
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Merger, this document or as to the action to be taken, you should consult a licensed securities dealer or other registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser (including tax adviser).

If you have sold or transferred all your shares in the Company, you should at once hand this document and the accompanying forms of proxy to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document and the accompanying forms of proxy, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document and the accompanying forms of proxy.

山東魏橋紡織科技有限公司
Shandong Weiqiao Textile
Technology Company Limited*
*(a company incorporated in the People's
Republic of China with limited liability)*


魏橋紡織股份有限公司
Weiqiao Textile Company Limited*
*(a joint stock company incorporated in the People's Republic of
China with limited liability)*
(Stock Code: 2698)

**(1) PROPOSED PRIVATISATION OF WEIQIAO TEXTILE BY WEIQIAO TEXTILE
TECHNOLOGY BY WAY OF MERGER BY ABSORPTION OF WEIQIAO TEXTILE
(2) PROPOSED WITHDRAWAL OF LISTING
(3) NOTICE OF THE EXTRAORDINARY GENERAL MEETING
AND
(4) NOTICE OF THE H SHAREHOLDERS' CLASS MEETING**

Financial adviser to the Offeror



Independent Financial Adviser to the Independent Board Committee



Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this document.

This document is jointly issued by the Company and the Offeror. A letter from the Board is set out on pages 9 to 33 of this document. A letter from the Independent Board Committee containing its recommendations to the Independent H Shareholders is set out on pages 34 to 35 of this document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee is set out on pages 36 to 67 of this document.

The notices convening the EGM and the H Shareholders' Class Meeting to be held at the conference hall 401 on the Fourth Floor, Company Office Building, No. 1 Wei Fang Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the PRC on Friday, 8 March 2024 (i) in relation to the EGM, at 9:00 a.m., and (ii) in relation to the H Shareholders' Class Meeting, at 9:30 a.m., or immediately following the conclusion of the EGM or any adjournment thereof are contained in this document. Shareholders are advised to read the notices and to complete and return the enclosed forms of proxy for use at the EGM and the H Shareholders' Class Meeting in accordance with the instructions printed thereon. If you intend to attend the EGM and H Shareholders' Class Meeting, please complete and return the appropriate reply slip in accordance with the instructions printed thereon as soon as possible and in any event by no later than Saturday, 17 February 2024.

Whether or not you are able to attend and vote at the EGM and H Shareholders' Class Meeting or any adjournment thereof in person, you are requested to complete and return the accompanying forms of proxy in accordance with the instructions printed thereon and return them to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited (for holders of H Shares) at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or the office of the secretary to the Board (for holders of Domestic Shares) at Room 412, Fourth Floor, Company Office Building, No. 1 Wei Fang Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the PRC, together with the power of attorney or other authority (if any) under which it is signed (or a notorially certified copy thereof), as soon as possible and in any event not later than 24 hours before the time appointed for holding the EGM and the H Shareholders' Class Meeting or any adjournment thereof (as the case may be).

Completion and return of the forms of proxy will not preclude you from attending and voting in person at the EGM, the H Shareholders' Class Meeting or any adjournment thereof should you so wish and in such event, the forms of proxy shall be deemed to be revoked.

23 January 2024

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

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made as and when appropriate.

Unless otherwise expressly stated, all references to times and dates in this document refer to Hong Kong times and dates.

Latest time for lodging transfers of
H Shares in order to be entitled to attend and vote
at the EGM and the H Shareholders' Class Meeting 4:30 p.m. on
Tuesday, 6 February 2024

Closure of registers for transfers of Shares for determination
of the Shareholders entitled to attend and vote at the EGM and the
H Shareholders' Class Meeting Wednesday, 7 February 2024 to
Friday, 8 March 2024
(both dates inclusive)

Latest date for receiving reply slips for the EGM and the
H Shareholders' Class Meeting Saturday, 17 February 2024

Latest time for lodging proxy forms in respect of the EGM 9:00 a.m. on
Thursday, 7 March 2024

Latest time for lodging proxy forms in respect of the
H Shareholders' Class Meeting 9:30 a.m. on
Thursday, 7 March 2024

Record date for Shareholders for the EGM and the H Shareholders
for the H Shareholders' Class Meeting Friday, 8 March 2024

EGM 9:00 a.m. on
Friday, 8 March 2024

H Shareholders' Class Meeting 9:30 a.m. on
Friday, 8 March 2024
or immediately following the
conclusion of the EGM or any
adjournment thereof on
Friday, 8 March 2024

Announcement of the results of the EGM
and the H Shareholders' Class Meeting by 7:00 p.m. on
Friday, 8 March 2024

Expected date for all Conditions to effectiveness to be satisfied ⁽¹⁾ Friday, 8 March 2024

EXPECTED TIMETABLE

Announcement of the satisfaction of all Conditions to effectiveness, last day for dealings in H Shares and expected date of withdrawal of listing of H Shares ⁽²⁾	Friday, 8 March 2024
Resumption of registers for transfer of Shares	Monday, 11 March 2024
Each of the Offeror and the Company notifies its creditors and makes a public announcement of the Merger pursuant to the PRC Company Law	Within 10 days (for the notice to creditors) i.e. by Monday, 18 March 2024 and 30 days (for the announcement) i.e. by Sunday, 7 April 2024 following the EGM and the H Shareholders' Class Meeting
Last day for dealings in H Shares	4:10 p.m. on Monday, 11 March 2024
Latest time for lodging transfers of H Shares in order to be entitled to receive the Cancellation Price	4:30 p.m. on Friday, 15 March 2024
Closure of registers of members of the Company (until the Company's deregistration occurs)	From Monday, 18 March 2024 onwards
Announcement that all the Conditions to implementation are satisfied (or waived, as applicable) ⁽²⁾	by 8:30 a.m. on Tuesday, 19 March 2024
Expected date and time of withdrawal of listing of H Shares	4:00 p.m. on Tuesday, 19 March 2024
Latest date for payment of the Cancellation Price or issuance of registered capital of the Offeror ^(3 & 4)	Thursday, 28 March 2024
End of the period during which creditors may request the Offeror and the Company to pay off their respective indebtedness or provide guarantees	Within 30 days after the receipt of notice by creditors or 45 days after the issue of announcement to creditors if the aforesaid notice has not been received by creditors (whichever is the latest)

EXPECTED TIMETABLE

Note:

- (1) The Conditions to effectiveness shall be satisfied upon passing of the requisite resolutions at the EGM and the H Shareholders' Class meeting as set out in the section headed "3. *PRINCIPAL TERMS OF THE MERGER AGREEMENT – Conditions to effectiveness*" in the "LETTER FROM THE BOARD" of this document.
- (2) The Offeror and the Company will jointly publish announcement(s) when or as soon as reasonably practicable after all Conditions to effectiveness have been satisfied and the Conditions to implementation have been satisfied or waived, as appropriate.
- (3) Payment of Cancellation Price will be made by way of cheques, which will be sent by ordinary post at the risk of the persons entitled thereto.
- (4) The Offeror shall 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 in the section headed "3. *PRINCIPAL TERMS OF THE MERGER AGREEMENT – Conditions to effectiveness*" in the "LETTER FROM THE BOARD" of this document).

Shareholders and potential investors in the securities of the Company should be aware that the expected last day for dealings in H Shares will be Monday, 11 March 2024. In order for the transferee to be entitled to receive the Cancellation Price, the transfer documents and the relevant share certificates must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited (for holders of H Shares) at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by 4:30 p.m. on Friday, 15 March 2024.

If the transfer documents and the relevant share certificates are not lodged with the Company's H Share registrar by 4:30 p.m. on Friday, 15 March 2024 as set out above, the transferee will not be entitled to receive the Cancellation Price.

The Shareholders and potential investors in the securities of the Company should be aware that the Merger is subject to the Conditions set out in this document being satisfied or waived, as applicable, and neither the Offeror nor the Company provides any assurance that any or all of the Conditions can be satisfied, and thus the Merger Agreement may or may not become effective or, if effective, may or may not be implemented or completed. Shareholders and potential investors in the securities of the Company should therefore exercise caution when dealing in the securities of the Company.

Persons who are in doubt as to the action to take and the implications arising from the Merger should consult their stockbroker, bank manager, solicitor or other professional advisers (including tax adviser regarding the tax consequences of the cancellation of the H Shares and the implementation of the Merger).

IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to this document as a whole and you are therefore advised to read this disclaimer page carefully before accessing, reading or making any other use of this document. In, and as a result of, accessing this document you agree, and you are deemed to agree, to be bound by the following terms and conditions.

NOTICE TO SHAREHOLDERS OUTSIDE OF HONG KONG

The making of the proposal of the Merger to the Overseas Shareholders may be subject to the laws of the relevant jurisdictions. Overseas Shareholders should observe any applicable legal or regulatory requirements. It is the responsibility of the Overseas Shareholders wishing to accept the proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due by the Overseas Shareholders in such jurisdiction.

NOTICE TO U.S. HOLDERS OF SHARES

The Merger will involve the cancellation of the securities of a company incorporated in the PRC with limited liability by means of a merger by absorption provided for under the laws of the PRC. The Merger is subject to Hong Kong disclosure requirements, which are different from those of the United States. The financial information included in this document has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The Merger will be made in the United States pursuant to the applicable U.S. tender offer rules or certain available exemptions or exceptions therefrom and otherwise in accordance with the requirements of the Hong Kong laws. Accordingly, the Merger will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and laws.

The receipt of cash as consideration for the cancellation of the Shares maybe a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each Shareholder is urged to consult his/her/its independent professional advisor immediately regarding the tax consequences of the implementation of the Merger.

IMPORTANT NOTICE

U.S. holders of Shares may encounter difficulty enforcing their rights and any claim arising out of the U.S. federal securities laws, as the Offeror and the Company are located in a country outside the United States and some or all of their respective officers and directors may be residents of a country other than the United States. U.S. holders of Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, U.S. holders of Shares may encounter difficulty compelling a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the U.S. Exchange Act, the Offeror hereby discloses that it or its affiliates, or its nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, other than pursuant to the Merger, before or during the Offer Period. In accordance with the Takeovers Code and Rule 14e-5(b) of the U.S. Exchange Act, CICC and its affiliates may continue to act as exempt principal traders in the Shares on the Stock Exchange. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that (i) any such purchase or arrangement complies with applicable law, including but not limited to the Takeovers Code, and is made outside the United States and (ii) the Cancellation Price is increased to match any consideration paid in any such purchase or arrangement. Any information about such purchases will be reported to the SFC in accordance with the requirements of the Takeovers Code and, to the extent made public by the SFC, will be available on the websites of the SFC at <http://www.sfc.hk> and the Stock Exchange at www.hkexnews.hk.

ACTIONS TO BE TAKEN

Whether or not they are able to attend the EGM or the H Shareholders' Class Meeting (where applicable) in person, the Shareholders are strongly urged to indicate their voting instructions and complete and sign the enclosed form of proxy in respect of the EGM in accordance with the instructions printed thereon and the H Shareholders are strongly urged to indicate their voting instructions and complete and sign the enclosed form of proxy in respect of the H Shareholders' Class Meeting in accordance with the instructions printed thereon as soon as possible, but in any case not later than the following respective times:

- (1) in the case of the form of proxy for use at the EGM, the Shareholders are requested to deposit such form of proxy no later than 9:00 a.m. on Thursday, 7 March 2024 at the Company's registrar for H Shares (in respect of H Shareholders) at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or at the office of the secretary to the Board in the PRC (in respect of Domestic Shareholders) at Room 412, Fourth Floor, Company Office Building, No. 1 Wei Fang Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the PRC; and
- (2) in the case of the form of proxy for use at the H Shareholders' Class Meeting, the H Shareholders are requested to deposit such form of proxy no later than 9:30 a.m. on Thursday, 7 March 2024 at the Company's registrar for H Shares at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

In the event that the relevant form of proxy has been returned to the Company's registrar for H Shares 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. The completion and return of a form of proxy for any of the meetings will not preclude you from attending and voting in person at the relevant meetings or any adjournment thereof, should you so wish. In the event that you attend and vote at any of the meetings or any adjournment thereof after having deposited the relevant form of proxy, that form of proxy will be deemed to have been revoked.

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).

The latest time for lodging transfers of H Shares in order to be entitled to attend and vote at the EGM and the H Shareholders' Class Meeting is 4:30 p.m. on Tuesday, 6 February 2024. For the purpose of determining the entitlements of the Shareholders to attend and vote at the EGM and the H Shareholders to attend and vote at the H Shareholders' Class Meeting, the Company's registers of members will be closed from Wednesday, 7 February 2024 to Friday, 8 March 2024 (both dates inclusive). During such period, no transfer of Shares will be effected.

ACTIONS TO BE TAKEN

Only Shareholders whose names are on the Company's registers of members on Friday, 8 March 2024 are entitled to vote at the relevant meetings. Each Shareholder on the Company's registers of members on Friday, 8 March 2024 is entitled to cast one vote per Share in respect of the Merger at the EGM. Each Independent H Shareholder on the Company's registers of members on Friday, 8 March 2024 is entitled to cast one vote per H Share in respect of the Merger at the H Shareholders' Class Meeting.

An announcement will be made by the Company in relation to the result of EGM and the H Shareholders' Class Meeting. Further announcement(s) will be made as and when appropriate in respect of the satisfaction or waiver, as appropriate, of the Conditions to effectiveness and Conditions to implementation.

DEFINITIONS

In this document, the following expressions have the meanings set out below, unless the context requires otherwise:

“acting in concert”	has the meaning given to it under the Takeovers Code and “concert party” or “concert parties” shall be construed accordingly;
“Articles”	the articles of association of the Company;
“associate(s)”	has the meaning given to it under the Listing Rules or the Takeovers Code (as the case may be);
“Board”	board of directors of the Company;
“Brandes Investment”	Brandes Investment Partners, L.P., a limited partnership registered under the laws of Delaware, the United States and an investment adviser with investment authority from its clients over 38,419,000 H Shares, 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;
“business day”	a day on which the Stock Exchange is open for the transaction of business;
“Cancellation Price”	the cancellation price of HK\$3.50 per H Share and RMB3.180870 per Domestic Share payable in cash by the Offeror to the Shareholders (other than Weiqiao Chuangye, as described in the section headed “3. <i>PRINCIPAL TERMS OF THE MERGER AGREEMENT</i> ” in the “LETTER FROM THE BOARD” in this document);
“CICC”	China International Capital Corporation Hong Kong Securities Limited, the financial adviser to the Offeror in respect of the Merger. CICC is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities;
“close relative(s)”	has the meaning given to it under the Takeovers Code;

DEFINITIONS

“Company” or “Weiqiao Textile”	Weiqiao Textile Company Limited* (魏橋紡織股份有限公司), 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 (Stock Code: 02698);
“Conditions”	collectively, the Conditions to effectiveness and the Conditions to implementation;
“Conditions to effectiveness”	has the meaning given to it in the section headed “3. <i>PRINCIPAL TERMS OF THE MERGER AGREEMENT</i> ” in the “LETTER FROM THE BOARD” in this document;
“Conditions to implementation”	has the meaning given to it in the section headed “3. <i>PRINCIPAL TERMS OF THE MERGER AGREEMENT</i> ” in the “LETTER FROM THE BOARD” in this document;
“Consenting Shareholders”	the Shareholders who have approved the Merger;
“Declaration Period”	a period commencing on the Delisting Date and expiring on the fifth (5th) business day from (and including) the Delisting Date, during which any Dissenting Shareholder may declare to exercise its right;
“Delisting Date”	the date on which the listing of the Company on the Stock Exchange has been withdrawn;
“Director(s)”	director(s) of the Company;
“Discretionary Brandes Clients”	clients of Brandes Investment for which it has discretionary voting authority;
“Dissenting Shareholder”	a Shareholder who has validly voted against the resolutions in respect of the Merger at the EGM and the H Shareholders’ Class Meeting and has requested the Company or the Consenting Shareholders to acquire its Shares at a “fair price”;
“Domestic Share(s)”	the domestic shares of the Company, with a RMB denominated par value of RMB1.00 each, representing approximately 65.37% of the issued share capital of the Company as at the Latest Practicable Date;

DEFINITIONS

“Domestic Shareholder(s)”	the holder(s) of Domestic Share(s), being Weiqiao Chuangye, Mr. Zhang Bo, Ms. Zhang and Ms. Zhang Yanhong;
“EGM”	the extraordinary general meeting of the Company to be convened at 9:00 a.m. on Friday, 8 March 2024 at the conference hall 401 on the Fourth Floor, Company Office Building, No. 1 Wei Fang Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the PRC, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger and relevant arrangements, which will be chaired by Mr. Liu Yanzhao, an independent non-executive Director;
“Exchange Rate”	the exchange rate of HK\$1: RMB0.90882, which is the latest available central parity rate of RMB to Hong Kong Dollar as at the date of the Joint Announcement as announced by the People’s Bank of China;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“exempt fund manager”	has the meaning given to it under the Takeovers Code;
“exempt principal trader”	has the meaning given to it under the Takeovers Code;
“Exercise Date”	the date on which the Company and/or the Consenting Shareholders (or the Offeror, if so elected by the Company and/or the Consenting Shareholders) pays cash consideration to Dissenting Shareholders who exercise their right to acquire the Shares held and effectively declared by them at “fair price”, which will be decided and announced by the Company;
“Group”	the Company and its subsidiaries;
“H Share(s)”	the ordinary shares issued by the Company, with a RMB denominated par value of RMB1.00 each, which are subscribed for and paid up in Hong Kong dollars and are listed and traded on the Stock Exchange, representing approximately 34.63% of the issued share capital of the Company as at the Latest Practicable Date;
“H Shareholder(s)”	the holder(s) of H Shares;

DEFINITIONS

“H Shareholders’ Class Meeting”	class meeting of the Company to be convened for H Shareholders at 9:30 a.m. or immediately following the conclusion of the EGM on Friday, 8 March 2024 at the conference hall 401 on the Fourth Floor, Company Office Building, No. 1 Wei Fang Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the PRC, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger and relevant arrangements, which will be chaired by Mr. Liu Yanzhao, an independent non-executive Director;
“HK\$” or “Hong Kong Dollar”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent board committee established by the Company for the purposes of considering the Merger, which comprises all of the independent non-executive Directors, being Mr. George Chan Wing Yau, Mr. Chen Shuwen and Mr. Liu Yanzhao;
“Independent Financial Adviser” or “Elstone Capital”	Elstone Capital Limited, a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity, and being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent H Shareholders in respect of (among other things) the Merger;
“Independent H Shareholders”	the H Shareholders other than the Offeror, Weiqiao Chuangye and any party acting in concert with any of them (including Weiqiao Chuangye (HK), Mr. Zhang Bo, Ms. Zhang and Ms. Zhang Yanhong);
“Irrevocable Undertaking”	the irrevocable undertaking given by Brandes Investment in favour of the Offeror and Weiqiao Chuangye on 4 December 2023, details of which as described in the section headed “5. <i>IRREVOCABLE UNDERTAKING BY BRANDES INVESTMENT</i> ” in the “LETTER FROM THE BOARD” in this document;

