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

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

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2022**

- Revenue was approximately RMB8,293 million, representing an increase of approximately 10.6% from that for the corresponding period of last year.
- Gross loss was approximately RMB419 million, as compared to the gross profit of approximately RMB880 million recorded for the same period last year.
- Net loss attributable to owners of the Company was approximately RMB650 million, as compared to the net profit attributable to owners of the Company of approximately RMB583 million recorded for the same period last year.
- Loss per share was approximately RMB0.54, as compared to the earnings per share of approximately RMB0.49 recorded for the same period last year.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30 JUNE 2022*

		<b>For the six months ended</b>	
		<b>30 June</b>	
	<i>Notes</i>	<b>2022</b>	2021
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	3	<b>8,293,034</b>	7,498,296
Cost of sales		<u><b>(8,712,253)</b></u>	<u>(6,618,417)</u>
Gross (loss) profit		<b>(419,219)</b>	879,879
Other income and gain	5	<b>164,114</b>	174,047
Selling and distribution expenses		<b>(129,620)</b>	(100,069)
Administrative expenses		<b>(171,430)</b>	(147,844)
Other expenses		<b>(25,894)</b>	(115,564)
Finance costs	6	<b>(68,041)</b>	(57,605)
Share of profit of an associate		<u><b>1,600</b></u>	<u>285</u>
<b>(Loss) profit before taxation</b>		<b>(648,490)</b>	633,129
Income tax expenses	7	<u><b>(2,624)</b></u>	<u>(49,151)</u>
<b>(Loss) profit and total comprehensive (expense) income for the period</b>	8	<u><u><b>(651,114)</b></u></u>	<u><u>583,978</u></u>
Attributable to:			
Owners of the Company		<b>(650,036)</b>	583,056
Non-controlling interests		<u><b>(1,078)</b></u>	<u>922</u>
		<u><u><b>(651,114)</b></u></u>	<u><u>583,978</u></u>
<b>(Loss) earnings per share attributable to the Owners of the Company</b>			
Basic and diluted ( <i>RMB</i> )	10	<u><u><b>(0.54)</b></u></u>	<u><u>0.49</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2022**

		As at <b>30 June 2022</b>	As at 31 December 2021
	<i>Notes</i>	<i>RMB'000</i> <b>(Unaudited)</b>	<i>RMB'000</i> <b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	<b>8,574,544</b>	8,688,990
Right-of-use assets	<i>12</i>	<b>348,202</b>	358,523
Investment properties		<b>77,653</b>	79,471
Other intangible assets		<b>68</b>	45
Interest in an associate		<b>76,826</b>	75,226
Deferred tax assets		<b>141,511</b>	113,906
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>9,218,804</b>	9,316,161
<b>Current assets</b>			
Inventories	<i>13</i>	<b>3,876,221</b>	2,970,004
Trade receivables	<i>14</i>	<b>517,201</b>	537,562
Deposits, prepayments and other receivables	<i>15</i>	<b>304,611</b>	361,222
Pledged deposits		<b>157,678</b>	465,998
Bank balances and cash		<b>10,781,134</b>	11,565,829
		<hr/>	<hr/>
		<b>15,636,845</b>	15,900,615
<b>Non-current assets classified as held for sale</b>		<b>5,361</b>	1,706
		<hr/>	<hr/>
<b>Total current assets</b>		<b>15,642,206</b>	15,902,321
<b>Current liabilities</b>			
Trade payables	<i>16</i>	<b>1,226,390</b>	1,118,471
Other payables and accruals	<i>17</i>	<b>1,417,023</b>	1,031,478
Lease liabilities	<i>12</i>	<b>13,788</b>	13,743
Contract liabilities		<b>165,399</b>	182,602
Income tax payable		<b>912,755</b>	849,256
Bank borrowings	<i>18</i>	<b>2,445,250</b>	2,247,500
Deferred income		<b>12,130</b>	12,130
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>6,192,735</b>	5,455,180
<b>Net current assets</b>		<b>9,449,471</b>	10,447,141
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>18,668,275</b>	19,763,302
		<hr/> <hr/>	<hr/> <hr/>

		As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
<b>Equity</b>			
Share capital	<i>19</i>	1,194,389	1,194,389
Reserves		<u>17,025,252</u>	<u>17,890,278</u>
Equity attributable to owners of the Company		<b>18,219,641</b>	19,084,667
Non-controlling interests		<u>8,823</u>	<u>9,901</u>
<b>Total equity</b>		<b><u>18,228,464</u></b>	<u>19,094,568</u>
<b>Non-current liabilities</b>			
Lease liabilities	<i>12</i>	28,908	34,672
Deferred income		113,854	118,929
Deferred tax liabilities		1,049	1,133
Bank borrowings	<i>18</i>	<u>296,000</u>	<u>514,000</u>
<b>Total non-current liabilities</b>		<b><u>439,811</u></b>	<u>668,734</u>
<b>Total equity and non-current liabilities</b>		<b><u><u>18,668,275</u></u></b>	<b><u><u>19,763,302</u></u></b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000 (Note)	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021 (Audited)	<b>1,194,389</b>	<b>6,692,394</b>	<b>1,845,222</b>	<b>9,352,662</b>	<b>19,084,667</b>	<b>9,901</b>	<b>19,094,568</b>
Loss and total comprehensive expense for the period	-	-	-	(650,036)	(650,036)	(1,078)	(651,114)
Final 2021 dividend declared	-	-	-	(214,990)	(214,990)	-	(214,990)
At 30 June 2022 (Unaudited)	<b><u>1,194,389</u></b>	<b><u>6,692,394</u></b>	<b><u>1,845,222</u></b>	<b><u>8,487,636</u></b>	<b><u>18,219,641</u></b>	<b><u>8,823</u></b>	<b><u>18,228,464</u></b>
At 31 December 2020 (Audited)	1,194,389	6,692,394	1,845,222	8,811,333	18,543,338	9,183	18,552,521
Profit and total comprehensive income for the period	-	-	-	583,056	583,056	922	583,978
Final 2020 dividend declared	-	-	-	(72,858)	(72,858)	-	(72,858)
At 30 June 2021 (Unaudited)	<b><u>1,194,389</u></b>	<b><u>6,692,394</u></b>	<b><u>1,845,222</u></b>	<b><u>9,321,531</u></b>	<b><u>19,053,536</u></b>	<b><u>10,105</u></b>	<b><u>19,063,641</u></b>

*Note:* As required by applicable law and regulations, entities established and operated in the People's Republic of China (the "PRC") shall set aside/appropriate a portion of its after tax profits of each year to fund statutory surplus reserve. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the registered capital after such usage.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES</b>	<u><b>(642,339)</b></u>	<u>407,615</u>
<b>INVESTING ACTIVITIES</b>		
Decrease in pledged deposits	<b>308,320</b>	147,690
Proceeds from disposal of property, plant and equipment	<b>31,687</b>	60,915
Bank interest income received	<b>76,574</b>	35,190
Proceeds from disposal of non-current assets classified as held for sale	<b>4,715</b>	3,171
Purchase of intangible assets	<b>(31)</b>	(125)
Purchase of property, plant and equipment	<u><b>(260,955)</b></u>	<u>(44,208)</u>
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<u><b>160,310</b></u>	<u>202,633</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of bank borrowings	<b>(477,250)</b>	(1,162,000)
Interest paid	<b>(66,966)</b>	(57,289)
Dividend paid	<b>(214,990)</b>	(72,858)
Payment of lease liabilities	<b>(7,220)</b>	(6,997)
Government grant received	<b>6,760</b>	8,346
New bank borrowings raised	<u><b>457,000</b></u>	<u>1,312,000</u>
<b>NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES</b>	<u><b>(302,666)</b></u>	<u>21,202</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(784,695)</b>	631,450
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u><b>11,565,829</b></u>	<u>11,258,148</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD REPRESENTED BY BANK BALANCES AND CASH</b>	<u><u><b>10,781,134</b></u></u>	<u><u>11,889,598</u></u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

Weiqiao Textile Company Limited (“**Weiqiao Textile**” or the “**Company**”) is a limited company established in the PRC. The registered office of the Company is located at No. 1, Wei Fang Road, Zouping Economic Development Zone, Zouping City, Binzhou City, Shandong Province, the PRC. The immediate holding company and the ultimate holding company of the Company are 山東魏橋創業集團有限公司 Shandong Weiqiao Chuangye Group Company Limited\* (the “**Holding Company**”) and 山東魏橋投資控股有限公司 Shandong Weiqiao Investment Holdings Company Limited\* (“**Weiqiao Investment**”) respectively, both of which are limited liability companies established in the PRC.

The Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in the manufacture and sale of cotton yarn, grey fabric and denim and generation and sale of electricity and steam.

The condensed consolidated financial statements of the Group for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is the same as the functional currency of the Company. RMB is the currency of the primary economic environment in which the principal subsidiaries of the Company operate (the functional currency of the principal subsidiaries).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRS 16	Covid-19 – Related Rent Concessions beyond 30 June 2021
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

\* For identification purpose only

### 3. REVENUE

Revenue represents revenue arising from sales of cotton yarn, grey fabric, denim and electricity and steam. An analysis of the Group's revenue for the period is as follows:

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of textile products		
• Cotton yarn	2,474,531	2,559,825
• Grey fabric	2,619,927	2,668,247
• Denim	346,261	290,349
– Sales of electricity and steam	2,852,315	1,979,875
	<u>8,293,034</u>	<u>7,498,296</u>

### 4. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker (“CODM”), for the purpose of resource allocation and assessment of segment performance focuses on types of services provided.

Specifically, the Group's reportable segments are as follows:

- The textile products segment produces and sells cotton yarn, grey fabric and denim; and
- The electricity and steam segment generates electricity and steam for internal use in the production of textile products and sale to external customers.

No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.



## Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

### For the six months ended 30 June 2022

	<b>Textile products RMB'000 (Unaudited)</b>	<b>Electricity and steam RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
External revenue	<b>5,440,719</b>	<b>2,852,315</b>	<b>8,293,034</b>
Inter-segment revenue	<u>–</u>	<u>626,389</u>	<u>626,389</u>
Segment revenue	<u><b>5,440,719</b></u>	<u><b>3,478,704</b></u>	<b>8,919,423</b>
Eliminations			<b>(626,389)</b>
Group revenue			<u><b>8,293,034</b></u>
Segment (loss) profit	<u><b>(723,829)</b></u>	<u><b>144,860</b></u>	<b>(578,969)</b>
Unallocated income			<b>164,114</b>
Unallocated corporate expenses			<b>(168,622)</b>
Unallocated finance costs			<b>(66,613)</b>
Share of profit of an associate			<u><b>1,600</b></u>
Loss before taxation			<u><b>(648,490)</b></u>

For the six months ended 30 June 2021

	Textile products <i>RMB'000</i> (Unaudited)	Electricity and steam <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
External revenue	5,518,421	1,979,875	7,498,296
Inter-segment revenue	<u>–</u>	<u>477,448</u>	<u>477,448</u>
Segment revenue	<u>5,518,421</u>	<u>2,457,323</u>	7,975,744
Eliminations			(477,448)
Group revenue			<u>7,498,296</u>
Segment profit	<u>425,858</u>	<u>301,011</u>	726,869
Unallocated income			174,047
Unallocated corporate expenses			(212,240)
Unallocated finance costs			(55,832)
Share of profit of an associate			<u>285</u>
Profit before taxation			<u>633,129</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit of each segment without allocation of central administration costs, directors' salaries, other income, certain finance costs and share of profit of an associate. This is the measure reported to the directors with respect to the resource allocation and performance assessment.

Inter-segment sales are conducted with terms mutually agreed by both contract parties.

## Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

### Segment assets

	<b>At 30 June 2022 RMB'000 (Unaudited)</b>	At 31 December 2021 RMB'000 (Audited)
Textile products	7,931,031	6,565,825
Electricity and steam	<u>5,772,762</u>	<u>6,119,204</u>
Total segment assets	<b>13,703,793</b>	12,685,029
Interest in an associate	76,826	75,226
Corporate and other assets	<u>11,080,391</u>	<u>12,458,227</u>
Total assets	<b><u>24,861,010</u></b>	<b><u>25,218,482</u></b>

### Segment liabilities

	<b>At 30 June 2022 RMB'000 (Unaudited)</b>	At 31 December 2021 RMB'000 (Audited)
Textile products	2,776,904	2,322,890
Electricity and steam	<u>74,604</u>	<u>120,902</u>
Total segment liabilities	<b>2,851,508</b>	2,443,792
Corporate and other liabilities	<u>3,781,038</u>	<u>3,680,122</u>
Total liabilities	<b><u>6,632,546</u></b>	<b><u>6,123,914</u></b>

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segments other than other intangible assets, interest in an associate, deferred tax assets, unallocated deposits, prepayments and other receivables, pledged deposits, bank balances and cash and other corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- All liabilities are allocated to operating segments, other than unallocated other payables and accruals, income tax payable, bank borrowings, deferred income, deferred tax liabilities and other corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

## 5. OTHER INCOME AND GAIN

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income from bank deposits	76,574	35,190
Release of deferred income	7,751	7,286
Government grants ( <i>Note</i> )	4,084	8,346
Compensation from suppliers on the supply of sub-standard goods	7,358	5,247
Gross rental income	5,651	6,721
Exchange gain, net	24,316	–
Gain on sale of waste and spare parts	25,986	75,495
Gain on disposal of property, plant and equipment	8,985	33,346
Gain on disposal of non-current assets classified as held for sale	3,022	1,878
Reversal of impairment loss on trade and other receivables	100	–
Others	287	538
	<u>164,114</u>	<u>174,047</u>

*Note:* The income is the government grants received from local government authorities for the outward business development scheme, service industry development scheme and export credit insurance subsidies which were immediately recognised as other income for the period as the Group fulfilled the relevant granting criteria.

## 6. FINANCE COSTS

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on:		
– bank loans	66,612	55,832
– lease liabilities	1,429	1,773
	<u>68,041</u>	<u>57,605</u>

## 7. INCOME TAX EXPENSES

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprises Income Tax (“EIT”)	30,313	73,179
Deferred tax	<u>(27,689)</u>	<u>(24,028)</u>
	<u><b>2,624</b></u>	<u><b>49,151</b></u>

### Notes:

- (a) Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the income tax rate of PRC companies is 25% for both periods. Pursuant to the relevant laws and regulations in the PRC, the Company and a PRC subsidiary have been accredited as high-tech enterprise and are eligible to apply a preferential tax rate of 15% for both periods.
- (b) No Hong Kong Profits Tax has provided as the Group did not have any assessable profits subject to Hong Kong Profits Tax for both periods.

## 8. PROFIT FOR THE PERIOD

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	347,315	367,946
Depreciation of right-of-use assets	11,822	11,931
Depreciation of investment properties	1,818	1,296
Amortisation of other intangible assets	8	8
Impairment loss on property, plant and equipment (included in other expenses)	–	98,153
(Reversal of) impairment loss on trade and other receivables	(100)	836
Reversal of impairment loss on inventories	(1,100)	(1,383)
Allowance for inventories (included in cost of sales)	267,261	95,447
Research and development cost	<u><b>318,850</b></u>	<u><b>270,022</b></u>

## 9. DIVIDEND

The proposed final dividend of RMB214,990,000 for the year ended 31 December 2021 was approved by the shareholders of the Company on 27 May 2022.

