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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 limited company incorporated in the
People's Republic of China with limited liability)*
(Stock Code: 02698)

JOINT ANNOUNCEMENT
(1) PROPOSED PRE-CONDITIONAL PRIVATISATION
OF WEIQIAO TEXTILE BY WEIQIAO TEXTILE
TECHNOLOGY BY WAY OF MERGER BY ABSORPTION OF
WEIQIAO TEXTILE
(2) PROPOSED WITHDRAWAL OF LISTING
AND
(3) RESUMPTION OF TRADING



Financial Adviser to the Offeror

SUMMARY

1. INTRODUCTION

The Offeror and the Company are pleased to jointly announce that 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.

2. PROPOSED TRANSACTION

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 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).

Save for the final dividend of the Company for the year ending 31 December 2023 (if any), if, after the date of this 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 this joint announcement, the Composite 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.

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 in the section headed “3. *PRINCIPAL TERMS OF THE MERGER AGREEMENT*” below).

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 date of this joint announcement, 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*” 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.

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.

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.

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

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 date of this joint announcement (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 date of this joint announcement). Of the 38,419,000 H Shares held by Brandes Investment, 23,029,500 H Shares are 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 date of this joint announcement), and the remaining 15,389,500 H Shares are 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 date of this joint announcement).

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.

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.

4. PROPOSED WITHDRAWAL OF LISTING OF H SHARES

Upon satisfaction of the Pre-Conditions and 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 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.

5. SHAREHOLDING IN THE COMPANY

As at the date of this joint announcement, the relevant securities of the Company in issue are 1,194,389,000 Shares, which comprise 413,619,000 H Shares and 780,770,000 Domestic Shares.

As at the date of this joint announcement, the Offeror does not own any Share. Weiqiao Chuangye, which directly and beneficially owns the entire equity interest of the Offeror, 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 at the date of this joint announcement, the Company does 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.

6. DESPATCH OF THE COMPOSITE DOCUMENT

Subject to the fulfilment of the Pre-Conditions, 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.

The Composite Document containing, amongst others, (i) further details of the Merger and the Merger Agreement and other matters in relation to the Merger; (ii) a letter of advice issued by the Independent Financial Adviser to the Independent Board Committee; and (iii) recommendations and advice from the Independent Board Committee, together with a notice of the EGM, a notice of the H Shareholders' Class Meeting and proxy forms are expected to be despatched to the H Shareholders within seven days after the satisfaction of the Pre-Conditions. The Offeror will apply to the Executive for its consent under Note 2 to Rule 8.2 of the Takeovers Code to permit the Composite Document to be posted within the timeframe described above, and an announcement will be made in due course as required under the Takeovers Code.

7. 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. The Independent Board Committee will 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.

The Independent Financial Adviser will be appointed by the Independent Board Committee to provide advice to it in respect of the Merger. An announcement will be made by the Company as soon as possible after the appointment of such Independent Financial Adviser. The Independent Board Committee is evaluating the Merger and its views and recommendations will be set out in the Composite Document to be despatched to the H Shareholders.

8. RESUMPTION OF TRADING

At the request of the Company, trading in the H Shares on the Stock Exchange was halted from 9:00 a.m. on 27 November 2023. An application has been made by the Company to the Stock Exchange for the resumption of trading in the H Shares from 9:00 a.m. on 5 December 2023.

The Pre-Conditions and the Conditions to effectiveness must be satisfied before the Merger Agreement becoming effective. The Merger Agreement becoming effective is therefore a possibility only. Further, Shareholders and potential investors in the securities of the Company should be aware that the Merger is subject to the Conditions to implementation set out in this joint announcement being satisfied or waived, as applicable. Neither the Offeror nor the Company provides any assurance that any or all Pre-Conditions or 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).

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 joint announcement 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 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.

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 maybe 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.

1. INTRODUCTION

The Offeror and the Company are pleased to jointly announce that 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.