DEFINITIONS

“IU Share(s)”	38,419,000 H Shares held by Brandes Investment in the capacity of investment manager, 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;
“Joint Announcement”	the announcement jointly published by the Offeror and the Company dated 4 December 2023, which states, amongst other things, the proposal of the Merger of the Offeror and the Company in accordance with the Merger Agreement;
“Last Trading Date”	24 November 2023, the last trading day prior to the halt of trading in the H Shares on the Stock Exchange pending the release of the Joint Announcement;
“Latest Practicable Date”	19 January 2024, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained therein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long-stop Date”	31 October 2024, being the last date the Pre-Conditions, the Conditions to effectiveness and the Conditions to implementation can be satisfied, unless the Offeror and the Company otherwise agree, subject to the consent of the SFC;
“Merger”	the proposed merger by absorption of the Company by the Offeror in accordance with the PRC Company Law and other applicable PRC Laws as contemplated under the Merger Agreement;
“Merger Agreement”	the merger agreement entered into between the Offeror and the Company on 4 December 2023 in relation to the Merger;
“Mr. Zhang”	the late Mr. Zhang Shiping, a former Director;
“Mr. Zhang Bo”	Mr. Zhang Bo, the son of the late Mr. Zhang;
“Ms. Zhang”	Ms. Zhang Hongxia, an executive Director, the chairman of the Board and the elder daughter of the late Mr. Zhang;

DEFINITIONS

“Ms. Zhang Yanhong”	Ms. Zhang Yanhong, an executive Director and the younger daughter of the late Mr. Zhang;
“Non-discretionary Brandes Clients”	clients of Brandes Investment over whom it does not have discretionary voting authority;
“Offer Period”	has the meaning ascribed to it under the Takeovers Code, being the period commencing on 4 December 2023 (the date of the Joint Announcement) and ending on the Delisting Date or the date on which the Merger is not approved or otherwise lapses or the date determined by the Executive as the date on which the relevant offer period shall end, whichever is earlier;
“Offeror” or “Weiqiao Textile Technology”	Shandong Weiqiao Textile Technology Company Limited* (山東魏橋紡織科技有限公司), a company incorporated in the PRC with limited liability which is wholly-owned by Weiqiao Chuangye;
“Operating Agreement”	the agreement entered into among the Offeror, Weiqiao Chuangye, Mr. Zhang Bo, Ms. Zhang and Ms. Zhang Yanhong on 4 December 2023 as further described in the section headed “3. <i>PRINCIPAL TERMS OF THE MERGER AGREEMENT</i> ” in the “LETTER FROM THE BOARD” in this document;
“Overseas Shareholders”	Shareholders whose names appear on the register of members of the Company and whose addresses are in a place outside Hong Kong, if any;
“PRC” or “China”	the People’s Republic of China, which for the purposes of this document does not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan unless the context otherwise specifies;
“PRC Company Law”	the Company Law of the PRC, as amended, supplemented or otherwise modified from time to time;
“PRC Laws”	any and all laws, regulations, statutes, rules, decrees, notices, and supreme court’s judicial interpretations as may be in force and publicly available in the PRC from time to time;

DEFINITIONS

“Pre-Conditions”	has the meaning given to it in the section headed “3. <i>PRINCIPAL TERMS OF THE MERGER AGREEMENT</i> ” in the “LETTER FROM THE BOARD” in this document;
“Relevant Period”	the period commencing from 4 June 2023 (i.e. the date that is six months prior to the publishing date of the Joint Announcement) and ending on and including the Latest Practicable Date;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as revised, supplemented or otherwise modified from time to time);
“Shareholders”	H Shareholders and Domestic Shareholders;
“Shares”	collectively, H Shares and Domestic Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Code on Takeovers and Mergers published by the SFC (as revised, supplemented or otherwise modified from time to time);
“trading day”	a day on which the Stock Exchange is open for dealing or trading in securities;
“United States” or “U.S.”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia;
“U.S. Exchange Act”	the U.S. Securities Exchange Act of 1934, as amended;
“Weiqiao Chuangye”	Shandong Weiqiao Chuangye Group Company Limited* (山東魏橋創業集團有限公司), a company incorporated in the PRC with limited liability, which directly and indirectly held (i) 100% of the shares of the Offeror and (ii) approximately 63.67%, directly and indirectly, of the Company’s issued share capital as at the Latest Practicable Date;

DEFINITIONS

“Weiqiao Chuangye (HK)” Weiqiao Pioneering (HongKong) Import&Export Company Limited (魏橋創業(香港)進出口有限公司), a company incorporated in Hong Kong with limited liability, which is wholly-owned by Weiqiao Chuangye; and

“%” per cent.

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

LETTER FROM THE BOARD



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

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

Executive Directors:

Ms. Zhang Hongxia (Chairman)
Ms. Zhang Yanhong (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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

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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.

LETTER FROM THE BOARD

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”.

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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.

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

- (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;

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- (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.

LETTER FROM THE BOARD

(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).

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

(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.*

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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

LETTER FROM 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.

LETTER FROM THE BOARD

(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
Wei Qiao 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 “Wei Qiao Textile Company Limited” and the Chinese name of the Company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

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

23 January 2024

To the Independent H Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF WEIQIAO TEXTILE
BY WEIQIAO TEXTILE TECHNOLOGY BY WAY OF MERGER
BY ABSORPTION OF WEIQIAO TEXTILE
(2) PROPOSED WITHDRAWAL OF LISTING
(3) NOTICE OF THE EXTRAORDINARY GENERAL MEETING
AND
(4) NOTICE OF THE H SHAREHOLDERS' CLASS MEETING**

INTRODUCTION

We refer to the composite document dated 23 January 2024 jointly issued by the Company and the Offeror (the “**Composite Document**”), of which this letter forms part. Unless the context otherwise requires, terms defined in the Composite Document shall have the same meaning when used in this letter.

We have been appointed by the Board to form the Independent Board Committee to consider and advise the Independent H Shareholders as to whether the terms of the Merger are, or are not, fair and reasonable and as to voting.

Elstone Capital has been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to advise us as to whether or not the terms of the Merger are fair and reasonable so far as the Independent H Shareholders are concerned and as to voting. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the letter from Independent Financial Adviser on pages 36 to 67 of the Composite Document. We also wish to draw your attention to, and advise you to read, the letter from the Board on pages 9 to 33 of the Composite Document, the letter from the Independent Financial Adviser on pages 36 to 67 of the Composite Document, the property valuation report issued by Asia-Pacific Consulting and Appraisal Limited on pages II-1 to II-24 of the Composite Document and the appendices to the Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We, being the members of the Independent Board Committee, have declared that, we are independent and do not have any conflict of interest in respect of the Merger and are therefore able to consider the terms of the Merger and to make recommendations to the Independent H Shareholders.

RECOMMENDATION

Having considered the principal factors and reasons considered by, and the advice of the Independent Financial Adviser as set out in its letter, we concur with the view of the Independent Financial Adviser and consider the terms of Merger to be fair and reasonable so far as the Independent H Shareholders are concerned.

Accordingly, we concur with the recommendation of the Independent Financial Adviser, and would recommend the Independent H Shareholders to vote in favour of the Merger.

Notwithstanding our views and recommendation in respect of the terms of the Merger, the Shareholders are strongly advised to exercise their independent decision on voting at the EGM and the H Shareholders' Class Meeting. If in doubt, the Shareholders should consult their own professional advisers for professional advice.

Yours faithfully,

For and on behalf of

THE INDEPENDENT BOARD COMMITTEE

George Chan Wing Yau

Independent non-executive

Director

Chen Shuwen

Independent non-executive

Director

Liu Yanzhao

Independent non-executive

Director

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Elstone Capital Limited setting out its advice to the Independent Board Committee and the Independent H Shareholders in respect of the Merger, which has been prepared for the purpose of inclusion in this document.

23 January 2024

To the Independent Board Committee and the Independent H Shareholders

Dear Sirs,

**(1) PROPOSED PRIVATISATION OF WEIQIAO TEXTILE BY
WEIQIAO TEXTILE TECHNOLOGY
BY WAY OF MERGER BY ABSORPTION OF WEIQIAO TEXTILE
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent H Shareholders in relation to, amongst others, the Merger, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the composite document dated 23 January 2024 jointly issued by the Company and the Offeror (the “**Composite Document**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meaning as defined in the Composite Document unless the context requires otherwise.

On 4 December 2023, the Offeror and the Company 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.

Pursuant to the Merger Agreement, conditional upon the fulfilment (or waiver, as applicable) of the Pre-Conditions and the Conditions, 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). The cancellation of the Domestic Shares held directly by Weiqiao Chuangye is to be satisfied through the issuance of registered capital of the Offeror, in accordance with the description under the section headed “3. *PRINCIPAL TERMS OF THE MERGER AGREEMENT*” of the Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

As at the Latest Practicable Date, the Pre-Conditions had been fulfilled, and the Conditions have not yet been fulfilled. Upon satisfaction of all the Conditions to effectiveness, the Company 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 INDEPENDENT BOARD COMMITTEE

The Board has established the Independent Board Committee, consisting of all 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 (i) whether the terms of the Merger are fair and reasonable for the purpose of the Takeovers Code; and (ii) 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 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.

We, Elstone Capital Limited, have been appointed by the Company with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent H Shareholders in respect of the Merger.

OUR INDEPENDENCE

We are not associated or connected with the Company or the Offeror, their respective substantial or controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. In the past two years, there was no engagement between Elstone Capital on the one hand and the Group or the Offeror or any party acting, or presumed to be acting, in concert with any of them on the other. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we will receive any fees or benefits from the Company or the Offeror, their respective substantial or controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give an independent advice in respect of the Merger.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, we have reviewed, among others, (i) the Composite Document; (ii) the annual reports of the Company for the years ended 31 December 2021 and 2022; (iii) the interim report of the Company for the six months ended 30 June 2023; (iv) the unaudited consolidated management accounts of the Group for the 11 months ended 30 November 2023; and (v) the independent valuation report of the property interests (the “**Property Valuation Report**”) of the Group issued by Asia-Pacific Consulting and Appraisal Limited as set out in Appendix II to the Composite Document. We have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Company, which we have assumed to be true, accurate and complete at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date and up to the end of the Offer Period, the Independent Board Committee and the Independent H Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and that the information which we have received is sufficient to enable us to reach our opinion and provide the advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have also assumed that all representations contained or referred to in the Composite Document were true at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made in the Composite Document were reasonably made after due enquiry. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, the Offeror or any of their respective associates.

In formulating our opinion, we have also made reference to certain Comparable Companies and Privatisation Precedents (both defined hereafter) for analysis purpose and the relevant information was obtained from the website of the Stock Exchange and Bloomberg. We have not, however, carried out any independent verification of the information available to us regarding the Comparable Companies and the Privatisation Precedents, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the companies involved. Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of the Latest Practicable Date.

We have not considered the tax, regulatory and other legal implications on the H Shareholders in respect of the Merger, since these depend on their individual circumstances. In particular, the H Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on security dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL TERMS OF THE MERGER

Details of the terms of the Merger are set out in the Letter from the Board.

1. Cancellation Price

Pursuant to the Merger Agreement, conditional upon the fulfilment (or waiver, as applicable) of the Pre-Conditions and the Conditions, 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). 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, in accordance with the description under the section headed “3. *PRINCIPAL TERMS OF THE MERGER AGREEMENT*” of the Letter from the Board.

As set out in the Letter from the Board, 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.

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 to reduced.

2. Pre-Conditions and Conditions

The implementation of the Merger will be subject to the fulfilment (or waiver, as applicable) of the Pre-Conditions and the Conditions. As at the Latest Practicable Date, the Pre-Conditions had been satisfied. Details of the Pre-Conditions and the Conditions are set out in the section headed “3. *PRINCIPAL TERMS OF THE MERGER AGREEMENT*” of the Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. 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 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”. Details of the right of a Dissenting Shareholder are set out in the section headed “3. *PRINCIPAL TERMS OF THE MERGER AGREEMENT*” of the Letter from the Board.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the terms of the Merger, we have taken into account the following principal factors and reasons:

1. Information and prospects of the Group

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 (i) the production, sales and distribution of cotton yarn, grey fabric and denim (the “**Textile Business**”) and (ii) the electricity and steam business (the “**Electricity and Steam Business**”).

According to the annual report of the Company for the year ended 31 December 2022 (the “**2022AR**”), the Textile Business and the Electricity and Steam Business accounted for approximately 63.3% and 36.7% of the total revenue of the Group for the year ended 31 December 2022 (“**FY2022**”). For FY2022, revenue from the Group’s cotton yarn, grey fabric and denim accounted for approximately 43.4%, 50.7% and 5.9% of the revenue from the Textile Business respectively; while revenue from overseas sales and domestic sales accounted for approximately 29.5% and 70.5% of the revenue of the Textile Business. The Electricity and Steam Business involves generation of electricity and steam for the Group’s internal use in the production of textile products and sales of the remaining portion to external customers in the PRC.

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1.1 Historical financial performance of the Group

The following table summarises the consolidated income statement of the Group for the three years ended 31 December 2020 (“**FY2020**”), 31 December 2021 (“**FY2021**”) and FY2022 with reference to the Company’s annual report for FY2021 (the “**2021AR**”) and the 2022AR, and for the six months ended 30 June 2022 (“**6M2022**”) and 30 June 2023 (“**6M2023**”) with reference to the interim report for 6M2023 (the “**2023IR**”), respectively:

	For the year ended 31 December			For the six months ended	
	2020	2021	2022	30 June 2022	2023
	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	12,743,437	16,262,686	16,573,668	8,293,034	7,951,142
Sales of textile products	8,644,697	11,450,319	10,499,323	5,440,719	5,912,195
Sales of electricity and steam	4,098,740	4,812,367	6,074,345	2,852,315	2,038,947
Gross profit/(loss)	962,155	1,301,901	(1,016,202)	(419,219)	21,999
Gross profit/(loss) margin	7.6%	8.0%	(6.1%)	(5.1%)	0.3%
Profit/(loss) for the year/ period	202,228	614,905	(1,562,659)	(651,114)	(505,552)
Profit/(loss) for the year/ period attributable to owners of the Company	204,833	614,187	(1,557,643)	(650,036)	(504,331)

FY2021 vs FY2020

Revenue increased from approximately RMB12,743 million for FY2020 to approximately RMB16,263 million for FY2021, representing year-on-year increase of approximately 27.6%. Such increase was mainly contributed by (i) the increase in revenue from the Textile Business by approximately 32.5% which was mainly due to increase in sales volume of the textile products as well as the sales price, which was driven by the overall increase in the demand for textile products as consumption in the domestic and overseas textile and apparel markets gradually recovered as the COVID-19 pandemic was slowly subdued, and (ii) the increase in revenue from the Electricity and Steam Business by approximately 17.4% which was mainly attributable to the upward adjustment of sales price of electricity by the Group according to the established electricity sales pricing mechanism due to the rising price of coal being the major raw material.

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Gross profit increased from approximately RMB962 million for FY2020 to approximately RMB1,302 million for FY2021, representing year-on-year increase of approximately 35.3%. Such increase was mainly attributable to the combined effect of (i) the increase in gross profit of the Textile Business to approximately RMB856 million for FY2021 from the gross loss of approximately RMB0.8 million for FY2020; and (ii) the decrease in gross profit of the Electricity and Steam Business from approximately RMB963 million for FY2020 to approximately RMB446 million for FY2021 mainly due to the decrease in sales volume of electricity resulting from decrease in demand for electricity from downstream customers and on the other hand, the time lag between rising production cost of electricity resulting from the relatively large fluctuations in the prices of coal and the sales price adjustment. Gross profit margin for FY2021 slightly improved to approximately 8.0%.

The Group recorded net profit attributable to owners of the Company of approximately RMB614 million for FY2021, representing a year-on-year increase of approximately 199.5%, primarily due to the increase in revenue and gross profits as mentioned above.

FY2022 vs FY2021

The Group recorded revenue of approximately RMB16,574 million for FY2022, representing year-on-year increase of approximately 1.9%. As advised by the management of the Company, revenue from the Textile Business decreased by approximately 8.3% to approximately RMB10,499 million, mainly due to the prolonged weakness of domestic and international textile market as a result of the impacts from adverse factors such as the international trade frictions and the changes in supply chain landscape (as mentioned in the sub-section headed “1.5 Prospects of the Group” below) leading to an overall decline in demand for textile products from the PRC. Revenue from the Electricity and Steam Business increased by approximately 26.2% to approximately RMB6,074 million for FY2022, resulting from the upward adjustment of sales price of electricity by the Group according to the established electricity sales pricing mechanism due to the rising price of coal, and the increase in sales volume due to increasing demand for electricity from downstream customers.

Despite the slight increase in revenue for FY2022, the Group recorded gross loss of approximately RMB1,016 million for FY2022 compared to the gross profit of approximately RMB1,302 million for FY2021. Such gross loss was primarily attributable to the substantial increase in the production costs for the Group’s textile products, which mainly due to the fluctuation on price of cotton lint, being the major raw material. Gross profit of the Electricity and Steam Business also slightly decreased to approximately RMB402 million for FY2022 due to the fluctuation on coal prices, despite an increase in the revenue. The Group recorded a gross loss margin of approximately (6.1%) for FY2022 as compared to a gross profit margin of approximately 8.0% for FY2021.

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The Group recorded net loss attributable to owners of the Company of approximately RMB1,558 million for FY2022 as compared to the net profit attributable to owners of the Company of approximately RMB614 million for FY2021 mainly due to the abovementioned factors.

6M2023 vs 6M2022

Revenue decreased from approximately RMB8,293 million for 6M2022 to approximately RMB7,951 million for 6M2023, representing a year-on-year decrease of approximately 4.1%. Despite the revenue from the Textile Business slightly increased by approximately 8.7% to approximately RMB5,912 million, the revenue from the Electricity and Steam Business decreased by approximately 28.5% to approximately RMB2,039 million, which we understood from the management of the Group was mainly affected by the impact of the adjustments to macro policies such as the 14th Five-Year Plan (2021–2025) for National Economic and Social Development of the PRC which, among others, highlights the green development and aims to reduce the carbon intensity, and the decreased demand from the downstream market.

The Group recorded gross profit of approximately RMB22 million for 6M2023 as compared to gross loss of approximately RMB419 million for 6M2022, which was mainly due to the decrease in gross loss from the Textile Business from approximately RMB580 million for 6M2022 to approximately RMB86 million for 6M2023. Such reduction in gross loss was contributed by (i) the increase in sales volume due to the recovery of domestic textile product market in the PRC during 6M2023 and (ii) the extent of increase in the sales prices of the Group's textile products was exceeded by the extent of increase in the production costs. The Group recorded overall minimal gross profit margin of approximately 0.3% for 6M2023 as compared to a gross loss margin of approximately (5.1%) for 6M2022.