No dividend was proposed during the six months ended 30 June 2022, nor has any dividend been proposed since the end of the interim period (six months ended 30 June 2021: nil).

## 10. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended	
	30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>(Loss) earnings</b>		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	<u>(650,036)</u>	<u>583,056</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share ('000 shares)	<u>1,194,389</u>	<u>1,194,389</u>

*Note:*

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding for both periods.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group spent approximately RMB260,955,000 (six months ended 30 June 2021: RMB44,208,000) on acquisition of property, plant and equipment.

During the six months ended 30 June 2022, the Group has disposed of certain property, plant and equipment with an aggregate carrying values of approximately RMB22,702,000 (six months ended 30 June 2021: RMB27,569,000) for cash proceeds of approximately RMB31,687,000 (six months ended 30 June 2021: RMB60,915,000), resulting in a gain on disposal of approximately RMB8,985,000 (six months ended 30 June 2021: RMB33,346,000).

During the six months ended 30 June 2022, the Group has written off certain property, plant and equipment and resulted in loss on written off of property, plant and equipment of approximately RMB36,000 (six months ended 30 June 2021: nil) for the period.

During the six months ended 30 June 2022, no impairment loss has been recognised for property, plant and equipment. During the six months ended 30 June 2021, the Group has impaired certain idle property, plant and equipment. With reference to quoted prices after considering the conditions of these assets, impairment loss of approximately RMB98,153,000 was charged to profit or loss for the period and reclassified under non-current assets classified as held for sale.

## Non-current assets classified as held for sale

At 30 June 2022 and 31 December 2021, the non-current assets classified as held for sale were certain items of property and machinery that would be recovered principally through sale.

During the six months ended 30 June 2022, the non-current assets held for sales were sold for cash proceeds of approximately RMB4,715,000 (six months ended 30 June 2021: RMB3,171,000), resulting in a gain on disposal of approximately RMB3,022,000 (six months ended 30 June 2021: RMB1,878,000).

## 12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### (i) Right-of-use assets

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Land	345,346	356,368
Buildings	<u>2,856</u>	<u>2,155</u>
	<u><b>348,202</b></u>	<u><b>358,523</b></u>

Right-of-use assets of approximately RMB345,346,000 (2021: RMB356,368,000) represents land use rights located in the PRC.

The Group has lease arrangements for buildings and premises. The lease terms are generally ranged from 2 to 20 years.

### (ii) Lease liabilities

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Non-current	28,908	34,672
Current	<u>13,788</u>	<u>13,743</u>
	<u><b>42,696</b></u>	<u><b>48,415</b></u>
Amounts payable under lease liabilities		
Within one year	13,788	13,743
After one year but within two years	9,977	12,015
After two years but within five years	18,445	21,246
After five years	<u>486</u>	<u>1,411</u>
	<b>42,696</b>	48,415
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(13,788)</u>	<u>(13,743)</u>
Amount due for settlement after 12 months	<u><b>28,908</b></u>	<u><b>34,672</b></u>

(iii) Amount recognised in profit or loss

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of right-of-use assets	11,822	11,931
Interest expense on lease liabilities	<u>1,429</u>	<u>1,773</u>

(iv) Others

During the six months ended 30 June 2022, the total cash outflow for lease amount to approximately RMB8,649,000 (six months ended 30 June 2021: RMB8,770,000).

### 13. INVENTORIES

As 30 June 2022, the carrying amounts of the Group's inventories were net of impairment provisions of approximately RMB288,658,000 (31 December 2021: RMB184,741,000).

During the six months ended 30 June 2022, an allowance for inventories of approximately RMB267,261,000 (six months ended 30 June 2021: RMB95,447,000) has been recognised and included in cost of sales.

During the six months ended 30 June 2022, there was a decrease in allowance of approximately RMB162,244,000 (six months ended 30 June 2021: RMB98,003,000) for inventories due to elimination of allowances upon the subsequent sales of inventories during the current period.

During the six months ended 30 June 2022, there was an increase in the net realised value of semi-finished goods and finished goods due to market condition. As a result, a reversal of write-down of semi-finished goods and finished goods of approximately RMB1,100,000 (six months ended 30 June 2021: RMB1,383,000) has been recognised and included in cost of sales in the current period.

### 14. TRADE RECEIVABLES

Included in trade receivables are debtors receivables (net of loss allowance) with the following ageing analysis presented based on invoice date, which approximates the respective revenue recognition dates:

	At 30 June 2022	At 31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 90 days	514,458	515,534
91 to 180 days	2,266	12,893
181 to 365 days	430	9,084
Over 365 days	<u>47</u>	<u>51</u>
Total	<u>517,201</u>	<u>537,562</u>

The Group allows an average credit period of 45 days to its trade customers.



The Group recognised lifetime expected credit loss for trade receivables based on the ageing of customers collectively that are not individually significant as follows:

	<b>Gross carrying amount <i>RMB'000</i> (Unaudited)</b>	<b>Loss allowance <i>RMB'000</i> (Unaudited)</b>	<b>Net carrying amount <i>RMB'000</i> (Unaudited)</b>
As at 30 June 2022			
Within 3 months	515,334	(876)	514,458
3 months to 1 year	2,718	(22)	2,696
1 to 2 years	3	(1)	2
Over 2 years	<u>4,453</u>	<u>(4,408)</u>	<u>45</u>
	<u><b>522,508</b></u>	<u><b>(5,307)</b></u>	<u><b>517,201</b></u>
	<b>Gross carrying amount <i>RMB'000</i> (Audited)</b>	<b>Loss allowance <i>RMB'000</i> (Audited)</b>	<b>Net carrying amount <i>RMB'000</i> (Audited)</b>
As at 31 December 2021			
Within 3 months	516,412	(878)	515,534
3 months to 1 year	22,156	(179)	21,977
1 to 2 years	3	(1)	2
Over 2 years	<u>4,458</u>	<u>(4,409)</u>	<u>49</u>
	<u><b>543,029</b></u>	<u><b>(5,467)</b></u>	<u><b>537,562</b></u>

The movement in the loss allowance for trade receivables is set out below:

	<b>2022 <i>RMB'000</i> (Unaudited)</b>	<b>2021 <i>RMB'000</i> (Audited)</b>
At the beginning of the period/year	5,467	4,740
(Reversal of) loss allowance recognised in profit or loss during the period/year	<u>(160)</u>	<u>727</u>
At the end of the period/year	<u><b>5,307</b></u>	<u><b>5,467</b></u>

## 15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Prepayments to suppliers	94,040	75,714
Other taxes recoverable	208,908	271,308
Interest receivables	99	557
Deposits	–	32
Other receivables	<u>2,260</u>	<u>14,247</u>
	<b>305,307</b>	<b>361,858</b>
Less: loss allowance of other receivables	<u>(696)</u>	<u>(636)</u>
	<b><u>304,611</u></b>	<b><u>361,222</u></b>

The movement in the loss allowance for other receivables is set out below:

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Audited)
At the beginning of the period/year	636	380
Loss allowance recognised in profit or loss during the period/year	<u>60</u>	<u>256</u>
At the end of the period/year	<b><u>696</u></b>	<b><u>636</u></b>

## 16. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Within 90 days	1,124,483	987,558
91 to 180 days	5,003	2,828
181 to 365 days	2,167	27,359
Over 365 days	<u>94,737</u>	<u>100,726</u>
Total	<b><u>1,226,390</u></b>	<b><u>1,118,471</u></b>