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 ending 31 December 2023 (if any), if, after the date of this 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 this joint announcement, the Composite Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

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

3. PRINCIPAL TERMS OF THE MERGER AGREEMENT

The principal terms and conditions of the Merger Agreement include:

Parties

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

Overview of the Merger

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

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

Consideration

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

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

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

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

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

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

The Merger Agreement is subject to the satisfaction of the pre-conditions, being the filing, registration or approval, as applicable, with or by (a) the National Development and Reform Commission of the PRC, (b) Ministry of Commerce of the PRC, and (c) the State Administration of Foreign Exchange of the PRC, or their respective local authorities, and such other applicable governmental approvals in respect of the Merger having been obtained or completed (collectively, the “**Pre-Conditions**”). The offshore funds held by Weiqiao Chuangye (HK) as at the date of this joint announcement 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.

Upon fulfilment of the Pre-Conditions, the Offeror and the Company will post the Composite Document within seven days thereof or (if applicable) prior to the date as required by the SFC in accordance with the Takeovers Code and the EGM and H Shareholders’ Class Meeting will be convened pursuant to the respective notice to such meetings for the Shareholders and the H Shareholders respectively, to consider and, if thought fit, approve matters including the Merger.

Conditions to effectiveness

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

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

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

**Conditions to
implementation**

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

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

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

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

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

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

Dividend

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

As at the date of the joint announcement, the Company has not declared any dividend that has not been paid, and has no intention to declare, make or pay any dividend or other distribution (whether in cash or in kind) to the Shareholders.

Right of a Dissenting Shareholder

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

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

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

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

- (3) such Dissenting Shareholder having exercised its right during the Declaration Period.

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

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

Termination

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

- (1) by either the Offeror or the Company, if
 - (i) any competent governmental authority issues any order, decree, ruling or takes any other action which permanently restricts, impedes or otherwise prohibits the Merger and which is final, binding and not capable of being appealed (both the Offeror and the Company shall use reasonable endeavours to procure the withdrawal of such order, decree, ruling or action prior to exercising any right of termination);
 - (ii) the Conditions to effectiveness not having been satisfied on or before the Long-stop Date; or

- (iii) the Conditions to implementation not having been satisfied or (if applicable) waived on or before the Long-stop Date;
- (2) by the Offeror, if the Company commits a material breach of the representations, warranties and undertakings under the Merger Agreement or any other agreement related to the Merger which has a material impact on the Merger and such breach is not remedied by the Company within 30 days following the written notice from the Offeror; or
- (3) by the Company, if the Offeror commits a material breach of the representations, warranties and undertakings under the Merger Agreement or any other agreement related to the Merger which has a material impact on the Merger and such breach is not remedied by the Offeror within 30 days following the written notice from the Company.

In addition, as stated in the paragraph headed “Pre-Conditions to the Merger Agreement becoming effective” above, if the Pre-Conditions are not satisfied by the Long-stop Date, the Merger Agreement will be automatically terminated.

As at the date of this joint announcement, none of the Pre-Conditions and the Conditions has been fulfilled or waived.

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” 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

Comparisons of value

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

The Cancellation Price per H Share represents:

- (a) a premium of approximately 104.68% over the closing price per H Share of HK\$1.710 on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 104.92% over the average closing price of HK\$1.708 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Date;
- (c) a premium of approximately 102.66% over the average closing price of HK\$1.727 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Date;
- (d) a premium of approximately 142.89% over the average closing price of HK\$1.441 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Date; and
- (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.

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

Highest and lowest prices

During the six-month period immediately up to and including the Last Trading Date, the highest closing price of the H Shares as quoted on the Stock Exchange was HK\$1.80 on 20 October 2023 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.

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 date of this joint announcement, 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.

