchase of Hong Kong stock, and in this respect only, no stamp duty will be payable pursuant to the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong.

For the Dissenting Shareholders who exercise their right to require acquisition of their H Shares, Hong Kong stamp duty is payable at the rate of 0.1% of the consideration by each of the seller and the buyer. The stamp duty payable by the seller will be deducted from the cash received by the relevant Dissenting Shareholders who exercise such right.

13. RECOMMENDATION OF THE BOARD

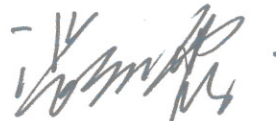
The Board (other than members of the Independent Board Committee, whose views are given in the section headed “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” in this document) is of the view that the terms of the Merger Agreement, including the Cancellation Price, and the proposed Merger are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Having considered the terms of the Merger Agreement and taken into account the advice from the Independent Financial Adviser, the Independent Board Committee is of the view that the terms of the Merger Agreement and the proposed Merger are fair and reasonable so far as the Independent H Shareholders are concerned. Therefore, the Board recommends that the Shareholders vote in favour of the resolutions in relation to the Merger at the EGM and (if applicable) the H Shareholders’ Class Meeting.

14. OTHER INFORMATION

In considering what action to take in connection with the Merger, you should consider your own tax position and, if you are in any doubt, you should consult your professional advisors.

You are urged to read carefully the letter from the Independent Board Committee on pages 34 to 35 of this document, the letter from the Independent Financial Adviser on pages 36 to 67 of this document and the property valuation report issued by Asia-Pacific Consulting and Appraisal Limited on pages II-1 to II-24 of this document. Your attention is also drawn to the additional information set out in the Appendices to this document, all of which form part of this document.

By order of the Board
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).