The average credit period granted is 30 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

## 17. OTHER PAYABLES AND ACCRUALS

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Payroll payable	459,629	300,820
Accrued staff benefits	674,852	453,860
Other taxes payable	163,958	159,762
Accrued distribution expenses	14,690	20,962
Deposit received	69,237	59,678
Interest payable	5,119	4,044
Other payables	29,538	32,352
	<u>1,417,023</u>	<u>1,031,478</u>

## 18. BANK BORROWINGS

Set out below is the information relating to the Group's interest-bearing bank borrowings as at 30 June 2022:

- a) As at 30 June 2022 and 31 December 2021, all Group's bank borrowings are denominated in RMB.
- b) As at 30 June 2022, certain of the Group's bank borrowings amounting to approximately RMB1,476,250,000 (31 December 2021: RMB1,496,500,000) were secured by certain of the Group's property, plant and equipment, investment properties and right-of-use assets of an aggregate carrying value of approximately RMB1,543,929,000, RMB31,276,000 and RMB51,977,000 respectively (31 December 2021: Group's property, plant and equipment and right-of-use assets of an aggregate carrying value of approximately RMB1,477,129,000 and RMB52,823,000 respectively).
- c) As at 30 June 2022, bank borrowings with aggregate principal amount of RMB1,595,000,000 (31 December 2021: RMB1,595,000,000) are guaranteed by the Holding Company.

## 19. SHARE CAPITAL

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Registered, issued and fully paid:		
780,770,000 domestic ordinary shares of RMB1.00 each	780,770	780,770
413,619,000 H shares of RMB1.00 each	413,619	413,619
	<u>1,194,389</u>	<u>1,194,389</u>

## 20. CAPITAL COMMITMENTS

	<b>At 30 June 2022 RMB'000 (Unaudited)</b>	At 31 December 2021 RMB'000 (Audited)
Capital expenditure in respect of the acquisition of machinery contracted for but not provided in the condensed consolidated financial statements	<b><u>428,786</u></b>	<u>474,483</u>

## 21. RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

Save as disclosed elsewhere in the condensed consolidated financial statements, during the period, the Group entered into transactions with related parties as follows:

Related parties	Nature of transaction	For the six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
The Holding Company	Sales of electricity	1,087,828	764,447
	Sales of textile products	14,592	–
	Lease and interest payment	8,205	9,119
	Purchases of water	2,635	5,287
Fellow subsidiaries	Sales of textile products	224,589	241,493
	Gross rental income	550	367
	Processing of textile products	9,730	483
	Purchase of textile products	4,249	–
濱州綠動熱電有限公司 Binzhou Lvdong Thermal Power Co., Ltd*	Purchases of steam	5,458	6,321
鄒平縣宏利熱電有限公司 Zouping County Hongli Thermal Power Co., Ltd*	Purchases of steam	1,780	1,531

\* For identification purpose only

**(b) Commitments with related parties**

At the end of the reporting period, in addition to the lease agreements in note 21(a), the Group entered into sales agreements with certain fellow subsidiaries for sale commitments which are expected to be fulfilled before the end of 2022.

**(c) Compensation to key management personnel**

The remuneration of directors of the Company and other members of key management during the period was as follow:

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Short-term benefits	<b>2,588</b>	2,354
Post-employment benefits	<b>132</b>	59
	<b><u>2,720</u></b>	<b><u>2,413</u></b>

## CHAIRMAN'S STATEMENT

It is my pleasure to present on behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Weiqiao Textile Company Limited the unaudited consolidated interim results of the Group for the six months ended 30 June 2022 (the “**Period**” or the “**Period under Review**”).

In the first half of 2022, the global economy was hit by multiple blows such as geopolitical conflicts and repeated outbreaks of the novel coronavirus disease 2019 pandemic (the “**Pandemic**”), as the risk of stagflation continues to build up and consumer confidence exhibits an obvious low. Given the adverse impacts from factors such as changes in the textile market supply chain landscape caused by international trade tensions, the domestic textile market remained sluggish with an overall decline in market demands; as the price of raw materials remained at high levels, textile enterprises in the PRC were confronted with a challenging operating landscape. Faced with a complex external environment, the business and operation of the Group were also negatively impacted. During the Period, the Group proactively coped with market challenges, making strenuous efforts to maintain stable productions and sales performance while maintaining its stake in the domestic and international markets. During the Period under Review, the Group recorded revenue of approximately RMB8,293 million, representing an increase of approximately 10.6% as compared with that for the corresponding period of last year; net loss attributable to owners of the Company amounted to approximately RMB650 million; loss per share was approximately RMB0.54.

While endeavouring to maintain stable operations, the Group continued to improve its core competitiveness through aspects such as technological innovation, intelligence upgrading and green development.

Through increased efforts in product research and development, the Group developed different series of products such as the polyimide high-performance knitted flame retardant functional fabric and bio-based bacteriostatic fabric series, of which three products were recognised with the Excellence Award from the 2022 China International Fabrics Design Competition. Moreover, the Group proactively pushed forward collaboration with innovative industries and constructions of platforms through cooperation with a number of universities and scientific research institutes, carrying out key technology research for smart textile products and the research and development of relevant products. During the Period, the Group was accredited the title of the Provincial Model Enterprise for Technology Innovation by the Department of Industry and Information Technology of Shandong Province. The Group also continued to make solid progress in the intelligence transformation and upgrading of the textile industrial chain. The Group continued to enhance the intelligence levels and digital operations of its equipment by implementing technological improvements, so as to improve production efficiency.

Looking forward to the second half of 2022, as we continue to live with the global Pandemic and the continuous adverse impacts on global economic development brought by geopolitical conflicts, great uncertainties linger in the external environment. Building on the foundation of its existing green and intelligent textile production lines, the Group will further push forward its digital and intelligent transformation to increase its average labour efficiency. The Group will continue to strengthen cooperation with various textile colleges and universities or scientific research institutes, increase investments in technology research and development, enhance the synergetic development of industry, education, research and application initiatives, improve enterprise innovation capabilities, focus on the research and development of functional fabrics, and promote the optimisation and upgrading of its product portfolio. The Group will also further improve its standards for environmental protection, laying a solid foundation for sustainable and healthy development.

The management of Weiqiao Textile and I would like to express our sincere gratitude to the shareholders for their unwavering concern and support towards the Group. By cooperating with our customers, shareholders and business partners, the Group will continue to contribute to the promotion of industrial transformation and upgrading and the sustainable development of society. Together, we will create a better future.

**Ms. Zhang Hongxia**

*Chairman*

Shandong, the PRC

19 August 2022

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY REVIEW

During the Period under Review, against the backdrop of adverse factors including a complex international economic landscape coupled with the repeated outbreaks of the Pandemic, the textile industry in China found itself in an especially complicated and challenging development environment. Being affected by multiple adverse factors such as the recurrence of the Pandemic, strong fluctuations in the raw material prices and sluggish downstream demands, the climate of the textile industry in China was in its period of contraction, with a slowdown in growth while the efficiency of textile enterprises continued to sustain pressure.