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

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

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

5. IRREVOCABLE UNDERTAKING BY BRANDES INVESTMENT

On 4 December 2023, the Offeror and Weiqiao Chuangye obtained an irrevocable undertaking from Brandes Investment, which is an investment adviser with investment authority from its clients over 38,419,000 H Shares as at the date of this joint announcement (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 date of this joint announcement). Of the 38,419,000 H Shares held by Brandes Investment, 23,029,500 H Shares are 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 date of this joint announcement), and the remaining 15,389,500 H Shares are 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 date of this joint announcement).

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

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

Restrictive covenants

Brandes Investment has irrevocably undertaken on behalf of the Discretionary Brandes Clients that it will, and will use its best effort to request the Non-discretionary Brandes Clients to, procure the relevant direct shareholders holding the Shares on their behalf 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 (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 joint announcement, and the Offeror fails to match the terms of the competing general offer within ten business days of the announcement of the competing general offer.

Representations and warranties

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

Termination

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

Brandes Investment

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

6. REASONS AND BENEFITS OF THE MERGER

The reasons and benefits of the Merger include:

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

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

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

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

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

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

(3) Excellent exit opportunity for H Shareholders to sell illiquid H Shares at an attractive premium.

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 Day 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 to 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 Day), 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 Day.

The Board (other than members of the Independent Board Committee, whose views will be given after receiving the opinion of the Independent Financial Adviser) 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. 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 and is an investment holding company.

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

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

(2) Information on the Company

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

The Company is owned directly and indirectly as to approximately 63.67% by Weiqiao Chuangye. 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 date of this joint announcement, the relevant securities of the Company in issue are 1,194,389,000 Shares, which comprise 413,619,000 H Shares and 780,770,000 Domestic Shares.

Set out below is the shareholding in the Company as at the date of this joint announcement:

Shareholders	Number of H Shares interested	Approximate % of the H Shares in issue	Number of Domestic Shares interested	Approximate % of the Domestic Shares in issue	Number of Shares in issue	Approximate % of the 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:

- 1. 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.*

Details of holdings, borrowings or lendings of, and dealings in, the Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company held by or entered into by members of the CICC group (except in respect of Shares held by exempt principal traders or exempt fund managers), if any, will be obtained as soon as possible after the date of this joint announcement in accordance with Note 1 to Rule 3.5 of the Takeovers Code. A further announcement will be made by the Offeror and the Company if the holdings of, borrowings, lendings, or dealings of the members of the CICC group are significant and in any event, such information will be disclosed in the Composite Document. The statements in this joint announcement as to the holdings, borrowings or lendings of, or dealings in, the Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company by persons acting in concert with the Offeror are subject to the holdings, borrowings, lendings, or dealings (if any) of members of the CICC group presumed to be acting in concert with the Offeror. Any dealing in the relevant securities of the Company by the CICC group (excluding dealings by the CICC group members who are exempt principal traders or exempt fund managers or dealings by CICC group members for the account of non-discretionary investment clients of the CICC group) during the six months prior to the date of this joint announcement to the latest practicable date prior to the despatch of the Composite Document will be disclosed in the Composite Document and pursuant to Rule 22 of the Takeovers Code.

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 clients that strictly prohibit the relevant connected exempt principal trader from exercising any voting discretion over the relevant Shares, and all voting instructions 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).

As at the date of this joint announcement, the Offeror does not own any Share. Weiqiao Chuangye, which directly and beneficially owns the entire equity interest of the Offeror, 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 at the date of this joint announcement, the Company does 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.