Net loss attributable to owners of the Company slightly reduced to approximately RMB504 million for 6M2023 from approximately RMB650 million for 6M2022, mainly due to the decrease in gross loss of the Textile Business as above mentioned, offset by the increase in other expenses from approximately RMB26 million for 6M2022 to approximately RMB220 million for 6M2023 (including impairment provision for certain electricity assets based on the operation conditions of the electricity assets of RMB207 million).

Dividends

The Company declared dividend per Share of RMB0.061, RMB0.18, nil and nil for FY2020, FY2021, FY2022 and 6M2023 respectively.

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1.2 Historical financial position of the Group

The following table summarises the consolidated statement of financial position of the Company as at 31 December 2021 and 2022 with reference to 2022AR and as at 30 June 2023 with reference to 2023IR:

	As at 31 December 2021	As at 31 December 2022	As at 30 June 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Total assets	25,218,482	25,504,185	24,288,685
Total liabilities	6,123,914	8,187,266	7,477,318
Net asset value (“NAV”) attributable to owners of the Company	19,084,667	17,312,034	16,807,703

As at 31 December 2022, the Group’s total assets were approximately RMB25,504 million, which primarily include, among others, (i) property, plant and equipment of approximately RMB8,509 million, (ii) inventory of approximately RMB3,062 million, (iii) deposit, prepayment and other receivable of approximately RMB1,002 million and (iv) bank balance and cash of approximately RMB11,402 million. As at 31 December 2022, the Group’s total liabilities were approximately RMB8,187 million, which primarily include, among others, (i) trade payable of approximately RMB969 million, (ii) other payables and accruals of approximately RMB1,067 million and (iii) total bank borrowing of approximately RMB4,413 million. Net assets attributable to owners of the Company amounted to approximately RMB17,312 million as at 31 December 2022.

As at 30 June 2023, the Group’s total assets were approximately RMB24,289 million, which primarily include, among others, (i) property, plant and equipment of approximately RMB8,292 million, (ii) inventory of approximately RMB3,171 million, (iii) deposit, prepayment and other receivable of approximately RMB1,693 million and (iv) bank balance and cash of approximately RMB10,110 million. As at 30 June 2023, the Group’s total liabilities were approximately RMB7,477 million, which primarily include, among others, (i) trade payable of approximately RMB694 million, (ii) other payables and accruals of approximately RMB1,294 million and (iii) bank borrowing of approximately RMB4,410 million. Net assets attributable to owners of the Company amounted to approximately RMB16,808 million as at 30 June 2023.

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1.3 Valuation on the property interests of the Group

The valuation of the Group's property interests as at 30 November 2023 was conducted by Asia-Pacific Consulting and Appraisal Limited, an independent valuer. The Property Valuation Report is enclosed in Appendix II to the Composite Document.

We have enquired the valuer on its experience in valuing similar property interests in the PRC and its independence. We have also reviewed the terms of engagement of the valuer, in particular its scope of work, which is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely affect the degree of assurance given by the valuer in the Property Valuation Report.

According to the Property Valuation Report, the total market value of the property interests in existing states attributable to the Group was approximately RMB6,207 million as at 30 November 2023.

As stated in the Property Valuation Report, in valuing the property interests, the valuer has complied with all requirements contained in Chapter 5 and Practice Note 12 of the Listing Rules, Rule 11 of the Takeovers Code, the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors, the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have reviewed and discussed the valuation with the valuer regarding the methodologies, bases and assumptions adopted in arriving at the values of the property interests. In particular, we understood that due to the nature of the buildings and structures of the properties and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, and thus the buildings and structures of the properties have been valued by the cost approach with reference to their depreciated replacement costs. Taking into account the nature of the properties and that the valuation is conducted in accordance with the aforesaid requirements, we consider that the methodologies and basis adopted by the valuer for determining the values of the properties interests are appropriate.

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1.4 Unaudited Adjusted NAV

The table below shows the calculations of the Company's unaudited adjusted NAV attributable to the Shareholders as at 30 June 2023 ("Unaudited Adjusted NAV") per Share 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.

Calculation of the Unaudited Adjusted NAV per Share

	<i>RMB' million</i>
Unaudited NAV of the Company attributable to the Shareholders as at 30 June 2023	16,807.70
<i>Adjusted for:</i>	
<i>Add:</i> Revaluation surplus of the valuation of the property interests (<i>Note 1</i>)	1,241.88
<i>Less:</i> Tax as a result of the revaluation surplus of the property interest held by the Group based on the valuation as stated in the Property Valuation Report (<i>Note 2</i>)	254.42
Unaudited Adjusted NAV	17,795.16
Unaudited Adjusted NAV per Share (<i>Note 3</i>):	
In RMB	14.90
In HK\$ (<i>Note 4</i>)	16.16
Cancellation Price	HK\$3.50
Discount of the Cancellation Price to the Unaudited Adjusted NAV per Share	(78.34%)

Notes:

1. This represents the revaluation surplus calculated by comparing the fair value of the property interests held by the Group as set out in Appendix II to the Composite Document, including the property interests that the Group has not yet obtained title certificates, with their corresponding book values as at 30 June 2023.
2. This represents the potential PRC taxes attributable to the valuation surplus on the property interests held by the Group.
3. It is calculated based on 1,194,389,000 Shares in issue as at the Latest Practicable Date.
4. An 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.

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1.5 Prospects of the Group

We have reviewed the 2022AR and 2023IR and noted that, being affected by a number of adverse factors such as the international trade frictions, complex geopolitical landscape and strong fluctuations in the prices of bulk commodities, the textile industry in China was confronted with a series of tough challenges, including sluggish market demands, disruptions to the supply chain, rising prices of bulk commodities as well as complexity in the international trade environment, resulting in greater pressure on the profitability of textile enterprises. Faced with the complex domestic and international environment, the business and operation of the Group were also under great pressure.

As discussed in the sub-paragraph headed “*1.1 Historical financial performance of the Group*” above, given the above challenging factors, the Group recorded net loss attributable to owners of the Company of approximately RMB1,558 million for FY2022 and RMB504 million for 6M2023, which was primarily attributable to, among others, the substantial increase in the production costs for the Group’s textile products mainly due to the fluctuation on price of cotton lint, being the major raw material of the Textile Business.

As noted from the 2022AR and 2023IR, there were substantial fluctuation on cotton prices for domestic and international cotton. For FY2022, the domestic cotton (CNCotton 3128B) price in the PRC ranged between approximately RMB14,969 per ton and RMB22,843 per ton with a year-on-year increase in average price of approximately 6.4% and the international cotton price (Cotlook A(FE)) ranged between approximately 100 U.S. cents per pound and 164 U.S. cents per pound with a year-on-year increase in average price of approximately 28.5%. For 6M2023, the CNCotton 3128B price ranged between approximately RMB15,311 per ton and RMB17,280 per ton with a period-on-period decrease in average price of approximately 28.2% and the Cotlook A(FE) price ranged between 92.5 U.S. cents per pound and 100.3 U.S. cents per pound with a period-on-period decrease in average price of approximately 34.8%. According to China Cotton Association, we noted that the China’s domestic cotton CNCotton 3128B prices ranged between approximately RMB16,314 per ton and RMB18,433 per ton for the second half of 2023. China Cotton Association is a non-profit federation specializing in cotton, which is voluntarily established by cotton farmers, cotton farmers’ cooperative organisations, enterprises engaged in cotton production, purchase, processing and operation, cotton textile enterprises, cotton research institutes and other organs and which accepts the supervision and management of the Chinese Ministry of Civil Affairs and the professional guidance of the All-China Federation of Supply and Marketing Cooperatives.

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In terms of domestic sales, the domestic economy recovery in the PRC is slower than expected. According to the data released by the National Bureau of Statistics of China in October 2023, we noted that the per capita clothing consumption expenditure of national residents was approximately RMB1,365 and RMB1,055 for 2022 and three quarters of 2023 respectively, which indicated that the weak consumer sentiment might have led to the decrease in demand of the Group's textile products. Further, as mentioned in the 2023IR, under the impact of factors such as the sluggish international trade demand and the restructuring of the global supply chain, overseas demand for textile products and apparel remained sluggish in the first half of the year. China's export of textile products and apparel for the 6M2023 was approximately US\$142.7 billion, representing a period-on-period decrease of approximately 8.3%. The growth rate decreased by approximately 20.5 percentage points as compared to that for the corresponding period of 2022. As discussed with and confirmed by the management of the Group, the international trade friction which may result in additional tariff has affected the export sales of the Group's textile products. We also understood from the management of the Group that there has been a change in the supply chain landscape such as the shift of supply chain to countries such as Vietnam, Indonesia and India.

As regards the Electricity and Steam Business, we noted that this segment had recorded a declining trend on gross margin for FY2022 and 6M2023. In terms of the raw materials for the Electricity and Steam Business, during FY2022, international energy prices continued to rise in a critical and complicated international environment, causing domestic coal prices to fluctuate in tandem at high levels, which resulted in greater pressure on energy costs. According to the data released by the National Bureau of Statistics of China, during 2023, the price of domestic coal namely (i) Ordinary Mixed Coal 4500 kCal ranged from approximately RMB596 per ton to approximately RMB943 per ton, (ii) Shanxi Mixed Coal 5000 kCal ranged from approximately RMB688 per ton to approximately RMB1,075 per ton and (iii) Shanxi Superior Mixed Coal 5500 kCal ranged from approximately RMB786 per ton to approximately RMB1,225 per ton. In view of the fluctuation of the price of the aforesaid coal, which is the major raw material for the Electricity and Steam Business, the profitability of this business segment is uncertain.

Based on the above, we concur with the Board that the market landscape and business environment remain uncertain and challenging for the Group in the foreseeable future, and the Merger provides an opportunity for the Independent H Shareholders to cash out their investments in the Company and to consider other possible investment opportunities.

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2. Information on the Offeror and the future intention of 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 and is an investment holding company. Ms. Zhang Xiaoqiao is the sole director of the Offeror. 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 did not own any Share. The Offeror is 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. Weiqiao Chuangye owns 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 own 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.

As set out in the section headed “7. *FUTURE INTENTION OF THE OFFEROR*” of the Letter from the Board, it is the intention of the Offeror that it will continue to carry on the business of the Group 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 sub-section headed “4. *CANCELLATION PRICE – (3) Funding for the Merger*” in the Letter from the Board, 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.

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3. 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). Pursuant to the Irrevocable Undertaking, Brandes Investment has irrevocably undertaken, among others, 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 (1) might reasonably be expected to restrict, impede or delay implementation of the Merger; or (2) 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. Further details of the Irrevocable Undertaking are set out under the section headed "*5. IRREVOCABLE UNDERTAKING BY BRANDES INVESTMENT*" in the Letter from the Board.

4. Reasons for and benefits of the Merger

As stated in the Letter from the Board, the reasons and benefits of the Merger include:

- Due to the influence of the macro environment and industry development trend, the Company's performance is under pressure. 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.
- 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.
- The Merger provides an excellent exit opportunity for H Shareholders to sell illiquid H Shares at an attractive premium over the historical trading price of the Shares.

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As analysed in the section headed “*1. Information and prospects of the Group*” in this letter, the Group performed poorly during FY2022 and 6M2023 due to the impact of international trade frictions, complex geopolitical landscape and strong fluctuations in prices of raw materials, the Group recorded net losses attributable to owners of the Company of approximately RMB1,558 million for FY2022 and approximately RMB504 million for 6M2023. We concur with the Board that the market landscape and business environment remain uncertain and challenging for the Group.

From the Independent H Shareholders’ perspective, we consider the Merger provides a special opportunity to monetise their investment in H Shares at a premium over the prevailing market prices, especially given the unsatisfactory share price performance and low liquidity of the H Shares in recent years, and may redeploy the proceeds towards other investment opportunities. Please refer to the sub-sections below headed “*5.2 Historical price performance of the H Shares*” and “*5.3 Liquidity of the H Shares*” in this letter for our further analysis in this regard.

From the Company’s perspective, we have reviewed the announcements published by the Company and noted that the Group has not carried out any fundraising activities from the public equity market since 2006. Therefore, in view of such lack of public equity market utilisation, we concur with the Board that the costs and efforts required to maintain listing status of the Group may not be economically justified. Upon completion of the Merger, the Group (i) would not be subject to the requirements under Listing Rules in relation to certain corporate actions, such as connected transactions; and (ii) would reduce the ongoing costs for maintaining the listing status of the Company.

Based on the above, we consider that the Merger is in the interests of the Independent H Shareholders and the Company as a whole.

5. Analysis on the Cancellation Price

In order to assess the fairness and reasonableness of the Cancellation Price, we have considered the following principal factors:

5.1 Cancellation Price comparisons

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;

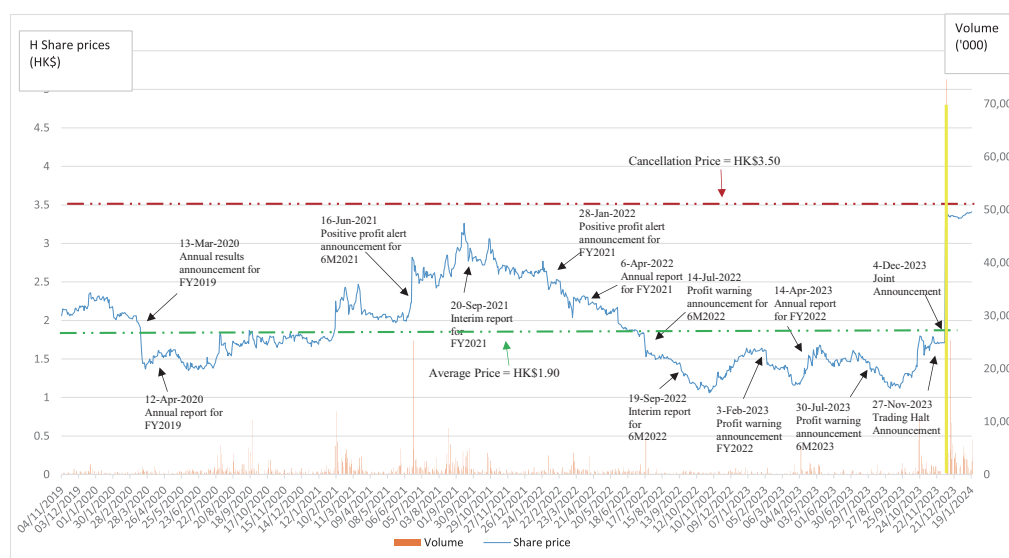
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- (b) a premium of approximately 104.92% over the average closing price of HK\$1.708 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including 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 consolidated net asset value attributable to the Shareholders per Share of approximately RMB14.49 (equivalent to approximately HK\$16.23) 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 consolidated net asset value attributable to owners of the Company 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 NAV 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.

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5.2 Historical price performance of the H Shares

The chart below depicts the movements of the daily closing prices of the H Shares for the period from 1 November 2019 up to and including the Latest Practicable Date (the “**Review Period**”) and the announcements of the Company relating to certain corporate events that took place during the Review Period. We consider that the Review Period, which covers a period of more than four years prior to the Last Trading Date and up to the Latest Practicable Date, is sufficient period of time to provide a general overview on the historical price performance of the H Shares for the purpose of this analysis:



Source: the website of the Stock Exchange and Bloomberg

As illustrated in the chart above, during the Review Period, the H Shares traded at an average of approximately HK\$1.92, with the highest and lowest closing prices of the H Shares, being approximately HK\$3.43 recorded on 19 January 2024 and HK\$1.06 recorded on 1 November 2022, respectively. The Cancellation Price is the highest among the historical closing prices of the H Shares throughout the entire Review Period and represents (i) a premium of approximately 2.04% over the highest closing prices of the H Shares; and (ii) a premium of approximately 230.2% and 82.3% over the lowest and average closing prices of the H Shares, respectively, during the Review Period.

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After trading hours on 13 March 2020, the Company published an annual results announcement for the year ended 31 December 2019 (“**FY2019**”), where the net profit of the Group decreased by approximately 66.5% to approximately RMB216 million for FY2019, which was mainly due to the sluggish market demands for cotton textile products and the intensified domestic market competition as being affected by various factors including trade frictions, resulting in the decrease in the unit selling price of the Group’s cotton textile products higher than the decrease in the price of major raw materials, leading to a significant decrease in the gross profit of cotton textile products. This might be the reason for the H Shares’ plunges on 16 March 2020. On 16 June 2021, the Company published the positive profit alert announcement for the six months ended 30 June 2021 stating the net profit for the period was expected to have an increase of over 200% as compared to the corresponding period of 2020, which may be a reason for a price surge to HK\$2.82 on 17 June 2021. Subsequently, the H Shares experienced an upward trend until 13 September 2021 and reached the highest closing price of approximately HK\$3.26. Since then, the closing price of the H Shares experienced a general declining trend until 14 July 2022, the date of the profit warning announcement for 6M2022 of the Company published. The closing price of the H Shares fluctuated between HK\$1.82 and HK\$1.06 from 14 July 2022 until the date of the Joint Announcement.

Trading in the H Shares was suspended with effect from 9:00 a.m. on 27 November 2023 pending the issue of the Joint Announcement. During the period from the first trading day after the publication of the Joint Announcement and up to the Latest Practicable Date (i.e. from 5 December 2023 to 19 January 2024) (the “**Post-Joint Announcement Period**”), the closing prices of the H Shares had been trading below the Cancellation Price within a narrow band of between HK\$3.23 and HK\$3.43. This price range is significantly above the average closing H Shares price during the period from the beginning of the Review Period and up to the Last Trading Date (i.e. from 1 November 2019 to 24 November 2023) (the “**Pre-Joint Announcement Period**”) of approximately HK\$1.87.

The closing prices of the H Shares during the Review Period might reflect the market perception and expectation on the Group’s financial performance (it is uncertain as to whether the H Share prices will rise to a level over the Cancellation Price in the future) and the Cancellation Price is higher than closing prices of the H Shares in all trading days during the entire Review Period. From the Independent H Shareholders’ perspective, the Cancellation Price represents an immediate uplift in Shareholder’s value as compared to the recent H Shares prices. We are of the view that the aforesaid surge in H Shares prices during the Post-Joint Announcement Period was primarily driven by the Merger, in particular, the Cancellation Price of HK\$3.50 per H Share. However, Independent H Shareholders should note that the H Shares were trading substantially below the Cancellation Price during the Pre-Joint Announcement Period and there is no assurance that the H Shares price will remain at the current level if the Merger lapses.