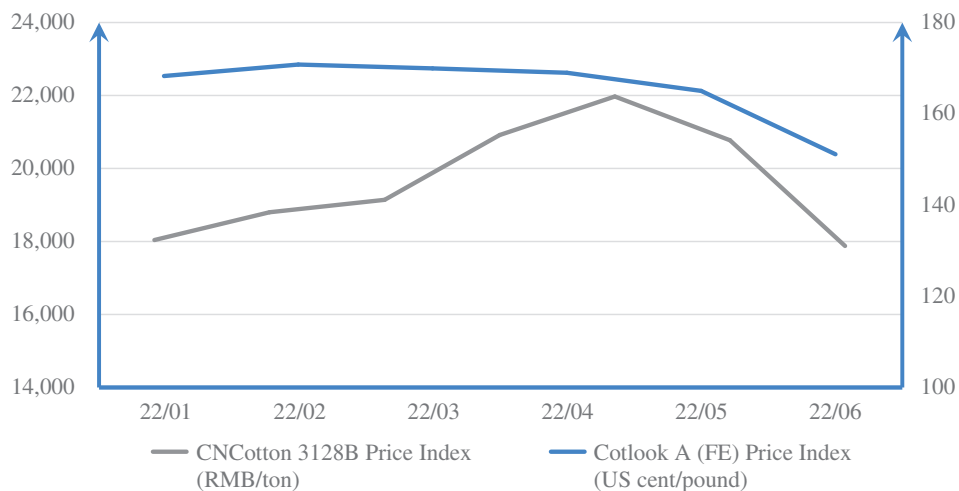
In terms of domestic sales, textile and apparel consumption recorded a decrease due to certain restrictions on resident travel and consumption activities as a result of the Pandemic and lockdown measures. According to the statistics from the National Bureau of Statistics of China, the retail sales of commodities such as apparel, footwear, headwear and knitted products by enterprises above the designated size in China amounted to approximately RMB628.2 billion in the first half of 2022, representing a year-on-year decrease of approximately 6.5%.

In terms of corporate profitability, due to the twofold pressure from fluctuations in raw material prices at high levels and weakening market demands, the economic benefits of textile enterprises remained under pressure. According to the statistics from the National Bureau of Statistics of China, given the high costs and weak demands during the first half of the year, the total profit of the textile enterprises above the designated size in China recorded a decrease of approximately 17.0% as compared to the corresponding period of last year.

In terms of textile raw materials, the international cotton prices fluctuated at high levels while the domestic cotton prices first exhibited an increase before their decline during the Period, as such the overall price remained high during the Period. In the first half of 2022, the CNCotton 3128B Price Index was approximately RMB22,206 per ton on average, representing a year-on-year increase of approximately 40.9%. The Cotlook A (FE) Price Index was approximately US147.5 cents per pound on average, representing a year-on-year increase of approximately 61.7%. The movement of the CNCotton 3128B Price Index and Cotlook A (FE) Price Index during the first half of 2022 was as follows:



The movement of CNCotton 3128B Price Index and Cotlook A (FE) Price Index in the first half of 2022

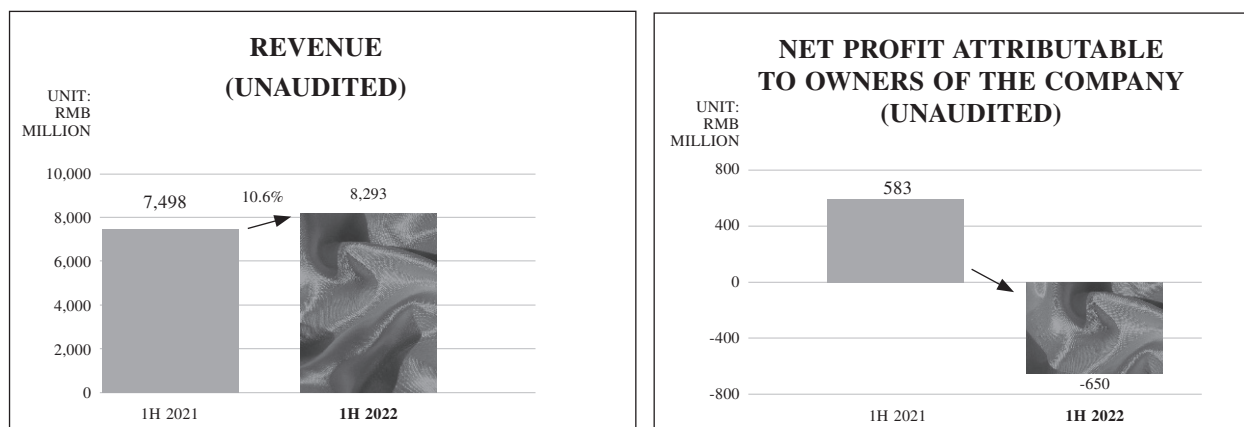


Data source: China Cotton Association

In terms of the raw materials for electricity, international energy prices continued to rise among a severe and complex international situation in the first half of 2022, causing domestic coal prices to fluctuate in tandem at high levels. During the Period, domestic coal prices remained high, putting greater pressure on corporate energy costs.

## BUSINESS REVIEW

For the six months ended 30 June 2022 and the corresponding period of 2021, the Group's unaudited revenue and the net profit attributable to owners of the Company, together with the comparative figures are as follows:

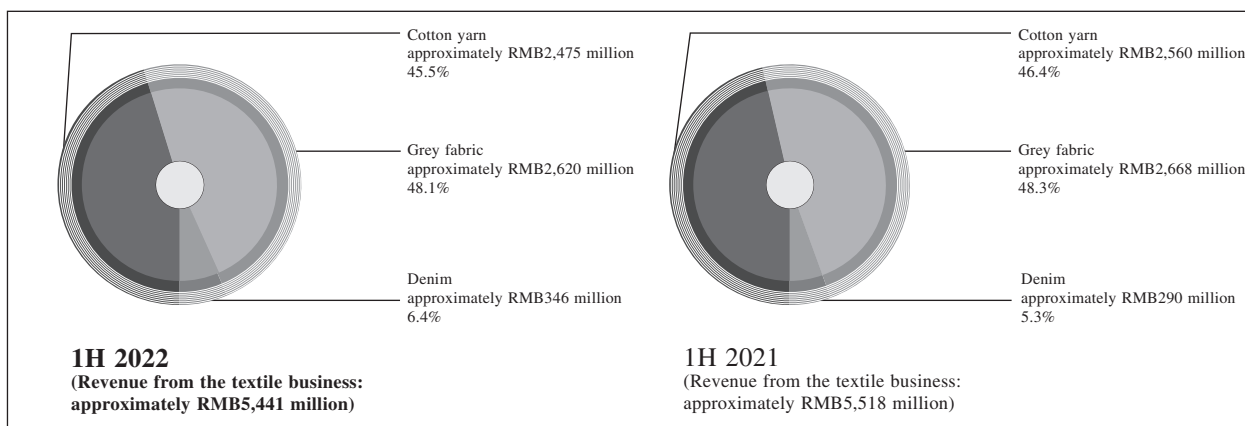


For the six months ended 30 June 2022, the Group recorded revenue of approximately RMB8,293 million, representing an increase of approximately 10.6% as compared with the corresponding period of 2021, where the revenue from textile products was approximately RMB5,441 million, representing a decrease of approximately 1.4% over the corresponding period of last year, which was mainly attributable to the prolonged weakness of the domestic textile market as a result of the adverse impacts from factors such as the repeated outbreaks of the Pandemic globally as well as the changes in the textile market supply chain landscape caused by the international trade tensions, thereby leading to an overall decline in demand for textile products, which resulted in a corresponding decrease in purchase orders for the Group's cotton textile products and thus a year-on-year decrease in sale volume. The revenue from electricity and steam was approximately RMB2,852 million, representing an increase of approximately 44.0% over the corresponding period of last year, which was mainly attributable to the upward adjustment of the sales price of electricity by the Group according to the established electricity sales pricing mechanism following the rise in the price of coal as its raw material.