(4) Rights and interests in the securities of the Offeror and Shares and respective derivatives

As at the date of this joint announcement:

- (i) save as disclosed in paragraph headed “Shareholding in the Company” in this section above, there is no existing holding of voting rights and rights over the Shares which the Offeror or Weiqiao Chuangye owns or over which either of them has control or direction;

- (ii) save as disclosed in paragraph headed “Shareholding in the Company” in this section above, there is no existing holding of voting rights and rights over the Shares which is owned or controlled or directed by any person acting in concert with the Offeror or Weiqiao Chuangye (excluding Shares held on behalf of non-discretionary investment clients of the CICC group);
- (iii) save for the Irrevocable Undertaking, there is no existing holding of voting rights and rights over the Shares in respect of which the Offeror, Weiqiao Chuangye or any person acting in concert with either of them has received an irrevocable commitment in relation to the voting of the resolutions in respect of the Merger;
- (iv) there is no existing holding of voting rights and rights over the Shares in respect of which the Offeror, Weiqiao Chuangye or any person acting in concert with either of them (excluding Shares held on behalf of non-discretionary investment clients of the CICC group) holds convertible securities, warrants or options;
- (v) there is no outstanding derivative in respect of securities in the Company entered into by the Offeror, Weiqiao Chuangye or any person acting in concert with either of them (except those 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);
- (vi) save for the Merger Agreement, the Operating Agreement, the Irrevocable Undertaking and the transactions contemplated respectively thereunder, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the securities of the Offeror or the Shares and which might be material to the Merger;
- (vii) there is no agreement or arrangement (other than the Merger Agreement and the transactions contemplated thereunder) to which the Offeror or Weiqiao Chuangye is a party which relates 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; and
- (viii) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, Weiqiao Chuangye or any person acting in concert with either of them has borrowed or lent.

Save for the Irrevocable Undertaking and the Operating Agreement, there is 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 and any person acting in concert with either of them or (b) the Company, its subsidiaries or associated companies.

There is no other consideration, compensation or benefit in any form paid or to be paid by the Offeror, Weiqiao Chuangye and any person acting in concert with either of them in relation to the Merger, other than the Cancellation Price and the issuance of the Offeror's registered capital.

None of the Offeror, Weiqiao Chuangye and parties acting in concert with any of them had dealt for value in the Shares during the period beginning six months prior to the date of this joint announcement and up to and including the date of this joint announcement (excluding dealings by CICC group members for the account of non-discretionary investment clients of the CICC group).

8. BOARD APPROVAL, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Board approved the Merger and its related matters at its board meeting on 4 December 2023.

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. 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. The Independent Board Committee will 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.

The Independent Financial Adviser will be appointed by the Independent Board Committee to provide advice to it in respect of the Merger. An announcement will be made by the Company as soon as possible after the appointment of such Independent Financial Adviser. The Independent Board Committee is evaluating the Merger and its views and recommendations will be set out in the Composite Document to be despatched to the H Shareholders.

9. PROPOSED WITHDRAWAL OF LISTING OF H SHARES

Upon satisfaction of the Pre-Conditions and 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 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.

10. EGM AND H SHAREHOLDERS' CLASS MEETING AND THE COMPOSITE DOCUMENT

Subject to the fulfilment of the Pre-Conditions, 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. The Composite Document containing, amongst others, (i) further details of the Merger and the Merger Agreement and other matters in relation to the Merger; (ii) a letter of advice issued by the Independent Financial Adviser to the Independent Board Committee; and (iii) recommendations and advice from the Independent Board Committee, together with a notice of the EGM, a notice of the H Shareholders' Class Meeting and proxy forms are expected to be despatched to the H Shareholders within seven days after the satisfaction of the Pre-Conditions. The Offeror will apply to the Executive for its consent under Note 2 to Rule 8.2 of the Takeovers Code to permit the Composite Document to be posted within the timeframe described above, and an announcement will be made in due course as required under the Takeovers Code.

11. RESPONSIBILITIES OF STOCKBROKERS, BANKS AND OTHER INTERMEDIARIES

In accordance with Rule 3.8 of the Takeovers Code, associates (including persons holding 5% or more of a class of relevant securities of the Offeror and the Company) of the Offeror and the Company are hereby reminded to disclose their dealings in any share in the Offeror and the Company pursuant to the requirements of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

12. NUMBER OF RELEVANT SECURITIES IN ISSUE

As at the date of this joint announcement, the relevant securities of the Company in issue are 1,194,389,000 Shares, which comprise 413,619,000 H Shares and 780,770,000 Domestic Shares.