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5.3 Liquidity of the H Shares

The following table sets out the total trading volume of the H Shares per month/period, the average daily trading volume and the percentage of such average daily trading volume to the total issued H Shares of the Company during the Review Period:

Months/Period	Total trading volume of the H Shares for the month/ period	Average daily trading volume of the H Shares for the month/ period <i>(Note 1)</i>	Percentage of average daily trading volume to the total issued H Shares <i>(Note 2)</i>
2019			
November	5,617,885	267,518	0.06%
December	11,590,568	579,528	0.14%
2020			
January	5,713,352	285,668	0.07%
February	4,108,962	205,448	0.05%
March	10,515,592	477,981	0.12%
April	6,632,401	349,074	0.08%
May	6,277,711	313,886	0.08%
June	11,882,098	565,814	0.14%
July	29,252,363	1,329,653	0.32%
August	19,629,030	934,716	0.23%
September	35,521,988	1,614,636	0.39%
October	13,926,234	773,680	0.19%
November	8,752,243	416,773	0.10%
December	7,521,312	341,878	0.08%
2021			
January	11,867,763	593,388	0.14%
February	55,823,090	3,101,283	0.75%
March	28,704,466	1,248,020	0.30%
April	6,388,804	336,253	0.08%
May	18,474,487	923,724	0.22%
June	52,370,971	2,493,856	0.60%
July	22,139,131	1,054,244	0.25%
August	41,009,024	1,864,047	0.45%
September	36,477,132	1,737,006	0.42%
October	19,428,124	1,079,340	0.26%
November	10,568,375	480,381	0.12%
December	7,608,378	345,835	0.08%

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Months/Period	Total trading volume of the H Shares for the month/ period	Average daily trading volume of the H Shares for the month/ period <i>(Note 1)</i>	Percentage of average daily trading volume to the total issued H Shares <i>(Note 2)</i>
2022			
January	13,741,228	654,344	0.16%
February	9,429,403	554,671	0.13%
March	26,197,467	1,139,020	0.28%
April	11,960,148	664,453	0.16%
May	11,543,469	577,173	0.14%
June	11,985,526	570,739	0.14%
July	15,139,649	756,982	0.18%
August	5,522,597	240,113	0.06%
September	7,358,796	350,419	0.08%
October	5,354,041	267,702	0.06%
November	5,474,689	248,850	0.06%
December	10,052,257	502,613	0.12%
2023			
January	4,524,453	251,359	0.06%
February	3,634,384	181,719	0.04%
March	6,033,836	262,341	0.06%
April	20,289,305	1,193,489	0.29%
May	7,448,468	354,689	0.09%
June	6,142,916	292,520	0.07%
July	3,784,014	189,201	0.05%
August	6,163,770	267,990	0.06%
September	8,946,418	470,864	0.11%
October	31,463,918	1,573,196	0.38%
November	16,804,639	933,591	0.23%
December	181,718,466	10,689,322	2.58%
2024			
From 2 January to the Latest Practicable Date	40,745,141	2,910,367	0.70%

Source: the website of the Stock Exchange and Bloomberg

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. It is calculated by dividing the average daily trading volume for the month/period by the total issued H Shares as at the Latest Practicable Date (i.e. 413,619,000 H Shares).

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As illustrated above, the average daily trading volume of the H Shares in each month/period during the Pre-Joint Announcement Period was very thin, which ranged from approximately 181,719 H Shares to 3,101,283 H Shares, representing approximately 0.04% and 0.75% of total issued H Shares of the Company respectively. The trading volume had gradually increased after the Company announced the Merger.

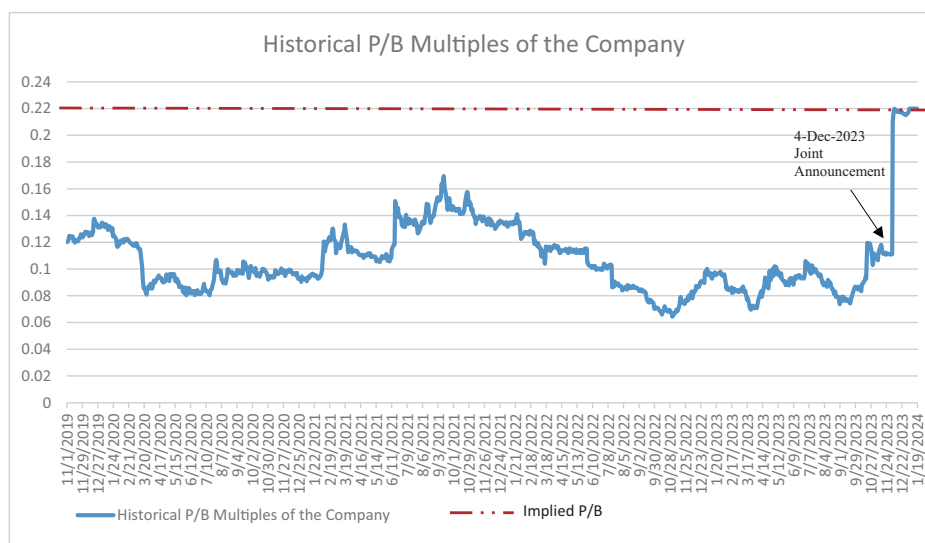
On 4 December 2023, the Company and the Offeror jointly announced the Merger, and subsequently, the trading volume of the H Shares surged along with the H Share price. On the first trading day after the release of the Joint Announcement, the daily trading volume of the H Shares increased to approximately 74.6 million H Shares from approximately 0.7 million H Shares as recorded on the Last Trading Date, representing approximately 18.0% of the total issued H Shares. The increase in trading volume of the H Shares, in our view, is primarily attributable to the initial positive market reaction to the Merger. The average daily trading volume of the H Shares during the Post-Joint Announcement Period was approximately 7,176,245 Shares, representing approximately 1.73% of the total issued H Shares.

As illustrated in the data set out in the table above, the overall liquidity of the H Shares during the Pre-Joint Announcement Period was very thin. There has been surge since the release of the Joint Announcement, which we consider to be mainly attributable to the Independent H Shareholders'/investors' reaction to the Merger. Given the historical thin trading volume of the H Shares, the higher level of trading volume of the Post-Joint Announcement Period may not be sustained if the Merger lapses. It is uncertain whether there would be sufficient liquidity in the H Shares for the Independent H Shareholders to dispose a significant number of H Shares in the open market without causing an adverse impact on the market price of the H Shares. Therefore, we consider that the Merger provides an opportunity for the Independent H Shareholders, especially those with relatively sizeable shareholdings, to liquidate their investment in H Shares at a fixed price representing premium to the prevailing trading price.

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5.4 Historical discount to NAV per Share

We noted the Cancellation Price represents a discount of approximately 78.34% to Unaudited Adjusted NAV per Share as at 30 June 2023. To better understand the pattern of discounts to NAV per Share, we have reviewed and set out below the historical price-to-book multiples (the “P/B Multiple(s)”) of the Company during the Review Period.



Source: Bloomberg

Note:

Implied P/B Multiple of the Company as at 30 June 2023 is calculated by dividing the Cancellation Price of HK\$3.50 per H Share by the Group’s Unaudited Adjusted NAV of approximately HK\$16.16 per Share as at 30 June 2023, based on the exchange rate of HK\$1: RMB0.92198, being the exchange rate on 30 June 2023 as announced by the People’s Bank of China.

As illustrated above, it is noted that the H Shares have been traded at persistent discounts to the NAV per Share during the Review Period, with historical P/B Multiples ranging from approximately 0.06 times to approximately 0.22 times. In particular, the H Shares are mostly traded at a substantial discount to NAV per Share during the Pre-Joint Announcement Period, with historical P/B Multiples of the Company ranged from approximately 0.06 times to approximately 0.17 times. The increase in the Company’s P/B Multiples during Post-Joint Announcement Period is largely due to the surge in H Share price on 5 December 2023 after the publication of the Joint Announcement as discussed in the section headed “5.2 Historical price performance of the H Shares” of this letter. During the Post-Joint Announcement Period, the historical P/B Multiples of the Company ranged from approximately 0.21 times to approximately 0.22 times. The implied P/B Multiple of 0.22 times calculated based on the Cancellation Price and the Unaudited Adjusted NAV per Share as at 30 June 2023, is substantially higher than the historical P/B Multiples of the Company throughout the Pre-Joint Announcement. Based on the above, we consider the Cancellation Price representing a discount to Unaudited Adjusted NAV per Share is justifiable.

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We noted that there is a substantial discount between the Cancellation Price and the Unaudited Adjusted NAV per Share. Nevertheless, despite this, the investors have been trading the H Shares at the market price, which is a transacted price between a willing seller and a willing buyer in the market and reflects an even higher discount to the NAV per Share as compared to the discount represented by the Cancellation Price against the NAV per Share over the years on an informed basis. We therefore consider that such discount is not a significant factor for the Independent H Shareholders in considering whether to invest in the H Shares and the Independent H Shareholders are more concerned with the price performance of the H Shares, future profitability and/or dividend payments of the Group as the Group has been running and will continue its normal business operation. Although the discount on the NAV of the Company is substantial, we still consider it is favorable for the Independent H Shareholders to accept this opportunity to divest their investments before the Merger lapses, for the reasons set out below:

- (i) the Cancellation Price represents high premium of approximately 87.2% over the average closing price of approximately HK\$1.87 per H Shares during the Pre-Joint Announcement Period and significant premium of approximately 104.68%, 111.10%, 142.89% and 144.93% over the average closing price of the H Shares on the Last Trading Date, last 30, 60 and 180 trading days, respectively;
- (ii) the trading liquidity of the H Shares was extremely low during the Review Period, which may cause an adverse impact on the market price of the H Shares if the Independent H Shareholders dispose a significant number of H Shares in the open market, which may further affect the interest of the Independent H Shareholders;
- (iii) during the Pre-Joint Announcement Period, the H Shares have been continuously traded in deep discounts to the NAV per Share, with a discount ranging from approximately 94.0% to 83.0%. As the H Shares are publicly and freely tradeable, the consistent trading under deep discounts to the NAV per Share suggests that the market and investors do not solely value the H Shares based on the NAV per Share but taking into account various other factors, such as the business and financial performance, future prospects and/or dividend payments of the Company; and
- (iv) as confirmed by the Directors and the Offeror under the section headed “7. *FUTURE INTENTION OF THE OFFEROR*” of the Letter from the Board, the Group will continue its normal business operations after the Merger and it is not likely for the Group to liquidate its net assets and distribute them to the Independent H Shareholders.

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5.5 Comparable companies analysis

In assessing the fairness and reasonableness of the Cancellation Price, we consider that it is relevant to assess the Cancellation Price by making reference to market valuation for companies listed in Hong Kong which are principally engaged in business similar to those of the Group. We have identified list of comparable companies (the “**Comparable Companies**”), which are (i) listed on the main board of the Stock Exchange; and (ii) with revenue generated from the sale of textile products accounted for not less than 50% of total revenue for the latest financial year. In view of the aforesaid criteria, the list is exhaustive and fair and representative for the purpose of our comparable analysis. We note that some of the Comparable Companies have a relatively lower market capitalisation (i.e. below HK\$1 billion) as compared to the Company. Given that the Comparable Companies generally have a meaningful scale of operation in terms of revenue and meaningful size of net assets, we consider it is appropriate and reasonable to include such companies in our analysis. The price-to-sales multiples (the “**P/S Multiples**”), price-to-earning multiples (the “**P/E Multiples**”) and P/B Multiples of the Comparable Companies are set out as follows:

Company name (stock code)	Principal business	Market capitalisation (as at the Last Trading Date) (HK\$ million) (Note 1)	Revenue (HK\$ million)	Net assets (HK\$ million)	P/S Multiples (as at the Last Trading Date) (approximate times) (Note 5,10)	P/E Multiples (as at the Last Trading Date) (approximate times) (Note 2,10)	P/B Multiples (as at the Last Trading Date) (approximate times) (Note 3,10)
Pacific Textiles Holdings Limited (1382.HK)	Manufacturing and trading of textiles products, including high quality cotton and synthetic knitted fabric	2,105	5,019	2,991	0.42	7.84	0.70
TEXWINCA Holdings Limited (321.HK)	Manufacturing and sale of knitted fabric, yarn and garments	1,451	6,059	4,810	0.24	19.31	0.30
Texhong International Group Ltd (2678.HK)	Manufacturing and sales of yarns, grey fabrics, non-woven fabrics and garment fabrics	4,856	26,193	9,704	0.19	19.21	0.50
Fountain Set Holdings Ltd (420.HK)	Manufacturing and sales of dyed fabrics, yarn and garments	496	6,054	3,341	0.08	– (Note 4)	0.16
Kingdom Holdings Limited (528.HK)	Manufacturing of sale of linen yarn	775	2,224	1,565	0.35	4.01	0.49
Kam Hing International Holdings Limited (2307.HK)	Manufacturing and sale of knitted fabric and dyed yarn and garment products	239	4,106	1,757	0.06	– (Note 4)	0.14
		Minimum			0.06	4.01	0.14
		Maximum			0.42	19.31	0.70
		Average			0.22	12.59	0.38
		Median			0.21	13.52	0.40
		Implied market capitalisation (HK\$ million) (Note 6,10)			Implied P/S Multiple (approximate times) (Note 9,10)	Implied P/E Multiple (approximate times)	Implied P/B Multiple (approximate times) (Note 8,10)
The Company (represented by the Cancellation Price)		4,180	18,237	19,049	0.23	– (Note 7)	0.22

Sources: the website of the Stock Exchange and Bloomberg

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Notes:–

- (1) The market capitalisations are derived from the total number of issued shares and the closing price quoted on the Stock Exchange as at the Last Trading Date.
- (2) The P/E Multiples are derived from dividing the market capitalisation (based on the total number of issued shares and the closing price quoted on the Stock Exchange as at the Last Trading Date) by the profit attributable to shareholders of the respective Comparable Companies reported in their latest annual reports.
- (3) The P/B Multiples are derived from dividing the market capitalisation (based on the total number of issued shares and the closing price quoted on the Stock Exchange as at the Last Trading Date) by the net assets attributable to shareholders of the respective Comparable Companies reported in their latest interim reports.
- (4) The P/E Multiples are not applicable due to the net loss of the respective Comparable Companies reported in their latest annual reports.
- (5) The P/S Multiples are derived from dividing the market capitalisation (based on the total number of issued shares and the closing price quoted on the Stock Exchange as at the Last Trading Date) by the revenue of the respective Comparable Companies reported in their latest annual reports.
- (6) The implied market capitalisation of the Merger is derived from the total number of issued Shares as at the Last Trading Date (i.e. 1,194,389,000 Shares) and the Cancellation Price.
- (7) The implied P/E Multiples of the Merger is not applicable as the Group recorded net loss attributable to owners of the Company for FY2022.
- (8) The implied P/B Multiples of the Merger is derived from dividing the implied market capitalisation (based on the total number of issued Shares as at the Last Trading Date and the Cancellation Price) by the Unaudited Adjusted NAV of the Company as at 30 June 2023.
- (9) The implied P/S Multiples of the Merger are derived from dividing the implied market capitalisation (based on the total number of issued Shares as at the Last Trading Date and the Cancellation Price) by the revenue of the Company for FY2022.
- (10) The exchange rate of HK\$1: RMB0.92198, being the exchange rate on 30 June 2023 as announced by the People's Bank of China is adopted for illustration purpose.

The implied P/E Multiple of the Company is not applicable as the Group recorded net loss attributable to owners of the Company for FY2022. Alternatively, we have considered P/S Multiples to be appropriate for valuing companies which have volatile earnings or loss but relatively stable revenue. The P/S Multiples of the Comparable Companies ranged from approximately 0.06 times to 0.42 times, with an average of approximately 0.22 times and median of approximately 0.21 times. The implied P/S Multiple of the Company was approximately 0.23 times which is (i) within the range of the P/S Multiples of the Comparable Companies; and (ii) slightly above both the average and median of the P/S Multiples of the Comparable Companies.

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As shown in the above table, the P/B Multiples of the Comparable Companies ranged from approximately 0.14 times to approximately 0.70 times, with an average of approximately 0.38 times and median of approximately 0.40 times. The implied P/B Multiples of the Company of approximately 0.22 times is (i) within the range of the P/B Multiples of the Comparable Companies; (ii) below the average of 0.38 times and the median of 0.40 times of the P/B Multiples of the Comparable Companies; and (iii) ranks the third lowest in the list of the Comparable Companies.

Having considered that (i) the Cancellation Price represents high premium of approximately 87.2% over the average closing price of approximately HK\$1.87 per H Shares during the Pre-Joint Announcement Period; and (ii) during the Pre-Joint Announcement Period, the H Shares have been continuously traded in deep discounts to the NAV per Share over the years with a discount range of approximately 94.0% to 83.0% while the H Shares are publicly and freely tradeable, such consistent deep discounts indicate the market and investors may not value the H Shares solely based on the NAV per Share but instead also take into account various other factors, such as the business and financial performance as well as the future prospects, we therefore consider the Cancellation Price is still fair and reasonable.

5.6 Privatisation precedents

We have reviewed privatisation precedents of companies listed on the Stock Exchange based on the following selection criteria: (i) the privatisation was announced since 1 June 2022 (being approximately 18 months prior to the date of Joint Announcement) and up to the date of the Joint Announcement; (ii) the privatisation only involves cash; and (iii) the privatisation has been completed or approved by disinterested shareholders or the required acceptance level was achieved. Based on our research, we have identified an exhaustive list of 17 precedent privatisations (the “**Privatisation Precedents**”). We considered that a review period of 18 months is adequate and appropriate given that the average Hang Seng Index for such review period was approximately 19,189 points which is comparable to the average Hang Seng Index of approximately 17,495 points for the month prior to the date of Announcement of the Merger which may reflect a relatively similar market sentiment and the sample size of 17 Privatisation Precedents was sufficient and reasonable for our review purpose. In view of the aforesaid criteria, we consider the list to be exhaustive and fair and representative for the purpose of our comparable analysis. Although the Privatisation Precedents are engaged in different businesses, we consider the Privatisation Precedents are relevant reference for our analysis on the fairness and reasonableness of the Cancellation Price given that the Privatisation Precedents would provide us with the recent and relevant information to demonstrate the pricing of successful privatisation of listed companies in Hong Kong. We consider that the Privatisation Precedents are fair, representative and exhaustive samples for our assessment of the Cancellation Price for illustrative purpose.