During the Period, the net loss attributable to owners of the Company was approximately RMB650 million, which was mainly because: (1) the Group recorded a substantial increase in production costs for its textile products due to the persistently high price of cotton lint, which is the major raw material for the Group's production of textile products, and an increase in staff costs as compared with the same period last year. Despite the period-on-period increase in the sales prices of the Group's textile products, the Group's textile business recorded a gross loss in the first half of the year as such increase in sales price was exceeded by the extent of increase in the production costs; and (2) in the first half of 2022, although the Group maintained profitability in the electricity business, since the price of coal, which is the major raw material, fluctuated at high price levels, there was a substantial increase in the electricity costs, thereby leading to a decrease in the unit gross profit.

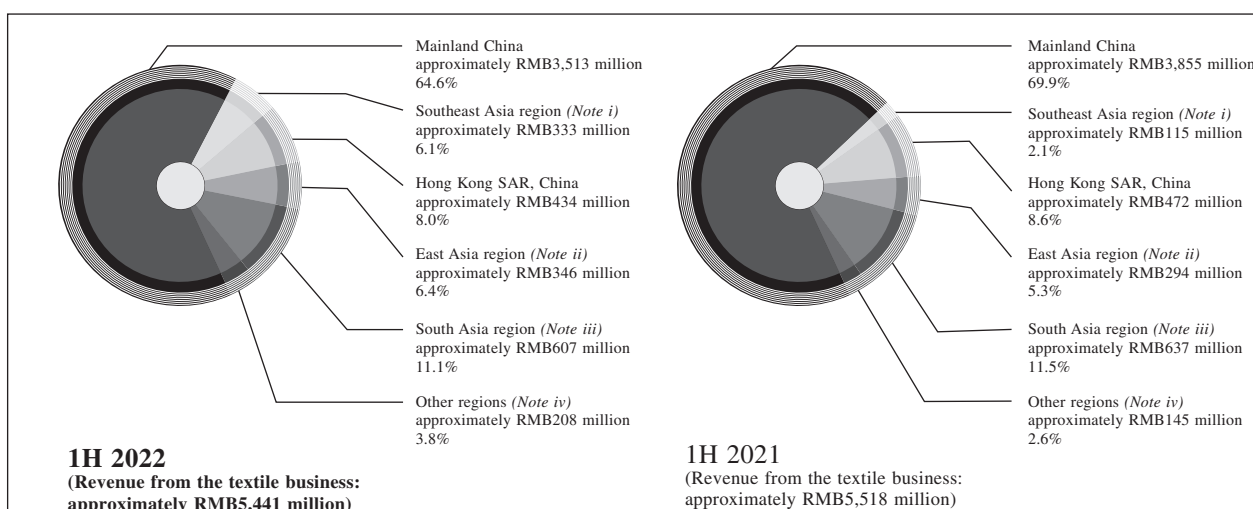
## Textile Business

The charts below are the comparison of the breakdown of revenue from the Group's textile business according to the categories of products for the six months ended 30 June 2022 and the corresponding period of 2021, respectively:



For the six months ended 30 June 2022, revenue from the Group's main textile products - cotton yarn and grey fabric recorded a decrease as compared with the corresponding period of last year, which was mainly attributable to the prolonged weakness in domestic and international textile markets as a result of the adverse impacts from factors such as the repeated outbreaks of the Pandemic as well as the changes in the textile market supply chain landscape caused by the international trade tensions, thereby leading to an overall decline in demand for textile products, which resulted in a corresponding decrease in purchase orders for the Group's main cotton textile products and thus a year-on-year decrease in sale volume.

The charts below are the comparison of the breakdown of revenue from the Group's textile business by geographical location for the six months ended 30 June 2022 and the corresponding period of 2021, respectively:



**Notes:**

- i. Southeast Asia region mainly includes Vietnam, Thailand, Malaysia, Indonesia, the Philippines and Burma;
- ii. East Asia region includes Japan and South Korea;
- iii. South Asia region includes Pakistan, Bangladesh and India; and
- iv. Other regions mainly include the United States, Europe, Africa and Taiwan, China.

For the six months ended 30 June 2022, revenue generated from overseas and domestic markets accounted for approximately 35.4% and approximately 64.6% of the Group's total revenue respectively. The proportion of overseas and domestic sales did not significantly differ from that for the corresponding period of last year.

During the Period under Review, the Group promptly adjusted the production plans based on market demand. The output of the Group's cotton yarn was approximately 200,000 tons, representing a decrease of approximately 2.0% as compared with that for the corresponding period of last year; the output of grey fabric was approximately 355 million meters, representing a decrease of approximately 1.1% as compared with that for the corresponding period of last year; the output of denim was approximately 27 million meters, representing an increase of approximately 35.0% as compared with that for the corresponding period of last year.

All production bases of the Group are located in Shandong Province, the PRC. The production and operations of the Group remained stable and all facilities functioned in good conditions during the Period under Review.

### **Electricity and Steam Business**

As at 30 June 2022, the installed capacity of the Group's thermal power assets amounted to 2,760 MW, which was in line with the installed capacity as at 31 December 2021. During the Period under Review, the power generation amount of the Group was approximately 6,526,000,000 kWh, representing an increase of approximately 11.0% as compared with that for the corresponding period of last year. The volume of electricity sold amounted to approximately 4,983,000,000 kWh, representing an increase of approximately 6.3% as compared with that for the corresponding period of last year, which was mainly attributable to an increase in demand for electricity from downstream customers during the Period, thereby contributing to a corresponding increase in electricity sales.

During the Period under Review, the average utilisation hours of the power generating units of the Group amounted to approximately 2,365 hours, representing an increase of 235 hours as compared with approximately 2,130 hours recorded for the corresponding period of last year.

For the first half of 2022, the revenue from the Group's sales of electricity and steam amounted to approximately RMB2,852 million, representing an increase of approximately 44.0% as compared with the corresponding period of last year, which was mainly attributable to the fact that, on one hand, the Group increased the sales price of electricity in accordance with its established electricity sales pricing mechanism following the rise in the price of coal as its raw material; and on the other hand, the sales volume of electricity of the Group increased due to an increase in the demand for electricity from downstream clients. The gross profit amounted to approximately RMB161 million, representing a decrease of approximately 52.4% than that for the corresponding period of last year, which was mainly attributable to the price of coal, which is the major raw material for the electricity business of the Group, having fluctuated at high price levels during the Period, leading to a substantial increase in the electricity costs, and thereby resulting in a decrease in the unit gross profit.

The Group has installed flue gas dedusting facilities (煙氣除塵裝置) and desulphurisation and denitrification facilities (脫硫脫硝裝置) for all of the Group's power generating units, and fully achieved ultra-low emissions.

## FINANCIAL REVIEW

### Gross (Loss) Profit and Gross (Loss) Profit Margin

The table below is an analysis of the Group's gross (loss) profit and gross (loss) profit margin attributable to its major products for the six months ended 30 June 2022 and the corresponding period in 2021, respectively:

Product categories	For the six months ended 30 June			
	2022		2021	
	Gross (loss) profit RMB'000	Gross (loss) profit margin %	Gross profit RMB'000	Gross profit margin %
Cotton yarn	(142,093)	(5.7)	366,618	14.3
Grey fabric	(438,589)	(16.7)	162,564	6.1
Denim	549	0.2	12,829	4.4
Electricity and steam	<u>160,914</u>	<u>5.6</u>	<u>337,868</u>	<u>17.1</u>
Total	<u>(419,219)</u>	<u>(5.1)</u>	<u>879,879</u>	<u>11.7</u>

For the six months ended 30 June 2022, the gross loss from the sales of textile products of the Group was approximately RMB580 million. The gross loss margin was approximately 10.7%, which was mainly attributable to the persistently high price of cotton lint, which is the major raw material for the Group's production of textile products, and also an increase in employees' salaries and welfare benefits as compared with the same period last year, coupled with the fact that the growth in the sales price of the Group's textile products was exceeded by the extent of increase in costs during the Period, thereby leading to a gross loss in the Group's textile business in the first half of the year. The gross profit from the sales of electricity and steam of the Group decreased by approximately 52.4% from the corresponding period of last year to approximately RMB161 million, and the gross profit margin was approximately 5.6%, down by approximately 11.5 percentage points from that for the same period last year, which was primarily because the price of coal, which is the major raw material, fluctuated at high price levels during the Period, and there was a substantial increase in the electricity costs, thereby leading to a decrease in the unit gross profit.