As at the date of this joint announcement, the relevant securities of the Offeror in issue are RMB100,000,000 in the registered capital of the Offeror, all of which are held by Weiqiao Chuangye.

13. RESUMPTION OF TRADING

At the request of the Company, trading in the H Shares on the Stock Exchange was halted from 9:00 a.m. on 27 November 2023. An application has been made by the Company to the Stock Exchange for the resumption of trading in the H Shares from 9:00 a.m. on 5 December 2023.

14. WARNING

The Pre-Conditions and the Conditions to effectiveness must be satisfied before the Merger Agreement becoming effective. The Merger Agreement becoming effective is therefore a possibility only. Further, Shareholders and potential investors in the securities of the Company should be aware that the Merger is subject to the Conditions to implementation set out in this joint announcement being satisfied or waived, as applicable. Neither the Offeror nor the Company provides any assurance that any or all Pre-Conditions or 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).

15. DEFINITIONS

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

“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”	the 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 as at the date of this joint announcement;
“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> ”);

“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;
“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);
“Composite Document”	the document to be issued by or on behalf of the Offeror and the Company to all Shareholders in accordance with the Takeovers Code containing, among others, details of the Merger, as may be revised or supplemented as appropriate;
“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> ”;
“Conditions to implementation”	has the meaning given to it in the section headed “3. <i>PRINCIPAL TERMS OF THE MERGER AGREEMENT</i> ”;
“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;
“Discretionary Brandes Clients”	clients of Brandes Investment for which it has discretionary voting authority;
“Director(s)”	director(s) of the Company;
“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 date of this joint announcement;
“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, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger and relevant arrangements;

“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 this 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 date of this joint announcement;
“H Shareholder(s)”	the holder(s) of H Shares;

“H Shareholders’ Class Meeting”	class meeting of the Company to be convened for H Shareholders, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger and relevant arrangements;
“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”	the independent financial adviser to be 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> ”;

“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 date of this joint announcement;
“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 this joint announcement;
“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, the executive Director, chairman of the Board and the elder daughter of the late Mr. Zhang;

“Ms. Zhang Yanhong”	Ms. Zhang Yanhong, 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 this 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> ”;
“PRC” or “China”	the People’s Republic of China, which for the purposes of this joint announcement does not include Hong Kong, the Macau Special Administrative Region 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;

“Pre-Conditions”	have the meaning given to it in the section headed “3. <i>PRINCIPAL TERMS OF THE MERGER AGREEMENT</i> ”;
“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;
“Share(s)”	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 holds (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 date of this joint announcement;
“Weiqiao Chuangye (HK)”	Weiqiao Pioneering (Hong Kong) 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.

By order of the sole director of
**Shandong Weiqiao Textile Technology
Company Limited***
Zhang Xiaoqiao
Sole Director

By order of the Board
Weiqiao Textile Company Limited*
Zhang Hongxia
Chairman

Shandong, the PRC
4 December 2023

As at the date of this joint announcement, the Offeror’s sole director is Ms. Zhang Xiaoqiao. The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this joint announcement (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 joint announcement (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 joint announcement the omission of which would make any of the statements in this joint announcement misleading.

As at the date of this joint announcement, the board of directors of Weiqiao Chuangye comprises 11 directors, namely Mr. Zhang Bo, Ms. Zhang Hongxia, 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 joint announcement (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 joint announcement (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 joint announcement the omission of which would make any of the statements in this joint announcement misleading.

As at the date of this joint announcement, 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. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (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 joint announcement (other than those expressed by the sole director of the Offeror and the directors of Weiqiao Chuangye) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement the omission of which would make any of the statements in this joint announcement misleading.

* *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).*