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The table below illustrates the premiums/discounts of the cancellation/offer price offered by the Privatisation Precedents over/to the respective last trading day and respective last 30, 60 and 180 trading days average share price prior to the last trading day as well as the reported NAV per share of the Privatisation Precedents:

Date of the first Rule 3.5/3.7 announcement	Company (stock code)	Market Capitalisation (HK\$ million) (Note 5)	Premium of cancellation/ offer price over the share price on the last trading day (Note 1)	Premium of cancellation/ offer price over 30 trading days average share price prior to the last trading day (Note 1)	Premium of cancellation/ offer price over 60 trading days average share price prior to the last trading day (Note 1)	Premium of cancellation/ offer price over 180 trading days average share price prior to the last trading day (Note 1)	Premium/ (discount) of cancellation/ offer price over/to the latest NAV/ reassessed NAV per share (Note 2)
15-Sep-23	Lansen Pharmaceutical Holdings Limited (503)	755	26.76%	20.00%	15.37%	23.29%	(22.08%)
3-Sep-23	CST Group Limited (985)	484	61.29%	36.61%	(1.38%)	(33.82%)	(60.68%)
27-Jun-23	Poly Culture Group Corporation Limited (3636)	2,187	77.60%	133.10%	129.80%	138.38%	(34.00%)
27-Jun-23	Dali Foods Group Company Limited (3799)	51,353	37.87%	30.21%	21.75%	12.95%	151.68%
25-Jun-23	Yongsheng Advanced Materials Company Limited (3608) (Note 3)	708	58.70%	52.90%	38.50%	28.67%	(41.50%)
11-Jun-23	Mason Group Holdings Limited (273)	1,500	20.70%	19.00%	12.70%	19.00%	(60.80%)
28-May-23	Golden Eagle Retail Group Limited (3308)	11,422	63.42%	55.30%	49.89%	45.15%	(47.40%)
8-May-23	Hailan Holdings Limited (2278)	1,008	5.00%	5.00%	5.11%	12.27%	(60.19%)
29-Mar-23	Inner Mongolia Yitai Coal Co., Ltd (3948)	5,705	54.87%	67.30%	64.17%	63.25%	(6.02%)
21-Feb-23	Jiangnan Group Limited (1366)	2,447	83.49%	101.44%	99.55%	77.48%	(65.44%)
17-Feb-23	AAG Energy Holdings Limited (2686)	6,281	10.10%	10.80%	24.20%	25.90%	(27.50%)
24-Oct-22	Kingston Financial Group Limited (1031)	4,084	47.78%	39.41%	33.27%	10.99%	(80.22%)
31-Aug-22	China Binary Sale Technology Ltd (8255)	48	35.10%	28.50%	17.00%	6.90%	(35.80%)
8-Aug-22	EVOC Intelligent Technology Co Ltd (2308)	2,158	15.13%	44.63%	50.86%	47.43%	(55.41%)
5-Aug-22	Lifestyle International Holdings Ltd (1212)	7,510	62.34%	70.11%	58.66%	30.01%	(52.83%)
9-Jun-22	China Vast Industrial Urban Development Co Ltd (6166)	3,963	30.43%	31.39%	36.90%	30.66%	(41.89%)
2-Jun-22	Xiamen International Port Co Ltd (3378)	6,134	97.37%	134.13%	150.00%	158.62%	(14.77%)
	Maximum		97.37%	134.13%	150.00%	158.62%	151.68%
	Minimum		5.00%	5.00%	(1.38%)	(33.82%)	(80.22%)
	Average		46.35%	51.75%	47.43%	41.01%	(32.64%)
	Median		47.78%	39.41%	36.90%	28.67%	(41.89%)
	The Company (represented by the Cancellation Price)		104.68%	111.10%	142.89%	144.93%	(78.34%) (Note 4)

Sources: the website of the Stock Exchange and Bloomberg

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Notes:

- (1) Up to and including the last trading day/last full trading day/unaffected price date of the shares prior to the publication of the first announcement pursuant to Rule 3.5 or Rule 3.7 of the Takeovers Code (where applicable).
- (2) Based on the latest NAV per share or re-assessed NAV per share (where applicable) extracted from the relevant scheme document/offer document of the Privatisation Precedents.
- (3) Pursuant to the announcement of Yongsheng Advanced Materials Company Limited (3608.HK) dated 15 November 2023, 95.3% of the offer shares were accepted and it is pending for the compulsory acquisition to be executed. The company is expected to withdraw its listing on 24 February 2024.
- (4) Calculated based on the Unaudited Adjusted NAV per Share of HK\$16.16 after taking into account of the Property Valuation Report.
- (5) Market capitalisation is calculated based on the offer/cancellation price of the respective companies times the total number of shares in issue as at the latest practicable date.

As shown in the table above, the premiums represented by the Cancellation Price over the Last Trading Date, 30, 60 and 180 trading days average closing prices are all within the ranges of the Privatisation Precedents. In particular, the premiums represented by the Cancellation Price over the Last Trading Date, last 30, 60 and 180 trading days average closing price of approximately 104.68%, 111.10%, 142.89% and 144.93% are (i) substantially higher than the large majority and (ii) significantly higher than the corresponding average and median premiums of the Privatisation Precedents. The comparison of the cancellation price to market prices, in our view, serves to demonstrate the premium over market prices in successful privatisations in Hong Kong in the past, i.e. how much the shareholders are being offered and the level of premium that is acceptable to shareholders in terms of historical share price ranges.

We consider the comparison of the discount to NAV per Share itself is of limited value to the Independent H Shareholders as the Privatisation Precedents are in different industries, running different types of business and facing different market conditions. For illustrative purpose only, the discount represented by the Cancellation Price to the Unaudited Adjusted NAV per Share as at 30 June 2023 of approximately 78.34% falls within the range of premium over/discount to NAV/re-assessed NAV per share of the Privatisation Precedents but close to the low-end of the range of the Privatisation Precedents and below the average and median of the Privatisation Precedents by approximately 45.70% and 36.45% respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent H Shareholders should note that the subject companies in the Comparable Companies and the Privatisation Precedents may have different businesses, financial aspects and prospects and different market conditions that are not exactly identical to those of the Company, therefore, the analyses should not be considered on an isolated basis but should be taken into account as a whole with other factors for the assessment of the fairness and reasonableness of the Merger.

As mentioned above, given that (i) the comparison of the cancellation price to market prices demonstrate the range of premium over market prices in successful privatisations in Hong Kong in the past; and (ii) the comparison of the discount to NAV per Share itself is of limited value to the Independent H Shareholders as the subject companies are in different industries and running different type of businesses, the Privatisation Precedents could only provide reference to the Independent H Shareholders as to the general market appetite, being the premium of the cancellation price of the subject companies of the Privatisation Precedents to their recent market price.

OPINION AND RECOMMENDATION

Having considered the principal factors and reasons above, in particular:

- (i) the Cancellation Price being fair and reasonable, in particular, the Cancellation Price represents a significant premium of approximately (a) 104.68%, 111.10%, 142.89% and 144.93% over the Last Trading Date, last 30, 60 and 180 trading days average closing prices, respectively, (b) 87.2% over the average of the closing prices during the Pre-Joint Announcement Period (which is approximately four years prior to the Last Trading Date);
- (ii) the premiums represented by the Cancellation Price over the Last Trading Date, 30, 60 and 180 trading days average closing prices are (a) higher than a large majority of and (b) significantly higher than the corresponding average and median premiums of the Privatisation Precedents;
- (iii) the sustainability of current price level, which is attributable to the Merger, is uncertain and the price of the H Shares may fall significantly if the Merger lapses;
- (iv) the trading volume of the H Shares was very thin during the Pre-Joint Announcement Period (in particular, the percentages of the monthly average daily trading volume of the H Shares to the total issued H Shares were below 0.75%), where the Independent H Shareholders may find it difficult to dispose of a large volume of H Shares in the open market without exerting downward pressure on the price level of the H Shares, therefore the Merger provide a viable alternative exit opportunity for the Independent H Shareholders, particularly for those hold a large volume of H Shares, to immediately realise their investments in the Company;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (v) despite the discount to the Unaudited Adjusted NAV of approximately 78.34%, taking into account our analysis as set out in the sub-section headed “5.4 *Historical discount to NAV per Share*”, we consider the Cancellation Price still to be fair and reasonable;
- (vi) the Group recorded substantial net loss attributable to owners of the Company for FY2022 and 6M2023, despite the Group’s total revenue maintained at a relatively stable level for FY2021, FY2022 and 6M2023, the Group’s overall gross profit declined and recorded gross profit (loss) margin of approximately 8.0%, (6.1%) and 0.3% for FY2021, FY2022 and 6M2023;
- (vii) the market landscape and business environment remain uncertain and challenging for the Group in foreseeable future given the uncertainties on the domestic and overseas economic environments as affected by among others, international trade frictions, complex geopolitical landscape and strong fluctuations in the prices of raw materials; and
- (viii) pursuant to Rule 31.1 of the Takeovers Code, the likelihood of another proposal by Weiqiao Chuangye or any parties acting in concert with it to privatise the Company within the next 12 months is remote,

we are of the opinion that the terms of the Merger are fair and reasonable so far as the Independent H Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent H Shareholders to vote in favour of the Merger at the EGM and the H Shareholders’ Class Meeting.

We note that the H Shares have been trading at prices below, but close to, the Cancellation Price following the publication of the Joint Announcement. The Independent H Shareholders who are very risk averse may consider selling their H Shares in the market prior to the EGM and H Shareholders’ Class Meeting in view of the potential decline in the prevailing market price if the Merger does not proceed. In addition, for the Independent H Shareholders who would vote in favour of the Merger, in the event the market price of the H Share price exceed the Cancellation Price and if the net proceeds from the sale of H Shares in the market exceeds the amount receivable under the Merger, such Independent H Shareholders may consider selling their H Shares in the market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Articles, any Dissenting Shareholder may request the Company and/or the Consenting Shareholders to acquire its Shares at a “fair price”. Such right is not exercisable if the Merger lapses. Further details (including the criteria) of such right are set out under the subsection headed “3. *PRINCIPAL TERMS OF THE MERGER AGREEMENT – Right of a Dissenting Shareholder*” of the Letter from the Board. The Independent H Shareholders should note that no assurance can be given as to (i) the costs that may be incurred by the Dissenting Shareholders for determining the “fair price”; (ii) any favourable results to the Dissenting Shareholders; and (iii) the time required for such process.

As different Shareholders would have different investment criteria, objectives, risk preference and tolerance level and/or circumstances, we recommend any Independent H Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional advisers.

Yours faithfully,
For and on behalf of
ELSTONE CAPITAL LIMITED
Fanny Lee
Managing Director

Ms. Fanny Lee is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Elstone Capital Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has over 25 years of experience in corporate finance industry.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the financial results of the Group for each of the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 as extracted from the annual reports for the years ended 31 December 2020, 2021 and 2022, respectively, and the unaudited interim report of the Group for the six months ended 30 June 2023 prepared in accordance with HKFRSs.

	For the six months ended 30 June 2023 RMB'000 (Unaudited)	For the year ended 31 December 2022 RMB'000 (Audited)	For the year ended 31 December 2021 RMB'000 (Audited)	For the year ended 31 December 2020 RMB'000 (Audited)
Revenue	<u>7,951,142</u>	<u>16,573,668</u>	<u>16,262,686</u>	<u>12,743,437</u>
(Loss) profit before taxation	(425,970)	(1,469,710)	641,897	466,644
Income tax expenses	<u>(79,582)</u>	<u>(92,949)</u>	<u>(26,992)</u>	<u>(264,416)</u>
(Loss) profit and total comprehensive income (expense) for the year/period	<u>(505,552)</u>	<u>(1,562,659)</u>	<u>614,905</u>	<u>202,228</u>
(Loss) profit and total comprehensive (expense) income attributable to:				
Owners of the Company	(504,331)	(1,557,643)	614,187	204,833
Non-controlling interests	(1,221)	(5,016)	718	(2,605)
	<u>(505,552)</u>	<u>(1,562,659)</u>	<u>614,905</u>	<u>202,228</u>
(Loss) earnings per share attributable to the Owners of the Company				
Basic and diluted (RMB)	(0.42)	(1.30)	0.51	0.17
Dividends	–	–	214,990	72,858
Dividends per share (RMB)	–	–	0.18	0.061

There are no other items of income or expense which are material for each of the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023.

The consolidated financial statements of the Group for the years ended 31 December 2020, 2021 and 2022 were audited by SHINEWING (HK) CPA Limited. No modified opinion, emphasis of matter or material uncertainty related to going concern was given by the auditors of the Group in respect of the Group's audited consolidated financial statements for the financial years ended 31 December 2020, 2021 and 2022.

Save for the interim results announcement and the interim report for the six months ended 30 June 2023, there are no other interim statement or preliminary announcement made by the Company since the last published audited accounts of the Company (namely, its annual report for the year ended 31 December 2022).

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022 AND UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Company is required to set out or refer to in this document the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flow, the consolidated statement of changes in equity and any other primary statement as shown in (1) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”); (2) the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the “**2021 Financial Statements**”); (3) the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the “**2022 Financial Statements**”); and (4) the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 (the “**2023 Interim Financial Statements**”), together with the notes (as and when applicable) to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2020 Financial Statements (including the notes thereto) are set out from pages 78 to 164 in the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”) which was published on 12 April 2021 on the websites of the Company (<http://www.wqfz.com/public/upload/files/20220305/1646439793.pdf>) and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0412/2021041200443.pdf>).

The 2021 Financial Statements (including the notes thereto) are set out from pages 79 to 168 in the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”) which was published on 6 April 2022 on the websites of the Company (<http://www.wqfz.com/public/upload/files/20220406/1649239801.pdf>) and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0406/2022040600563.pdf>).

The 2022 Financial Statements (including the notes thereto) are set out from pages 79 to 162 in the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”) which was published on 14 April 2023 on the websites of the Company (<http://www.wqfz.com/public/upload/files/20230414/1681463535.pdf>) and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0414/2023041400273.pdf>).

The 2023 Interim Financial Statements (including the notes thereto) are set out from pages 25 to 52 in the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”) which was published on 11 September 2023 on the websites of the Company (<http://www.wqfz.com/public/upload/files/20230911/1694425416.pdf>) and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0911/2023091100394.pdf>).

The 2020 Financial Statements, the 2021 Financial Statements, the 2022 Financial Statements and the 2023 Interim Financial Statements are incorporated by reference into this document and form part of this document.

3. INDEBTEDNESS STATEMENT

At the close of business on 30 November 2023, being the latest practicable date for the purpose of determining this statement of indebtedness prior to the printing of this document, the Group had outstanding indebtedness of approximately RMB5,108.31 million as set out below.

	As at 30 November 2023 <i>RMB'000</i>
Bank loans	5,059,140
Lease liabilities	<u>49,170</u>
Total outstanding debts	<u><u>5,108,310</u></u>

As at 30 November 2023, the outstanding bank loans of the Company was approximately RMB5,059,140,000, which consisted of short term loans of approximately RMB4,386,500,000 and long term loans of approximately RMB672,640,000. Among the outstanding bank loans, approximately RMB170,000,000 was credit loans, approximately RMB781,000,000 was secured by the machinery and equipment of the Group, approximately RMB355,000,000 was secured by immovable properties of the Group, approximately RMB287,000,000 was secured by machinery, equipment and immovable properties of the Group. Further, approximately RMB567,140,000 was guaranteed by Weiqiao Chuangye, approximately RMB1,599,000,000 was guaranteed by Weiqiao Chuangye and secured by the machinery and equipment of the Group, approximately RMB1,300,000,000 was jointly guaranteed by a wholly-owned subsidiary of Weiqiao Chuangye and an independent third party, and was secured by immovable properties of the Group. As at 30 November 2023, approximately RMB447,000,000 of the long term loans was due within one year.

As at 30 November 2023, approximately RMB19,469,000 of the lease liabilities was due within one year.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, as at 30 November 2023, the Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since the close of business on 30 November 2023.

4. MATERIAL CHANGE

The Directors confirm that, as at the Latest Practicable Date, save for the following, there was no material change in the financial position or trading position or outlook of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

- under the impact of various unfavourable factors such as the complex international trade environment as well as the high production costs, the Group recorded an unaudited net loss attributable to the owners of the Company of approximately RMB504 million for the six months ended 30 June 2023, which was mainly due to the increased production costs for the Group's textile products and the decrease in electricity sales volume and impairment provision for certain electricity assets. Further information is set out on pages 7 to 16 of the 2023 Interim Report.

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this document received from Asia-Pacific Consulting and Appraisal Limited, an independent valuer, in connection with its valuation as at 30 November 2023 of the property interests of the Group.



CONSULTING & APPRAISAL
亞太評估

Asia-Pacific Consulting and Appraisal Limited
Flat/Rm A 12/F Kiu Fu Commercial Building,
300 Lockhart Road, Wan Chai,
Hong Kong

23 January 2024

The Board of Directors
Weiqiao Textile Company Limited
No. 1, Wei Fang Road
Zouping Economic Development Zone
Zouping City, Shandong Province
The PRC

Dear Sirs,

Instructions, Purpose and Valuation Date

Asia-Pacific Consulting and Appraisal Limited (“**APA**” or “**we**”) is instructed by Weiqiao Textile Company Limited (the “**Company**”) to provide valuation service on the properties held by the Company and its subsidiaries (hereinafter together referred to as the “**Group**”) for disclosure purpose. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing our opinion on the market value of the property interests as at 30 November 2023 (the “**Valuation Date**”).

Basis of Valuation

Our valuation of the property interests represents the market value which we would define as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

Methods of Valuation

Due to the nature of the buildings and structures of the properties and the particular location in which they are situated, it is unlikely to find relevant market comparable sales readily available, and thus the buildings and structures of the property have been valued by the cost approach with reference to their depreciated replacement costs.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. In arriving at the value of the land portion, reference has been made to the sales evidence available in the locality. The depreciated replacement cost of the property interests is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Valuation Assumptions

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In the course of our valuation of the property in the PRC, we have relied on the advice given by the Group and its legal adviser, being Zong Heng Law Firm (縱橫律師事務所) (the “**PRC Legal Adviser**”), regarding the title to the Property. We have been provided with a legal opinion dated on 16 January 2024 (the “**Legal Opinion**”).

Valuation Standards

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Listing Rules, Rule 11 of the Takeovers Code, the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors, the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

The property-related potential tax liability which might arise on disposal of the property interests (as property transfer) in the PRC includes value-added tax (at 5% or 9% on the transaction amount), land appreciation tax (at progressive rates from 30% to 60% on the appreciation amount) and corporate income tax (at 15% in case of preferential enterprise income tax rate or 25% of the gain). As confirmed by the Group, the properties are held for owner-occupation. Therefore, the likelihood of such tax liability being crystallised to the Group is slim and thus such tax liability is excluded from our valuation.

Source of Information

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Document and Title Investigation

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificates and other title documents relating to the property interests and have made relevant enquiries. However, we have not searched the original documents to verify the ownership or to ascertain any amendment. We have relied to a very considerable extent on the information given by the Group, and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Area Measurement and Inspection

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the documents and official site plans handed to us are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties unless we have been otherwise instructed. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

The site inspection was carried out in December 2023 by Mr. David Cheng who is a member of the Royal Institution of Chartered Surveyors and has more than 22 years' experience in property valuation in the PRC; Mr. Might Zhai who is a Certified Public Valuer and has more than 10 years' experience in property valuation in the PRC; Ms. Ivy Liu, Ms. Tracy Zhang and Mr. Lester Li who have 5 years', 4 years' and 2 years' experience respectively in property valuation in the PRC.