## **Selling and Distribution Expenses**

For the six months ended 30 June 2022, the Group's selling and distribution expenses were approximately RMB130 million, representing an increase of approximately 30.0% as compared with approximately RMB100 million as recorded for the corresponding period of last year. Among these expenses, transportation costs increased by approximately 49.2% to approximately RMB94 million from approximately RMB63 million for the same period last year, which was mainly attributable to the increase in unit transportation costs in accordance with changes in the transportation market during the Period. The salary for sales staff was approximately RMB11 million, representing a decrease of approximately 50.0% from approximately RMB22 million for the corresponding period of last year, which was mainly attributable to a decrease in domestic sales of the Group's textile products and the optimisation of the commission system for sales staff based on changes in the textile market during the Period. Sales commission was approximately RMB9 million, representing an increase of approximately 28.6% from approximately RMB7 million for the corresponding period of last year, which was mainly due to the increase in overseas sales revenue, resulting in the corresponding increase in the commissions paid.

## **Administrative Expenses**

For the six months ended 30 June 2022, the administrative expenses of the Group were approximately RMB171 million, representing an increase of approximately 15.5% from approximately RMB148 million for the corresponding period of last year, which was primarily attributable to the further increase in salary and improvement in welfare benefits for the employees by the Group during the Period.

## **Other Expenses**

For the six months ended 30 June 2022, the other expenses of the Group were approximately RMB26 million, representing a decrease of approximately 77.6% from approximately RMB116 million for the corresponding period of last year, which was mainly attributable to the impairment provision made by the Group for certain idle buildings and equipment which were planned to be dismantled during the corresponding period of last year.

## **Finance Costs**

For the six months ended 30 June 2022, the finance costs of the Group were approximately RMB68 million, representing an increase of approximately RMB10 million from approximately RMB58 million for the corresponding period of last year, which was mainly due to the increase of approximately RMB334 million in bank borrowings during the Period as compared with the corresponding period of last year.

## **Income Tax Expenses**

The income tax expenses of the Group decreased from approximately RMB49 million for the first half of 2021 to approximately RMB3 million for the first half of 2022, representing a decrease of approximately 93.9%, which was mainly attributable to a loss recorded in the textile business and a drop in the profit from the electricity business during the Period as compared to the corresponding period of last year, resulting in a corresponding decrease in the relevant tax amount.

## **Net Loss Attributable to Owners of the Company and Loss per Share**

The net loss attributable to owners of the Company for the six months ended 30 June 2022 amounted to approximately RMB650 million, while the net profit attributable to owners of the Company for the same period last year amounted to approximately RMB583 million.

For the six months ended 30 June 2022, the loss per share of the Company was approximately RMB0.54.

## **Liquidity and Financial Resources**

The working capital of the Group is mainly financed by cash inflow from operating activities and cash reserve. For the six months ended 30 June 2022, the Group recorded a net cash outflow from operating activities of approximately RMB642 million, a net cash inflow from investing activities of approximately RMB160 million and a net cash outflow from financing activities of approximately RMB303 million.

As at 30 June 2022, cash and cash equivalents of the Group were approximately RMB10,781 million, representing a decrease of approximately 6.8% from approximately RMB11,566 million as at 31 December 2021, mainly attributable to the net cash outflow from operating activities and the net cash outflow from the financing activities of the Group during the Period.

For the six months ended 30 June 2022, the average turnover days of the Group's receivables were 12 days, representing an increase of 1 day from 11 days for the corresponding period of 2021, which did not differ significantly from that of the same period last year.

For the six months ended 30 June 2022, the inventory turnover days of the Group were 72 days, representing an increase of 7 days from 65 days for the same period of 2021, mainly attributable to a decrease in the sales volume of textile products as a result of a decline in the demand for textile products in domestic and overseas markets under the adverse impacts from factors such as the repeated outbreaks of the Pandemic and international trade tensions during the Period.

For the six months ended 30 June 2022, the Group did not use financial derivative instruments. The Group did not use financial instruments for the corresponding period of last year either.



## **Capital Structure**

The major objective of the Group's capital management is to ensure the ability of the Company to continue its operations and to maintain a satisfactory capital ratio in order to support its business operations and maximise shareholders' interests.

As at 30 June 2022, the liabilities of the Group were mainly bank loans totalling approximately RMB2,741 million (31 December 2021: approximately RMB2,762 million). As at 30 June 2022, the Group's liability-to-asset ratio was approximately 26.7% (31 December 2021: approximately 24.3%).

Details of the outstanding bank borrowings as at 30 June 2022 are set out in Note 18 to the unaudited interim condensed consolidated financial statements. As at 30 June 2022, all of the Group's bank borrowings were fixed interest rate borrowings.

The Group will further improve its fund management, with an aim to meet its capital expenditure requirements and further optimise its liabilities structure while maintaining sufficient liquidity of the Group.

As at 30 June 2022, the Group's borrowings were denominated in Renminbi, while cash and cash equivalents were denominated in Renminbi, US dollars and Hong Kong dollars, of which cash and cash equivalents denominated in US dollars and Hong Kong dollars represented approximately 6.2% of the total amount.

## **Employees and Remuneration Policies**

As at 30 June 2022, the Group had a total of approximately 40,000 employees, representing a decrease of approximately 2,000 employees as compared with that for the corresponding period of last year. The decrease in the number of employees was mainly normal employee turnover during the Period. Total staff costs of the Group during the Period amounted to approximately RMB2,189 million, representing an increase of approximately 44.3% from approximately RMB1,517 million as recorded for the corresponding period of last year, which was mainly attributable to the further increase in salary and improvement in welfare benefits by the Group for its employees during the Period.

The remuneration of the Group's employees is determined based on their performance, experience and prevailing industry practices. The management will periodically review the Group's remuneration policies and packages. In addition, the management also grants bonuses and rewards to the employees based on their performance to encourage and motivate them to engage in technological innovation and technique improvement. The Group also provides relevant trainings, such as safety trainings and skills trainings, to the employees based on the technical requirements of different positions.



## **Exposure to Foreign Exchange Risks**

The Group adopts a strict and prudent policy in managing exchange rate risks. Export revenue and import procurement of the Group are settled in US dollars, and a portion of bank deposits are denominated in US dollars. For the six months ended 30 June 2022, approximately 35.4% of the Group's revenue and approximately 23.6% of the costs for the procurement of cotton were denominated in US dollars. For the six months ended 30 June 2022, the Group recorded an exchange gain of approximately RMB24 million due to fluctuations in the RMB/USD exchange rate. During the Period, the Group did not experience any significant difficulties or impacts on the operations or liquidity as a result of the fluctuations in currency exchange rates. The Directors believe that the Group will have sufficient foreign currency to meet its demands.

## **Pledged Assets**

Details of pledged assets of the Group are set out in Note 18 to the unaudited interim condensed consolidated financial statements.

## **Capital Commitments**

Details of capital commitments of the Group are set out in Note 20 to the unaudited interim condensed consolidated financial statements.

## **Contingent Liabilities**

As at 30 June 2022, the Group did not have any significant contingent liabilities.

## **EVENTS AFTER THE REPORTING PERIOD**

Subsequent to 30 June 2022 and as of the date of this announcement, no important event affecting the Group has occurred.

## **OUTLOOK**

Looking forward to the second half of 2022, the textile industry in China will continue to face a complex and challenging development environment both at home and abroad. Nevertheless, China is striving to mitigate the adverse impacts from the external environment. The policies of “six stabilities (六穩)” and “six securities (六保)” implemented by the Chinese government will continue to accelerate the recovery of the economic cycle, providing optimism that the textile industry will be provided the domestic consumption required for its support.

Amidst the outbreak of the Pandemic, the global production and market landscape are undergoing fundamental adjustments, an inevitable pathway to industrial upgrading. The Group will actively respond to government policies and step up efforts to promote industrial upgrading and innovation, so as to achieve high-quality development. On the sales front, the Group will keep a close watch on developments in the domestic and international arena and the industry, adhere to its strategy of placing equal emphasis on domestic sales and overseas sales, and make timely adjustments to its operation and sales strategies. On the production front, the Group will continue to enhance its automatic and intelligent productions and focus on technological innovation, with an aim to strengthen the Group's competitiveness. On the product front, being guided by market demands and giving full play to its advantages from the integration of industry, education, research and application, the Group will increase the sales proportion of non-cotton products and push forward the optimisation and upgrading of product portfolio.

## SUPPLEMENTARY INFORMATION

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, to the knowledge of the the Directors, supervisors and chief executive of the Company, the following persons (other than the Directors, supervisors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") or recorded in the register required to be kept by the Company under section 336 of the SFO:

Interests in the domestic shares of the Company:

<b>Name of Shareholder</b>	<b>Number of domestic shares</b> <i>(Note i)</i>	<b>Approximate percentage of total issued domestic share capital as at 30 June 2022</b> <i>(%)</i>	<b>Approximate percentage of total issued share capital as at 30 June 2022</b> <i>(%)</i>
Shandong Weiqiao Chuangye Group Company Limited	757,869,600 <u>(Long position)</u>	97.07	63.45

Interests in the H shares of the Company:

<b>Name of Shareholder</b>	<b>Type of interest</b>	<b>Number of H shares</b> <i>(Note ii)</i>	<b>Approximate percentage of total issued H share capital as at 30 June 2022</b> <i>(%)</i>	<b>Approximate percentage of total issued share capital as at 30 June 2022</b> <i>(%)</i>
Brandes Investment Partners, L.P.	Investment manager	41,333,000 (Long position) <i>(Note iii)</i>	9.99	3.46
Mellon Financial Corporation	Interest of a controlled corporation	41,073,100 (Long position) <i>(Note iv)</i>	9.93	3.44

*Notes:*

- i.* Unlisted shares.
- ii.* Shares listed on the Main Board of the Stock Exchange.
- iii.* According to the disclosure of interests filed on the website of the Stock Exchange on 11 May 2022, these 41,333,000 H shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.
- iv.* According to the disclosure of interests filed on the website of the Stock Exchange on 2 July 2008, these 41,073,100 H shares in which Mellon Financial Corporation was deemed interested under the SFO were directly held by The Boston Company Asset Management LLC, a corporation wholly controlled by MAM (MA) Trust. MAM (MA) Trust was wholly controlled by MAM (DE) Trust. MAM (DE) Trust was wholly controlled by Mellon Financial Corporation.

Save as disclosed above, to the knowledge of the Directors, supervisors and the chief executive of the Company, as at 30 June 2022, there was no any other person (other than the Directors, supervisors and chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company under section 336 of the SFO.

## DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2022, the interests and short positions of the Directors, supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and 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 or 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 (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), were as follows:

Interests in the domestic shares of the Company:

			<b>Approximate percentage of total issued domestic share capital as at 30 June 2022 (%)</b>	<b>Approximate percentage of total issued share capital as at 30 June 2022 (%)</b>
	<b>Type of interest</b>	<b>Number of domestic shares (Note)</b>		
Ms. Zhang Hongxia (Executive Director/Chairman)	Beneficial interest	17,700,400	2.27	1.48

*Note:* Unlisted shares

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

	Name of associated corporation	Type of interest	Approximate percentage of total issued share capital as at 30 June 2022 (%)
Ms. Zhang Hongxia (Executive Director/Chairman)	Holding Company	Beneficial interest and spouse interest (Note i)	7.78 (Note i)
Ms. Zhang Yanhong (Executive Director/Vice Chairman)	Holding Company	Beneficial interest	4.50
Ms. Zhao Suhua (Non-executive Director)	Holding Company	Spouse interest (Note ii)	3.95 (Note ii)
Mr. Wei Jiakun (Executive Director/General Manager)	Holding Company	Beneficial interest	0.52
Ms. Zhao Suwen (Executive Director/Chief Financial Officer)	Holding Company	Beneficial interest	0.30

Notes:

- i. Ms. Zhang Hongxia holds an aggregate of 7.78% equity interests of the Holding Company, 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.
- ii. Ms. Zhao Suhua is deemed to be interested in the 3.95% equity interests of the Holding Company held by her husband, Mr. Wei Yingzhao, under the SFO.

Save as disclosed above, as at 30 June 2022, there was no other Directors, supervisors or chief executive of the Company who had any interests or short positions in the shares, underlying shares or 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 the interests or 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.

## **INTERIM DIVIDEND**

The Board did not recommend any payment of the interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the "**Audit Committee**") in compliance with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee is composed of three independent non-executive Directors. An Audit Committee meeting was held on 19 August 2022 to review the Group's interim results and unaudited interim condensed consolidated financial statements for the six months ended 30 June 2022 and give opinions and recommendations to the Board. The Audit Committee also engaged an external auditor to review the interim results and unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022.

## **REMUNERATION COMMITTEE**

The Company has established a remuneration committee in accordance with the corporate governance requirements for listed companies of the Stock Exchange. The objective of this committee is to set out and make suggestions on the appraisal standards for Directors and senior management, and study and review the remuneration policies and arrangements for Directors and senior management. The remuneration committee is comprised of three Directors. A remuneration committee meeting was held on 11 March 2022, at which the resolution with regard to Directors' salary and bonus as well as supervisors' remuneration for the year 2022 was passed.

## **NOMINATION COMMITTEE**

The Company has established a nomination committee in accordance with the corporate governance requirements for listed companies of the Stock Exchange. The objective of this committee is to review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorship; assess the independence of independent non-executive Directors; and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer.

## **CORPORATE GOVERNANCE CODE**

The Company has applied the principles as set out in the CG Code, and has complied with the code provisions as set out in the CG Code for the six months ended 30 June 2022.

## **DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS**

The Group has adopted a code of conduct regarding Directors' and supervisors' securities transactions on terms no less exacting than the required standards as set out in the Model Code. Having made specific enquiry of all the Directors and supervisors of the Company, the Company confirmed that for the six months ended 30 June 2022, each of the Directors and supervisors of the Company has complied with the required standards set out in the Model Code and the Company's code of conduct regarding Directors' and supervisors' securities transactions.

## **DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

The electronic version of this announcement will be published on the websites of both the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.wqfz.com>). An interim report for the six months ended 30 June 2022 containing all the applicable information required by Appendix 16 to the Listing Rules will be despatched to the shareholders and published on the websites of the Stock Exchange and the Company on or before 19 September 2022.

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

Shandong, the PRC  
19 August 2022

*As at the date of this 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.*

\* *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).*