Currency

All monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is enclosed hereby for your attention.

Yours faithfully,

for and on behalf of

Asia-Pacific Consulting and Appraisal Limited

David G.D. Cheng

MRICS

Executive Director

Note: David G.D. Cheng is a Chartered Surveyor who has 22 years' experience in the valuation of assets in the Greater China Region, the Asia-Pacific region, the United States and Canada.

SUMMARY OF VALUES

Property interests held by the Group in the PRC

No.	Property	Market value in existing state as at the Valuation Date RMB
1.	A parcel of land, located at south of Huixian 4th Road and east of Dongcheng 3rd Road, Zouping Economic Development Zone, Binzhou City, Shandong Province, the PRC	27,679,000
2.	First production Area located at north side of Gongye 6th Road, Zouping Economic Development Zone, Binzhou City, Shandong Province, the PRC	500,581,000
3.	Second production Area located at north side of Gongye 1st Road, Zouping Economic Development Zone, Binzhou City, Shandong Province, the PRC	749,861,000
4.	Third production Area located at south side of Huixian 1st Road, Zouping Economic Development Zone, Binzhou City, Shandong Province, the PRC	221,496,000
5.	Third production Area located at west side of West Outer Ring Road, Weiqiao Town, Zouping Economic Development Zone, Binzhou City, Shandong Province, the PRC	90,473,000
6.	A parcel of land, various buildings and ancillary structures located at west of Changyuan Road Zouping County, Binzhou City, Shandong Province, the PRC	2,771,087,000
7.	5 parcels of land, various buildings and ancillary structures located at west side of Bohai 22nd Road, Binzhou Industrial Park Economic Development Zone, Binzhou City, Shandong Province, the PRC	747,772,000
8.	A parcel of land, various buildings and ancillary structures located at east side of Huancui Road, Zhangcun Town, Huancui District, Weihai City, Shandong Province, the PRC	30,836,000
9.	4 parcels of land, various buildings and ancillary structures located at south of Qianshuangdao Village, Zhangcun Town, Huancui District, Weihai City, Shandong Province, the PRC	378,242,000
10.	Various buildings and ancillary structures located at west side of the Pearl River Street, Huancui Road, Zhangcun Town, Weihai City, Shandong Province, the PRC	71,864,000
	Sub-total:	5,589,891,000

VALUATION CERTIFICATE

Property interests held by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date RMB
1.	A parcel of land, located at south of Huixian 4th Road and east of Dongcheng 3rd Road, Zouping Economic Development Zone, Binzhou City, Shandong Province, The PRC	The property comprises a parcel of land with a site area of approximately 89,288.30 sq.m. The land use rights of the property have been granted for a term expiring on 18 September 2053 for industry use.	The property is currently vacant.	27,679,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Lu (2022) Zou Ping Shi Bu Dong Chang Quan Di No. 0012887, the land use rights of a parcel of land with a site area of approximately 89,288.30 sq.m. have been granted to the Company for a term expiring on 18 September 2053 for industry use.
2. We have been provided with the Legal Opinion, which contains, *inter alia*, the following:
 - a. The Company legally held the land use rights of the property and has the right to legally transfer, lease, mortgage or otherwise dispose of the land.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date RMB
2.	First production Area located at north side of Gongye 6th Road, Zouping Economic Development Zone, Binzhou City, Shandong Province, The PRC	<p>The property comprises 76 buildings and various ancillary structures erected on 3 parcels of land with a total site area of approximately 1,013,335.00 sq.m. completed in various stages from 2004 to 2023.</p> <p>The 76 buildings have a total gross floor area of approximately 1,332,261.59 sq.m., mainly including industrial buildings and ancillary management buildings.</p> <p>The structures mainly include roads, pools, sheds and boundary walls.</p> <p>The land use rights of the property are rented for terms earliest commencing from 1 May 2006 and latest expiring on 16 October 2026.</p>	The property is currently occupied by the Group as production workshop and other ancillary facilities.	500,581,000

Notes:

- Pursuant to 3 Land Use Right Certificates – Zou Guo Yong (2002) Zi Di No. 0104112, Zou Guo Yong (2002) Zi Di No. 0104115 and Zou Guo Yong (2002) Di No. 0104116, the land use rights of 3 parcels of land with a total site area of approximately 1,013,335.00 sq.m. have been granted to Shandong Weiqiao Chuangye Group Company Limited, the controlling shareholder of the Company, (the “**Holding Company**”) for terms expiring on 17 April 2052 and 6 August 2052 for industry use.
- Pursuant to 3 lease agreements entered into between the Holding Company and the Company, the Holding Company agreed to lease the land with a total site area of approximately 1,013,335.00 sq.m. to the Company at an annual rental of approximately RMB6,571,000 including tax for the land use right terms earliest commencing from 1 May 2006 and latest expiring on 16 October 2026.

3. Pursuant to 4 Building Ownership Certificates – Bin Zhou Shi Fang Quan Zheng Zou Ping Xian Zi Di No. Wei Qiao Gong 4-8, and Zou Ping Xian Fang Quan Zheng Cheng Qu Gong Zi Di Nos. CQG00047, CQG00080 and CQG00106, 30 buildings with a total gross floor area of approximately 1,140,425.28 sq.m. are vested in the Company.
4. For the remaining 46 buildings with a total gross floor area of approximately 191,836.31 sq.m., we have not been provided with any title certificates.
5. As instructed by the Company, our valuation is carried out on the buildings and structures only. Moreover, our valuation is based on the assumption that the leasehold interests of the rented land portions can be freely transferred, occupied, sublet and handled by the Company during the term of the Land Leasing Agreement.
6. We have been provided with the Legal Opinion, which contains, *inter alia*, the following:
 - a. The Company legally held the ownership of the buildings mentioned in note 3 and has the right to legally transfer, lease, mortgage or otherwise dispose of the buildings.
7. In the valuation of this property, we have relied on the Legal Opinion and attributed no commercial value to the 46 buildings of the property mentioned in note 4 whose proper title certificates have not been obtained. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 46 buildings (excluding land element) as at the Valuation Date would be RMB44,374,000 assuming all relevant title certificates have been obtained and that they could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date RMB
3.	Second production Area located at north side of Gongye 1st Road, Zouping Economic Development Zone, Binzhou City, Shandong Province, The PRC	<p>The property comprises 79 buildings and various ancillary structures erected on 2 parcels of land with a total site area of approximately 669,718.50 sq.m. completed in various stages from 2005 to 2019.</p> <p>The 79 buildings have a total gross floor area of approximately 1,590,693.77 sq.m., mainly including industrial buildings and ancillary management buildings.</p> <p>The structures mainly include roads, sheds, wells, cement poles and boundary walls.</p> <p>The land use rights of the property are rented for terms earliest commencing from 1 May 2006 and latest expiring on 16 October 2026.</p>	The property is currently occupied by the Group as production workshop and other ancillary facilities.	749,861,000

Notes:

- Pursuant to 2 Land Use Right Certificates – Zou Guo Yong (2002) Zi Di Nos. 0104111 and Zou Guo Yong (2005) Zi Di No. 0104163, the land use rights of 2 parcels of land with a total site area of approximately 669,718.50 sq.m. have been granted to the Holding Company for terms expiring on 1 April 2052 and 1 March 2055 for industry use.
- Pursuant to 2 lease agreements entered into between the Holding Company and the Company, the Holding Company agreed to lease the land with a total site area of approximately 669,718.50 sq.m. to the Company at an annual rental of approximately RMB4,008,000 including tax for the land use right terms earliest commencing from 1 May 2006 and latest expiring on 16 October 2026.
- Pursuant to 3 Building Ownership Certificates – Zou Ping Xian Fang Quan Zheng Cheng Qu Gong Zi Di Nos. CQG00033, CQG00044 and CQG00210, 16 buildings with a total gross floor area of approximately 1,186,841.74 sq.m. are vested in the Company.
- For the remaining 63 buildings with a total gross floor area of approximately 403,852.03 sq.m., we have not been provided with any title certificates.

5. As instructed by the Company, our valuation is carried out on the buildings and structures only. Moreover, our valuation is based on the assumption that the leasehold interests of the rented land portions can be freely transferred, occupied, sublet and handled by the Company during the term of the Land Leasing Agreement.
6. We have been provided with the Legal Opinion, which contains, *inter alia*, the following:
 - a. The Company legally held the ownership of the buildings mentioned in note 3 and has the right to legally transfer, lease, mortgage or otherwise dispose of the buildings.
7. In the valuation of this property, we have relied on the Legal Opinion and attributed no commercial value to the 63 buildings of the property mentioned in note 4 whose proper title certificates have not been obtained. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 63 buildings (excluding land element) as at the Valuation Date would be RMB252,793,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date RMB
4.	Third production Area located at south side of Huixian 1st Road, Zouping Economic Development Zone, Binzhou City, Shandong Province, The PRC	<p>The property comprises 38 buildings and various ancillary structures erected on 2 parcels of land with a total site area of approximately 688,960.00 sq.m. completed in various stages from 2006 to 2012.</p> <p>The 38 buildings have a total gross floor area of approximately 318,696.88 sq.m., mainly including industrial buildings and ancillary management buildings.</p> <p>The structures mainly include roads, sheds, wells, cement poles and boundary walls.</p> <p>The land use rights of the property are rented for terms earliest commencing from 1 May 2006 and latest expiring on 24 April 2027.</p>	The property is currently occupied by the Group as production workshop and other ancillary facilities.	221,496,000

Notes:

- Pursuant to 2 Land Use Right Certificates – Zou Guo Yong (2005) Zi Di No. 0104166 and Zou Guo Yong (2005) Zi Di No.0104162, the land use rights of 2 parcels of land with a total site area of approximately 688,960.00 sq.m. have been granted to the Holding Company for terms expiring on 10 March 2055 and 1 March 2055 for industry use.
- Pursuant to 2 lease agreements entered into between the Holding Company and the Company, the Holding Company agreed to lease the land with a total site area of approximately 688,960.00 sq.m. to the Company at an annual rental of approximately RMB4,134,000 including tax for the land use right terms earliest commencing from 1 May 2006 and latest expiring on 24 April 2027.

3. Pursuant to 31 Building Ownership Certificates –Bin Zhou Shi Fang Quan Zheng Zou Ping Xian Zi Di Nos. 015562, 015563, 015564, 015565, 015566, 015567, 010692, 010693, 010695, 010696, 010697, 010698, 010699, 010700, 010701, 010702, 010703, 010704, 010705, 010706, 010707, 010708, 010709, 010710, 010711, 010712, 010713, 010714, 010715 and 010716, and Zou Ping Xian Fang Zheng Cheng Qu Gong Zi Di No.CQG00629, 22 buildings with a total gross floor area of approximately 318,696.88 sq.m. are vested in the Company.
4. As instructed by the Company, our valuation is carried out on the buildings and structures only. Moreover, our valuation is based on the assumption that the leasehold interests of the rented land portions can be freely transferred, occupied, sublet and handled by the Company during the term of the Land Leasing Agreement.
5. We have been provided with the Legal Opinion, which contains, *inter alia*, the following:
 - a. The Company legally held the ownership of the buildings mentioned in note 3 and has the right to legally transfer, lease, mortgage or otherwise dispose of the buildings.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date RMB
5.	Third production Area located at west side of West Outer Ring Road, Weiqiao Town, Zouping Economic Development Zone, Binzhou City, Shandong Province, The PRC	<p>The property comprises 21 buildings and various ancillary structures erected on a parcel of land with a total site area of approximately 250,510.11 sq.m. completed in various stages from 2003 to 2023.</p> <p>The 21 buildings have a total gross floor area of approximately 316,929.55 sq.m., mainly including industrial buildings.</p> <p>The structures mainly include roads, sheds and boundary walls.</p> <p>The land use rights of the property are rented for a term commencing from 11 August 2023 and expiring on 10 August 2026.</p>	The property is currently occupied by the Group as production workshop and other ancillary facilities.	90,473,000

Notes:

1. Pursuant to a Land Use Right Certificate – Zou Guo Yong (2003) Di No. (03) 0131, the land use rights of a parcel of land with a site area of approximately 250,510.11 sq.m. have been granted to the Holding Company for a term expiring on 6 June 2053 for industry use.
2. Pursuant to a lease agreement entered into between the Holding Company and the Company, the Holding Company agreed to lease the land with a site area of approximately 250,510.11 sq.m. to the Company at an annual rental of approximately RMB1,798,000 including tax for the land use right term commencing from 11 August 2023 and expiring on 10 August 2026.
3. Pursuant to a Building Ownership Certificate – Bin Zhou Shi Fang Quan Zheng Zou Ping Xian Zi Di Wei Qiao Gong 46, 19 buildings with a total gross floor area of approximately 316,541.65 sq.m. are vested in the Company.
4. For the remaining 2 buildings with a total gross floor area of approximately 387.90 sq.m., we have not been provided with any title certificates.

5. As instructed by the Company, our valuation is carried out on the buildings and structures only. Moreover, our valuation is based on the assumption that the leasehold interests of the rented land portions can be freely transferred, occupied, sublet and handled by the Company during the term of the Land Leasing Agreement.
6. We have been provided with the Legal Opinion, which contains, *inter alia*, the following:
 - a. The Company legally held the ownership of the buildings mentioned in note 3 and has the right to legally transfer, lease, mortgage or otherwise dispose of the buildings.
7. In the valuation of this property, we have relied on the Legal Opinion and attributed no commercial value to the 2 buildings of the property mentioned in note 4 whose proper title certificates have not been obtained. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 2 buildings (excluding land element) as at the Valuation Date would be RMB133,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date RMB
6.	A parcel of land, various buildings and ancillary structures located at west of Changyuan Road Zouping County, Binzhou City, Shandong Province, The PRC	The property comprises a parcel of land with a site area of approximately 593,859.00 sq.m. and 96 buildings and various ancillary structures erected thereon which were completed completed in various stages from 2012 to 2019.	The property is currently occupied by the Group as a power plant and other ancillary facilities.	2,771,087,000
		The 96 buildings have a total gross floor area of approximately 152,136.93 sq.m., mainly including industrial buildings and ancillary management buildings.		
		The structures mainly include coal-conveyer-gallery, chimney, cooling tower, pools, roads and boundary walls.		
		The land use rights of the property have been granted for a term expiring on 15 June 2058 for industry use.		

Notes:

1. Pursuant to a Real Estate Title Certificate – Lu (2022) Zou Ping Shi Bu Dong Chan Quan Zi No. 0013580, the land use rights of a parcel of land with a site area of approximately 593,859.00 sq.m. have been granted to the Company for a term expiring on 15 June 2058 for industry use.
2. Pursuant to a Building Ownership Certificate – Bin Zhou Shi Fang Quan Zheng Zou Ping Xian Zi Di No. 022500, 73 buildings with a total gross floor area of approximately 141,116.40 sq.m. are owned by the Company.
3. For the remaining 20 buildings with a total gross floor area of approximately 11,020.53 sq.m., we have not been provided with any title certificates.

4. We have been provided with the Legal Opinion, which contains, *inter alia*, the following:
 - a. The Company legally held the land use rights of the property and has the right to legally transfer, lease, mortgage or otherwise dispose of the land.
 - b. The Company legally held the ownership of the buildings mentioned in note 2 and has the right to legally transfer, lease, mortgage or otherwise dispose of the buildings.
5. In the valuation of this property, we have relied on the Legal Opinion and attributed no commercial value to the 20 buildings of the property mentioned in note 4 whose proper title certificates have not been obtained. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 20 buildings (excluding land element) as at the Valuation Date would be RMB32,603,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date RMB
7.	5 parcels of land, various buildings and ancillary structures located at west side of Bohai 22nd Road, Binzhou Industrial Park Economic Development Zone, Binzhou City, Shandong Province, The PRC	The property comprises 5 parcels of land with a total site area of approximately 1,162,250.30 sq.m. and 79 buildings and various ancillary structures erected thereon which were completed in various stages from 2003 to 2017.	The property is currently occupied by the Group as production workshop and other ancillary facilities.	747,772,000
		The 79 buildings have a total gross floor area of approximately 1,159,181.59 sq.m., mainly including industrial buildings and ancillary management buildings.		
		The structures mainly include electrical system, wells, sheds, pools, roads and boundary walls.		
		The land use rights of the property have been granted for terms expiring on 28 April 2051, 22 September 2052, 27 April 2054 and 18 July 2056, respectively, for industry use and 9 March 2043 for commercial use.		

Notes:

- Pursuant to 5 Land Use Right Certificates – Bin Guo Yong (2003) Zi Di Nos. 5227 and 5258, Bin Guo Yong (2003) Zi Di Nos. K0040, Bin Guo Yong (2004) Zi Di No. K0065 and Bin Guo Yong (2010) Zi Di No. K0275, the land use rights of 5 parcels of land with a total site area of approximately 1,162,250.30 sq.m. have been granted to Binzhou Weiqiao Technology Industrial Park Co., Ltd (“**Binzhou Weiqiao**”), a 98.5% owned subsidiary of the Company, for terms expiring on 28 April 2051, 22 September 2052, 27 April 2054 and 18 July 2056, respectively, for industry use and 9 March 2043 for commercial use.

2. Pursuant to 11 Building Ownership Certificates – Bin Zhou Shi Fang Quan Zheng Shi Shu Zi Di Nos. M-00046a, M-00046b, M-00046c, M-00046d, M-00046e, M-00046f, M-00046g, M-00060a, M-00060b, M-00060c and M-00060d, 32 buildings with a total gross floor area of approximately 865,737.63 sq.m. are owned by Binzhou Weiqiao.
3. For the remaining 47 buildings with a total gross floor area of approximately 293,443.96 sq.m., we have not been provided with any title certificates.
4. We have been provided with the Legal Opinion, which contains, *inter alia*, the following:
 - a. Binzhou Weiqiao legally held the land use rights of the property and has the right to legally transfer, lease, mortgage or otherwise dispose of the land.
 - b. Binzhou Weiqiao legally held the ownership of the buildings mentioned in note 2 and has the right to legally transfer, lease, mortgage or otherwise dispose of the buildings.
5. In the valuation of this property, we have relied on the Legal Opinion and attributed no commercial value to the 47 buildings of the property mentioned in note 4 whose proper title certificates have not been obtained. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 47 buildings (excluding land element) as at the Valuation Date would be RMB155,262,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date RMB
8.	A parcel of land, various buildings and ancillary structures located at east side of Huancui Road, Zhangcun Town, Huancui District, Weihai City, Shandong Province, The PRC	The property comprises a parcel of land with a site area of approximately 41,808.00 sq.m. and 12 buildings and various ancillary structures erected thereon which were completed in various stages from 2002 to 2015.	The property is currently occupied by the Group as production workshop and other ancillary facilities.	30,836,000
		The 12 buildings have a total gross floor area of approximately 45,798.42 sq.m., mainly including industrial buildings and ancillary management buildings.		
		The structures mainly include sheds, roads and boundary walls.		
		The land use rights of the property have been granted for a term expiring on 9 January 2047 for industry use.		

Notes:

- Pursuant to a Land Use Right Certificate – Wei Huan Guo Yong (2006 Chu) Di No. 183, the land use rights of a parcel of land with a site area of approximately 41,808.00 sq.m. have been granted to the Weihai Weiqiao Textile Co., Ltd (“Weihai Weiqiao”), a wholly owned subsidiary of the Company, for a term expiring on 9 January 2047 for industry use.
- Pursuant to 9 Building Ownership Certificates – Wei Fang Quan Zheng Zi Di Nos. 2003017649, 2003017652, 2003017651, 2003017653, 2003017654, 2003017659, 2003017661, 2006024667 and 2006024675, 6 buildings with a total gross floor area of approximately 42,024.42 sq.m. are owned by Weihai Weiqiao.
- For the remaining 6 buildings with a total gross floor area of approximately 3,774.00 sq.m., we have not been provided with any title certificates.

4. We have been provided with the Legal Opinion, which contains, *inter alia*, the following:
 - a. Weihai Weiqiao legally held the land use rights of the property and has the right to legally transfer, lease, mortgage or otherwise dispose of the land.
 - b. Weihai Weiqiao legally held the ownership of the buildings mentioned in note 2 and has the right to legally transfer, lease, mortgage or otherwise dispose of the buildings.
5. In the valuation of this property, we have relied on the Legal Opinion and attributed no commercial value to the 6 buildings of the property mentioned in note 4 whose proper title certificates have not been obtained. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 6 buildings (excluding land element) as at the Valuation Date would be RMB1,884,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date RMB
9.	4 parcels of land, various buildings and ancillary structures located at south of Qianshuangdao Village, Zhangcun Town, Huancui District, Weihai City, Shandong Province, The PRC	The property comprises 4 parcels of land with a total site area of approximately 530,628.00 sq.m. and 63 buildings and various ancillary structures erected thereon which were completed in various stages from 2004 to 2023.	The property is currently occupied by the Group as production workshop and other ancillary facilities.	378,242,000
		The 63 buildings have a total gross floor area of approximately 799,642.93 sq.m., mainly including industrial buildings, dormitory buildings and ancillary management buildings.		
		The structures mainly include electric system, pools, sheds, roads and boundary walls.		
		The land use rights of the property have been granted for terms expiring on 9 January 2047, 26 May 2052, 28 November 2054 and 1 March 2056, respectively, for industry use.		

Notes:

- Pursuant to 3 Land Use Right Certificates – Wei Huan Guo Yong (2006 Chu) Di Nos. 181, 182 and 492, and 2 Real Estate Title Certificates – Lu (2020) Wei Hai Shi Bu Dong Chan Quan Di Nos. 0010292 and 0010298, the land use rights of 4 parcels of land with a total site area of approximately 530,628.00 sq.m. have been granted to the Weihai Weiqiao Technology Industrial Park Co., Ltd (“**Weihai Weiqiao Technology**”), a wholly owned subsidiary of the Company, for terms expiring on 26 May 2052, 9 January 2047, 28 November 2054 and 1 March 2056, respectively, for industry use.
- Pursuant to 15 Building Ownership Certificates – Wei Fang Quan Zheng Zi Di Nos. 2006024728, 2006024757, 2006024761, 2006024783, 2006024788, 2006024798, 2006024799, 2006024800, 2006024801, 2006024802, 2006024806, 2006024807, 2006024809, 2006024814 and 2006024819, 15 buildings with a total gross floor area of approximately 236,019.05 sq.m. are owned by Weihai Weiqiao Technology.

3. For the remaining 48 buildings with a total gross floor area of approximately 563,623.88 sq.m., we have not been provided with any title certificates.
4. We have been provided with the Legal Opinion, which contains, *inter alia*, the following:
 - a. Weihai Weiqiao Technology legally held the land use rights of the property and has the right to legally transfer, lease, mortgage or otherwise dispose of the land.
 - b. Weihai Weiqiao Technology legally held the ownership of the buildings mentioned in note 2 and has the right to legally transfer, lease, mortgage or otherwise dispose of the buildings.
5. In the valuation of this property, we have relied on the Legal Opinion and attributed no commercial value to the 48 buildings of the property mentioned in note 4 whose proper title certificates have not been obtained. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 48 buildings (excluding land element) as at the Valuation Date would be RMB117,363,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date RMB
10.	Various buildings and ancillary structures located at west side of south the Pearl River Street, Huancui Road, Zhangcun Town, Weihai City, Shandong Province, The PRC	<p>The property comprises 14 buildings and various ancillary structures erected on 2 parcels of land with a total site area of approximately 123,414.00 sq.m. completed in various stages from 2008 to 2022.</p> <p>The 14 buildings have a total gross floor area of approximately 39,086.68 sq.m., mainly including industrial buildings, dormitory building and ancillary management buildings.</p> <p>The structures mainly include roads, sheds, chimney and boundary walls.</p> <p>The land use rights of the property are rented for a term commencing from 18 March 2008 and expiring on 18 March 2028.</p>	The property is currently occupied by the Group as production workshop and other ancillary facilities.	71,864,000

Notes:

- Pursuant to 2 Land Use Right Certificates – Wei Huan Guo Yong (2002 Chu) Zi Di No. 105 and Wei Huan Guo Yong (2006 Chu) Zi Di No. 048, the land use rights of 2 parcels of land with a total site area of approximately 123,414.00 sq.m. have been granted to the Weihai Xijiao Thermal Power Co., Ltd (“**Weihai Xijiao Thermal Power**”), a wholly owned subsidiary of the Holding Company, for terms expiring on 26 May 2052 and 4 January 2056 for industry use.
- Pursuant to a lease agreement entered into between Weihai Xijiao Thermal Power and the Company, Weihai Xijiao Thermal Power agreed to lease the land with a site area of approximately 123,414.00 sq.m. to the Company at an annual rental of approximately RMB740,500 excluding tax for the land use right term commencing from 18 March 2008 and expiring on 18 March 2028.
- Pursuant to 7 Building Ownership Certificates – Wei Fang Quan Zheng Zi Di Nos. 2009011372, 2009011377, 2009011380, 2009011433, 2009011440, 2009011444 and 2009011449, 7 buildings with a total gross floor area of approximately 22,810.20 sq.m. are vested in Weihai Weiqiao Technology.

4. For the remaining 7 buildings with a total gross floor area of approximately 16,276.48 sq.m., we have not been provided with any title certificates.
5. As instructed by the Company, our valuation is carried out on the buildings and structures only. Moreover, our valuation is based on the assumption that the leasehold interests of the rented land portions can be freely transferred, occupied, sublet and handled by the Company during the term of the Land Leasing Agreement.
6. We have been provided with the Legal Opinion, which contains, *inter alia*, the following:
 - a. Weihai Weiqiao Technology legally held the ownership of the buildings mentioned in note 3 and has the right to legally transfer, lease, mortgage or otherwise dispose of the buildings.
7. In the valuation of this property, we have relied on the Legal Opinion and attributed no commercial value to the 7 buildings of the property mentioned in note 4 whose proper title certificates have not been obtained. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 7 buildings (excluding land element) as at the Valuation Date would be RMB12,846,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

1. RESPONSIBILITY STATEMENT

As at the Latest Practicable Date, the Offeror's sole director was Ms. Zhang Xiaoqiao. The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this document (other than those in relation to the Company) and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any of the statements in this document misleading.

As at the Latest Practicable Date, the board of directors of Weiqiao Chuangye comprised 11 directors, namely Mr. Zhang Bo, Ms. Zhang, Ms. Zhang Yanhong, Mr. Yang Congsen, Ms. Zhao Suwen, Mr. Wei Yingzhao, Mr. Liu Fenghai, Mr. Deng Wenqiang, Mr. Wei Jiakun, Mr. Xu Xiangzhong and Mr. Zhang Jinglei. The directors of Weiqiao Chuangye jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than those in relation to the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than those expressed by the Directors in their capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any of the statements in this document misleading.

As at the Latest Practicable Date, the Board comprised nine Directors, namely Ms. Zhang, Ms. Zhang Yanhong, Mr. Wei Jiakun, Ms. Zhao Suwen and Mr. Zhang Jinglei as executive Directors, Ms. Zhao Suhua as non-executive Director and Mr. George Chan Wing Yau, Mr. Chen Shuwen and Mr. Liu Yanzhao as independent non-executive Directors. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than those in relation to the Offeror, Weiqiao Chuangye and any party acting in concert with any of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than those expressed by the sole director of the Offeror and the directors of Weiqiao Chuangye in their capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any of the statements in this document misleading.

2. SHARE CAPITAL OF THE COMPANY

(a) Authorised and issued share capital

As at the Latest Practicable Date, the registered and issued share capital of the Company were as follows:

	<i>RMB</i>
Registered Share Capital:	
413,619,000 H Shares of RMB1.00 each	413,619,000
780,770,000 Domestic Shares of RMB1.00 each	780,770,000
Total	1,194,389,000
Issued and fully paid:	
413,619,000 H Shares of RMB1.00 each	413,619,000
780,770,000 Domestic Shares of RMB1.00 each	780,770,000
Total	1,194,389,000

All of the Domestic Shares and H Shares currently in issue *rank pari passu* in all respects with each other, including voting rights, right to receive dividend payment (except that payment of dividend will be made in RMB to the holders of the Domestic Shares and in Hong Kong dollars to H Shareholders) and capital (including right to return of capital).

Since 31 December 2022, being the date of the last audited consolidated financial statements of the Company, up to the Latest Practicable Date, the Company had not issued any Shares.

There were not any outstanding options, derivatives, warrants, or any conversion rights affecting the Shares issued by the Company as at the Latest Practicable Date and the Company had not entered into any agreement for the issue of such options, derivatives, warrants, or securities convertible or exchangeable into Shares, and the Company had no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

(b) Listing

The H Shares are listed and traded on the Main Board of the Stock Exchange. No part of the Shares is listed or dealt in, nor is any listing or permission to deal in the Shares being or proposed to be sought, on any other stock exchange.

3. MARKET PRICES

The table below sets out the closing price of the H Shares on the Stock Exchange on (1) the last trading day of each of the calendar months during the Relevant Period, (2) the Last Trading Date, and (3) the Latest Practicable Date:

Date	Closing price of each H Share (HK\$)
30 June 2023	1.61
31 July 2023	1.37
31 August 2023	1.12
29 September 2023	1.31
31 October 2023	1.60
24 November 2023 (Last Trading Date)	1.71
30 November 2023	1.71
29 December 2023	3.33
19 January 2024 (Latest Practicable Date)	3.43

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.

4. DISCLOSURE OF INTERESTS IN THE SHARES BY THE COMPANY

(a) Interests of the Directors, supervisors and chief executive of the Company in the securities of the Company and the securities of the associated corporations of the Company

As at the Latest Practicable Date, save as disclosed below, none of the Directors, supervisors and chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company under section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules; or (d) disclosed under the Takeovers Code:

Interests in the Domestic Shares:

Name of Directors	Type of interest	Number of Domestic Shares interested	Approximate	Approximate
			% of total issued domestic share capital	% of total issued share capital
Ms. Zhang (<i>Executive Director/Chairman</i>)	Beneficial interest	19,260,400 (L)	2.47%	1.61%
Ms. Zhang Yanhong (<i>Executive Director/Vice Chairman</i>)	Beneficial interest	1,560,000 (L)	0.20%	0.13%

Note: (L) represents long position.

Interests in the shares of the Company's associated corporations (within the meaning of Part XV of the SFO):

Name of Director	Name of associated corporation	Type of interest	Approximate	Approximate
			Number of shares interested	% of total issued share capital
Ms. Zhang (<i>Executive Director/Chairman</i>)	Weiqiao Chuangye	Beneficial interest and spouse interest (Note 1)	155,676,000	7.78% (Note 1)
Ms. Zhang Yanhong (<i>Executive Director/Vice Chairman</i>)	Weiqiao Chuangye	Beneficial interest	90,000,000	4.50%
Ms. Zhao Suhua (<i>Non-executive Director</i>)	Weiqiao Chuangye	Spouse interest (Note 2)	78,922,000	3.95% (Note 2)
Mr. Wei Jiakun (<i>Executive Director/General Manager</i>)	Weiqiao Chuangye	Beneficial interest	10,300,000	0.52%
Ms. Zhao Suwen (<i>Executive Director/Chief Financial Officer</i>)	Weiqiao Chuangye	Beneficial interest	6,000,000	0.30%

Note 1: Ms. Zhang holds an aggregate of 7.78% equity interests in Weiqiao Chuangye, of which 5.60% are directly held by Ms. Zhang. The remaining 2.18% equity interests are held by her husband, Mr. Yang Congsen, while Ms. Zhang is deemed to be interested in these equity interests under the SFO.

Note 2: Ms. Zhao Suhua is deemed to be interested in the 3.95% equity interests in Weiqiao Chuangye held by her husband, Mr. Wei Yingzhao, under the SFO.

Each of Ms. Zhang, Ms. Zhang Yanhong, Mr. Wei Jiakun, Ms. Zhao Suwen and Mr. Zhang Jinglei, who are executive Directors, also serves as a director of Weiqiao Chuangye.

(b) Interests of substantial shareholders in the securities of the Company

As at the Latest Practicable Date, save as disclosed below, so far as known to the Board, no persons (not being a director, supervisors or chief executive of the Company) had interests or short positions in the Shares or underlying shares and debenture of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Name of Shareholder	Class of Shares	Capacity/Type of interests	Number of Shares interested	Approximate % in the relevant class of Shares	Approximate % in the total issued share capital
Weiqiao Chuangye	Domestic Shares	Beneficial interest	757,869,600 (L)	97.07%	63.45%
	H Shares	Interest of corporation controlled by the substantial shareholder (Note 2)	2,571,500 (L)	0.62%	0.22%
Brandes Investment	H Shares	Investment manager	38,419,000 (L)	9.29%	3.22%
JPMorgan Chase & Co. (Note 3)	H Shares	Interest of corporation controlled by the substantial shareholder	8,126,148 (L)	1.96%	0.68%
		Person having a security interest in shares	6,660,652 (S)	1.61%	0.56%
		Approved lending agent	39,778,526 (L)	9.62%	3.33%
Prudence Investment Management (Hong Kong) Limited	H Shares	Investment manager	1,931,500 (P)	0.46%	0.16%
			42,290,500 (L)	10.22%	3.54%

Note 1: (L), (S) and (P) represent long position, short position and lending pool respectively.

Note 2: Weiqiao Chuangye owns 2,571,500 H Shares through Weiqiao Chuangye (HK), a wholly-owned subsidiary of Weiqiao Chuangye.

Note 3: According to the disclosure of interest filed on the website of the Hong Kong Stock Exchange, JPMorgan Chase & Co. held 100% interest in JPMorgan Chase Holdings LLC, which held 100% interest in J.P. Morgan Broker-Dealer Holdings Inc.. J.P. Morgan Broker-Dealer Holdings Inc. held 100% interest in J.P. Morgan Securities LLC. Further, JPMorgan Chase & Co. also held 100% interest in JPMorgan Chase Bank, National Association, which held 100% interest in J.P. Morgan

International Finance Limited and JPMORGAN CHASE BANK, N.A. – LONDON BRANCH. J.P. Morgan International Finance Limited held 100% interest in J.P. MORGAN CAPITAL HOLDINGS LIMITED, which held 100% interest in J.P. MORGAN SECURITIES PLC. Accordingly, JPMorgan Chase & Co. was deemed to be interested in the 19,526,950 H Shares, 1,931,500 H Shares and 28,377,724 H Shares in long position held by J.P. Morgan Securities LLC, JPMORGAN CHASE BANK, N.A. – LONDON BRANCH and J.P. MORGAN SECURITIES PLC respectively, and 6,660,652 H Shares in short position held by J.P. MORGAN SECURITIES PLC.

(c) Interests discloseable under Schedule II of the Takeovers Code

As at the Latest Practicable Date:

- (1) the Company was not interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Offeror and the Company had not dealt for value in the shares or relevant securities of the Offeror during the Relevant Period;
- (2) the Offeror was wholly-owned by Weiqiao Chuangye. Save as disclosed under subsections (a) and (b) of this section, none of the Directors was interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company or the Offeror, or had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company or the Offeror during the Relevant Period;

- (3) none of the subsidiaries of the Company, pension funds of the Company or of a subsidiary of the Company, or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, or had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;
- (4) save for the Irrevocable Undertaking, Merger Agreement, Operating Agreement and the transactions contemplated respectively thereunder, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under definitions of the Takeovers Code, and none of such persons had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;
- (5) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company were managed on a discretionary basis by fund managers connected with the Company, and none of them had dealt for value in any relevant securities in the Company during the Relevant Period;
- (6) no person who had irrevocably committed themselves to vote their Shares in favour of the resolutions in respect of the Merger had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (7) Ms. Zhang and Ms. Zhang Yanhong, being the Directors and holding approximately 1.61% and 0.13% of the issued Shares respectively, will vote in favour of the resolutions in relation to the Merger at the EGM; and
- (8) none of the Company or the Directors had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

5. DISCLOSURE OF INTERESTS IN THE SHARES BY THE OFFEROR**(a) Interests of the Offeror in the Company**

As at the Latest Practicable Date:

- (1) the Offeror was wholly-owned by Weiqiao Chuangye. Ms. Zhang Xiaoqiao was the sole director of the Offeror;
- (2) the Offeror did not own any Share. The following parties acting in concert with the Offeror were interested in the Shares in the following manner:
 - (i) Weiqiao Chuangye directly held 757,869,600 Domestic Shares, representing approximately 97.07% of the Domestic Shares in issue and approximately 63.45% of the total issued Shares in the Company, and indirectly holds 2,571,500 H Shares through its wholly-owned subsidiary, Weiqiao Chuangye (HK), representing approximately 0.62% of the H Shares in issue and approximately 0.22% of the total issued Shares in the Company;
 - (ii) Mr. Zhang Bo directly held 2,080,000 Domestic Shares, representing approximately 0.27% of the Domestic Shares in issue and approximately 0.17% of the total issued Shares in the Company;
 - (iii) Ms. Zhang directly held 19,260,400 Domestic Shares, representing approximately 2.47% of the Domestic Shares in issue and approximately 1.61% of the total issued Shares in the Company; and
 - (iv) Ms. Zhang Yanhong directly held 1,560,000 Domestic Shares, representing approximately 0.20% of the Domestic Shares in issue and approximately 0.13% of the total issued Shares in the Company.

(b) Interests disclosable under Schedule I to the Takeovers Code

As at the Latest Practicable Date:

- (1) the sole director of the Offeror was not interested (within the meaning of Part XV of the SFO) in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;

- (2) save for the existing shareholding of the parties acting in concert with the Offeror as set out in the paragraph 5(a) of this appendix, none of the Offeror, Weiqiao Chuangye, or any parties acting in concert with any of them owned or had control or direction over any interests in the Shares, options, derivatives, warrants, other securities convertible into Shares, or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, excluding Shares held on behalf of non-discretionary investment clients of the CICC group (for the avoidance of doubt, 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, are not considered to be concert parties of the Offeror);
- (3) save for Brandes Investment, no one who owned or controlled shares, convertible securities, warrants, options or derivatives in respect of the Shares had irrevocably committed to vote in favour of or against the resolutions at the H Shareholders' Class Meeting and/or at the EGM, or to accept or reject the Merger;
- (4) save for the Irrevocable Undertaking, the Merger Agreement, the Operating Agreement and the transactions contemplated respectively thereunder, no person had any arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror, Weiqiao Chuangye or any parties acting in concert with any of them during the Relevant Period;
- (5) there was no agreement or arrangement (other than the Merger Agreement and the transactions contemplated thereunder) to which the Offeror was a party which related to the circumstances in which the Offeror might or might not invoke or seek to invoke a condition of the Merger;
- (6) other than the Cancellation Price to be paid by the Offeror for every H Share under the Merger, there was no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror, Weiqiao Chuangye, or any parties acting in concert with any of them to the H Shareholders in connection with the cancellation of the H Shares under the Merger;
- (7) save for the Irrevocable Undertaking and the Operating Agreement, there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii)(a) the Offeror, Weiqiao Chuangye, or any parties acting in concert with any of them or (b) the Company, its subsidiaries or associated companies as at the Latest Practicable Date;

- (8) none of the Offeror, Weiqiao Chuangye, or any parties acting in concert with any of them (except those which are exempt principal traders or exempt fund managers recognised by the Executive as such for the purpose of the Takeovers Code) had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22) in the Company; and
- (9) none of the Offeror, Weiqiao Chuangye, or any parties acting in concert with any of them had dealt for value in any Shares, or any convertible securities, warrants, options or derivatives in respect of the Shares (excluding non-proprietary trades conducted by members of the CICC group for and on behalf of clients of the CICC group) during the Relevant Period (for the avoidance of doubt, 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, are not considered to be concert parties of the Offeror).

6. ARRANGEMENTS IN CONNECTION WITH THE MERGER

(1) Arrangements affecting the Directors

As at the Latest Practicable Date:

- (i) no benefit (save for statutory compensation required under applicable laws) would be given to any Director as compensation for loss of office or otherwise in connection with the Merger;
- (ii) save for the Merger, there were no agreements or arrangements between any Director and any other person which was conditional on or dependent upon the outcome of the Merger or otherwise connected with the Merger; and
- (iii) save for the Operating Agreement, there were no material contracts entered into by the Offeror in which any Director had a material personal interest.

(2) Arrangements with the Company in connection with the Merger

- (i) The emolument of the Directors will not be affected by the Merger or by any associated transactions.
- (ii) As at the Latest Practicable Date, save for Brandes Investment, no person who owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares had irrevocably committed themselves to vote their Shares in favour of or against (as the case may be) the resolutions in respect of the Merger.

(3) Arrangement with the Offeror in connection with the Merger

- (i) Save for the Irrevocable Undertaking, the Merger Agreement, the Operating Agreement and the transactions contemplated thereunder, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror, Weiqiao Chuangye or any person acting in concert with them on the one hand and any of the Directors, recent Directors, Shareholders or recent Shareholders on the other hand having any connection with or dependence upon the Merger.
- (ii) Save for the Merger Agreement and the transactions contemplated thereunder, there was no agreement or arrangement to which the Offeror or Weiqiao Chuangye is a party which relate to the circumstances in which either of them may or may not invoke or seek to invoke a pre-condition or condition of the Merger.
- (iii) As at the Latest Practicable Date, the Offeror did not have any intention to transfer, charge or pledge any Shares acquired pursuant to the Merger to any other person.
- (iv) As at the Latest Practicable Date, save for the Irrevocable Undertaking, the Merger Agreement, the Operating Agreement and the transactions contemplated thereunder, there were no arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror, Weiqiao Chuangye or any person acting in concert with any of them and any other person.

7. MATERIAL CONTRACTS

The following contracts (being the contracts not entered into in the ordinary course of business carried on or intended to be carried on by the Group) have been entered into by the Company or any of its subsidiaries within two years immediately preceding the commencement of the Offer Period, up to and including the Latest Practicable Date, which are or may be material:

- (1) the Merger Agreement.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened by or against the Company or any of its subsidiaries.

9. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the names and qualifications of the experts whose letter, opinions or advice are contained or referred to in this document:

Name	Qualifications
CICC	The financial adviser to the Offeror in respect of the Merger, a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
Elstone Capital	The Independent Financial Adviser, a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity
Asia-Pacific Consulting and Appraisal Limited	Independent property valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this document with the inclusion therein of its opinions or reports, and the references to its name, opinions or reports in the form and context in which they respectively appear.

10. SERVICE CONTRACTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors had any existing service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) had been entered into, or amended within six months before the date of commencement of the Offer Period; (ii) was a continuous contract with a notice period of 12 months or more; (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by the Company within one year without payment of compensation (other than statutory compensation):

- (1) a letter of appointment dated 30 May 2023 and entered into between the Company and Mr. Chen Shuwen, pursuant to which Mr. Chen Shuwen was appointed as an independent non-executive Director for a term of three years from 30 May 2023. Mr. Chen Shuwen is entitled to receive remuneration from the Company of RMB150,000 per year (including tax) and no variable remuneration (which is the same as the previous letter of appointment).

11. OTHER INFORMATION

- (1) The registered address of the Offeror is Composite Building of Shandong Weiqiao Chuangye Group, Huixian One Road, Zouping City Economic Development Zone, Binzhou City, Shandong Province, the PRC.
- (2) The sole director of the Offeror is Ms. Zhang Xiaoqiao.
- (3) The principal members of the Offeror's concert group include (i) Weiqiao Chuangye; (ii) Weiqiao Chuangye (HK); (iii) Mr. Zhang Bo; (iv) Ms. Zhang and (v) Ms. Zhang Yanhong. Details (including directors) of the principal members of the Offeror's concert group are as follows:

Name of the principal member	Directors	Registered Office/ Corresponding Address
Weiqiao Chuangye	Mr. Zhang Bo, Ms. Zhang, Ms. Zhang Yanhong, Mr. Yang Congsen, Ms. Zhao Suwen, Mr. Wei Yingzhao, Mr. Liu Fenghai, Mr. Deng Wenqiang, Mr. Wei Jiakun, Mr. Xu Xiangzhong, Mr. Zhang Jinglei	No. 1 Gongye One Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the PRC
Weiqiao Chuangye (HK)	Mr. Zhang Bo	Room 1303, 13/F, Grand City Plaza, 1 Sai Lau Kok Road, Tsuen Wan
Mr. Zhang Bo	N/A	No. 12 Wei Fang Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the PRC
Ms. Zhang	N/A	No. 1 Wei Fang Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the PRC

Name of the principal member	Directors	Registered Office/ Corresponding Address
Ms. Zhang Yanhong	N/A	No. 88, Huancui Road, Huancui District, Weihai City, Shandong Province, the PRC

- (4) CICC is the financial adviser to the Offeror in relation to the Merger and its address is 29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (5) The registered office address of the Company is No. 1 Wei Fang Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the PRC and the principal place of business of the Company in Hong Kong is Unit 5105, 51/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.
- (6) As at the Latest Practicable Date, the Board comprised Ms. Zhang, Ms. Zhang Yanhong, Mr. Wei Jiakun, Ms. Zhao Suwen and Mr. Zhang Jinglei as executive Directors, Ms. Zhao Suhua as non-executive Director and Mr. George Chan Wing Yau, Mr. Chen Shuwen and Mr. Liu Yanzhao as independent non-executive Directors.
- (7) The address of the Independent Financial Adviser, Elstone Capital, is Suites 1601-04, 16/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
- (8) The address of the property valuer, Asia-Pacific Consulting and Appraisal Limited, is Flat/Rm A 12/F, Kiu Fu Commercial Building, 300 Lockhart Road, Wan Chai, Hong Kong.
- (9) In case of inconsistency, the English version of this document shall prevail over the Chinese version.

12. DOCUMENTS ON DISPLAY

Copies of the following documents are available on display (1) on the website of the Company at <http://www.wqfz.com>; (2) on the website of the SFC at www.sfc.hk; and (3) on the website of the Stock Exchange (www.hkexnews.com.hk) until the date on which the Offer Period ends or the date on which the Merger is withdrawn or lapse, whichever is the earliest:

- (1) the Articles;
- (2) the articles of association of the Offeror;
- (3) the annual reports containing the financial statements of the Company for each of the financial years ended 31 December 2020, 2021 and 2022;

- (4) the interim report for the six months ended 30 June 2023 of the Company;
- (5) the Irrevocable Undertaking;
- (6) the letter from the Board, the full text of which is set out in this document from pages 9 to 33;
- (7) the letter from the Independent Board Committee, the full text of which is set out in this document on pages 34 to 35;
- (8) the letter from the Independent Financial Adviser, the full text of which is set out in this document from pages 36 to 67;
- (9) the property valuation report from Asia-Pacific Consulting and Appraisal Limited, the full text of which is set out in Appendix II of this document;
- (10) the material contract(s) referred to in the section headed “7. Material Contracts” in this Appendix III;
- (11) the written consent referred to in the section headed “9. Experts’ Qualifications and Consents” in this Appendix III;
- (12) the Directors’ service agreements/letters of appointment referred to in the section headed “10. Service Contracts” in this Appendix III; and
- (13) this document.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Weiqiao Textile Company Limited* (the “Company”) will be held at 9:00 a.m. on Friday, 8 March 2024, at the conference hall 401 on the Fourth Floor, Company Office Building, No. 1 Wei Fang Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the People's Republic of China (the “PRC”) for the purpose of considering and, if thought fit, passing the following resolution.

Save as defined otherwise, capitalised terms defined in the composite document (the “**Composite Document**”) dated 23 January 2024 jointly issued by the Company and Shandong Weiqiao Textile Technology Company Limited* (山東魏橋紡織科技有限公司) shall have the same meanings when used herein.

AS SPECIAL RESOLUTION

- To consider and, if thought fit, to approve, confirm and ratify the Merger Agreement dated 4 December 2023 entered into between the Company and the Offeror and the Merger and the transactions contemplated under the Merger Agreement.
 - To consider and, if thought fit, to approve that any Director be authorised to do all such acts and things, to sign and execute all such other documents, deeds and instruments, to make applications to the relevant regulatory authorities and to take such steps as he/she may consider necessary, appropriate, expedient and in the interest of the Company to give effect to and in connection with any transactions contemplated under the Merger Agreement.

By Order of the Board
Weiqiao Textile Company Limited*
Chairman
Ms. Zhang Hongxia

23 January 2024
Shandong, the PRC

NOTICE OF EXTRAORDINARY GENERAL MEETING

As at the date of this notice, the Board comprises nine Directors, namely Ms. Zhang Hongxia, Ms. Zhang Yanhong, Mr. Wei Jiakun, Ms. Zhao Suwen and Mr. Zhang Jinglei as executive Directors, Ms. Zhao Suhua as non-executive Director and Mr. George Chan Wing Yau, Mr. Chen Shuwen and Mr. Liu Yanzhao as independent non-executive Directors.

Notes:

- (A) As set out in the Composite Document, it is one of the conditions to the effectiveness of the Merger Agreement that the special resolution in the EGM approving the Merger under the Merger Agreement is passed by 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.

The Company's register of members will be closed from Wednesday, 7 February 2024 to Friday, 8 March 2024 (both dates inclusive), during which no transfer of shares will be registered. Shareholders whose names appear on the Company's register of members on Friday, 8 March 2024 are entitled to attend and vote at the EGM. In order to qualify for attending and voting at the EGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, 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 to the Company's correspondence address at 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) for registration not later than 4:30 p.m. on Tuesday, 6 February 2024.

- (B) Holders of H Shares and Domestic Shares, who intend to attend the EGM, should complete the reply slips for attending the EGM and return them to the office of the secretary to the Board not later than 20 days before the date of the EGM, i.e. no later than Saturday, 17 February 2024.

Details of the office of the secretary to the Board are as follows:

Room 412, Fourth Floor
Company Office Building
No. 1 Wei Fang Road
Zouping Economic Development Zone
Zouping City
Shandong Province
The PRC

Postal Code: 256200
Tel: (86) 543 416 2222
Fax: (86) 543 416 2000

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (C) Each holder of H Shares who has the right to attend and vote at the EGM (or at any adjournment thereof) is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his behalf at the EGM. A proxy of a Shareholder who has appointed more than one proxy may only vote on a poll.
- (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 certified copy of that power of attorney or other authority (such certification to be made by a notary public), must be delivered to the Company's H shares registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 24 hours before the time for holding the EGM or any adjournment thereof.
- (F) Each holder of Domestic Shares is entitled to appoint in writing one or more proxies, whether a shareholder of the Company or not, to attend and vote on its behalf at the EGM. Notes (D) to (E) 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, the address of which is set out in Note (B) above, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.
- (G) If a proxy attends the EGM on behalf of a Shareholder, he should produce his identification document. If the legal representative of a legal person shareholder attends the EGM, such legal representative should produce his identification document and valid documents evidencing his capacity as such legal representative. If a legal person shareholder appoints a representative of the company other than its legal representative to attend the EGM, such representative should produce his identification document and an authorisation instrument affixed with the seal of the legal person shareholder and duly signed by its legal representative (except for a recognised clearing house as defined by relevant ordinances in force from time to time in accordance with Hong Kong laws and its proxies).
- (H) The EGM is expected to last for half a day. Shareholders attending the EGM are responsible for their own transportation and accommodation expenses.

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

NOTICE OF H SHAREHOLDERS' CLASS MEETING



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

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

NOTICE OF H SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN that an H shareholders' class meeting (the "**H Shareholders' Class Meeting**") of Weiqiao Textile Company Limited* (the "**Company**") will be held at 9:30 a.m. on Friday, 8 March 2024, or immediately following the conclusion of the EGM or any adjournment thereof at the conference hall 401 on the Fourth Floor, Company Office Building, No. 1 Wei Fang Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the People's Republic of China (the "**PRC**") for the purpose of considering and, if thought fit, passing the following resolution.

Save as defined otherwise, capitalised terms defined in the composite document (the "**Composite Document**") dated 23 January 2024 jointly issued by the Company and Shandong Weiqiao Textile Technology Company Limited* (山東魏橋紡織科技有限公司) shall have the same meanings when used herein.

AS SPECIAL RESOLUTION

1. (a) To consider and, if thought fit, to approve, confirm and ratify the Merger Agreement dated 4 December 2023 entered into between the Company and the Offeror and the Merger and the transactions contemplated under the Merger Agreement.
- (b) To consider and, if thought fit, to approve that any Director be authorised to do all such acts and things, to sign and execute all such other documents, deeds and instruments, to make applications to the relevant regulatory authorities and to take such steps as he/she may consider necessary, appropriate, expedient and in the interest of the Company to give effect to and in connection with any transactions contemplated under the Merger Agreement.

By Order of the Board
Weiqiao Textile Company Limited*
Chairman
Ms. Zhang Hongxia

23 January 2024
Shandong, the PRC

NOTICE OF H SHAREHOLDERS' CLASS MEETING

As at the date of this notice, the Board comprises nine Directors, namely Ms. Zhang Hongxia, Ms. Zhang Yanhong, Mr. Wei Jiakun, Ms. Zhao Suwen and Mr. Zhang Jinglei as executive Directors, Ms. Zhao Suhua as non-executive Director and Mr. George Chan Wing Yau, Mr. Chen Shuwen and Mr. Liu Yanzhao as independent non-executive Directors.

Notes:

- (A) As set out in the Composite Document, it is one of the conditions to the effectiveness of the Merger Agreement that (a) the special resolution in the H Shareholders' Class Meeting approving the Merger under the Merger Agreement is approved 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 such resolution is not more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders.
- (B) The Company's register of members will be closed from Wednesday, 7 February 2024 to Friday, 8 March 2024 (both dates inclusive), during which no transfer of shares will be registered. Holders of H Shares whose names appear on the Company's register of members on Friday, 8 March 2024 are entitled to attend and vote at the H Shareholders' Class Meeting. In order to qualify for attending and voting at the H Shareholders' Class Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 6 February 2024.
- (C) Holders of H Shares, who intend to attend the H Shareholders' Class Meeting, should complete the reply slips for attending the H Shareholders' Class Meeting and return them to the office of the secretary to the Board not later than 20 days before the date of the H Shareholders' Class Meeting, i.e. no later than Saturday, 17 February 2024.

Details of the office of the secretary to the Board are as follows:

Room 412, Fourth Floor
Company Office Building
No. 1 Wei Fang Road
Zouping Economic Development Zone
Zouping City
Shandong Province
The PRC

Postal Code: 256200
Tel: (86) 543 416 2222
Fax: (86) 543 416 2000

NOTICE OF H SHAREHOLDERS' CLASS MEETING

- (D) Each holder of H Shares who has the right to attend and vote at the H Shareholders' Class Meeting (or at any adjournment thereof) is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his behalf at the H Shareholders' Class Meeting. A proxy of a Shareholder who has appointed more than one proxy may only vote on a poll.
- (E) 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.
- (F) 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 certified copy of that power of attorney or other authority (such certification to be made by a notary public), must be delivered to the Company's H shares registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 24 hours before the time for holding the H Shareholders' Class Meeting or any adjournment thereof.
- (G) If a proxy attends the H Shareholders' Class Meeting on behalf of a Shareholder, he should produce his identification document. If the legal representative of a legal person shareholder attends the H Shareholders' Class Meeting, such legal representative should produce his identification document and valid documents evidencing his capacity as such legal representative. If a legal person shareholder appoints a representative of the company other than its legal representative to attend the H Shareholders' Class Meeting, such representative should produce his identification document and an authorisation instrument affixed with the seal of the legal person shareholder and duly signed by its legal representative (except for a recognised clearing house as defined by relevant ordinances in force from time to time in accordance with Hong Kong laws and its proxies).
- (H) The H Shareholders' Class Meeting is expected to last for half a day. Shareholders attending the H Shareholders' Class Meeting are responsible for their own transportation and accommodation expenses.
- * *For identification purposes only. The Company is registered in Hong Kong as a non-Hong Kong company under the English name "Weiqiao Textile Company Limited" and the Chinese name of the Company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).*