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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)**

**ANNUAL RESULTS ANNOUNCEMENT FOR  
THE YEAR ENDED 31 DECEMBER 2022**

Revenue was approximately RMB16,574 million, representing an increase of approximately 1.9% from that of the corresponding period of last year.

Gross loss was approximately RMB1,016 million, as compared to gross profit of approximately RMB1,302 million for the corresponding period of last year.

Net loss attributable to owners of the Company was approximately RMB1,558 million, as compared to net profit attributable to owners of the Company of approximately RMB614 million for the corresponding period of last year.

Loss per share was approximately RMB1.30, as compared to earnings per share of approximately RMB0.51 for the corresponding period of last year.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of Weiqiao Textile Company Limited (the “**Company**” or “**Weiqiao Textile**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (the “**Year**” or “**Year under Review**”).

\* *For identification purposes only*

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue</b>	3	<b>16,573,668</b>	16,262,686
<b>Cost of sales</b>		<u><b>(17,589,870)</b></u>	<u>(14,960,785)</u>
Gross (loss) profit		<b>(1,016,202)</b>	1,301,901
Other income and gain	5	<b>370,539</b>	381,048
Selling and distribution expenses		<b>(240,143)</b>	(225,762)
Administrative expenses		<b>(379,913)</b>	(347,918)
Other expenses		<b>(63,173)</b>	(352,319)
Finance costs	6	<b>(143,363)</b>	(116,306)
Share of profit of an associate		<u><b>2,545</b></u>	<u>1,253</u>
<b>(Loss) profit before taxation</b>		<b>(1,469,710)</b>	641,897
Income tax expense	7	<u><b>(92,949)</b></u>	<u>(26,992)</u>
<b>(Loss) profit and total comprehensive (expense) income for the year</b>	8	<u><b>(1,562,659)</b></u>	<u>614,905</u>
Attributable to:			
Owners of the Company		<b>(1,557,643)</b>	614,187
Non-controlling interests		<u><b>(5,016)</b></u>	<u>718</u>
		<u><b>(1,562,659)</b></u>	<u>614,905</u>
<b>(Loss) earnings per share attributable to owners of the Company</b>			
Basic and diluted (RMB)	10	<u><b>(1.30)</b></u>	<u>0.51</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>8,508,619</b>	8,688,990
Right-of-use assets		<b>324,792</b>	358,523
Investment properties		<b>93,017</b>	79,471
Other intangible assets		<b>612</b>	45
Deposits paid for acquisition of property, plant and equipment		<b>251,623</b>	–
Interest in an associate		<b>77,771</b>	75,226
Deferred tax assets		<b>104,611</b>	113,906
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>9,361,045</b>	9,316,161
<b>Current assets</b>			
Inventories		<b>3,061,858</b>	2,970,004
Trade receivables	<i>11</i>	<b>286,074</b>	537,562
Deposits, prepayments and other receivables		<b>1,001,917</b>	361,222
Pledged bank deposits		<b>391,267</b>	465,998
Bank balances and cash		<b>11,402,013</b>	11,565,829
		<hr/>	<hr/>
		<b>16,143,129</b>	15,900,615
Non-current assets classified as held for sale		<b>11</b>	1,706
		<hr/>	<hr/>
<b>Total current assets</b>		<b>16,143,140</b>	15,902,321
<b>Current liabilities</b>			
Trade payables	<i>12</i>	<b>968,611</b>	1,118,471
Other payables and accruals		<b>1,067,211</b>	1,031,478
Lease liabilities		<b>13,600</b>	13,743
Contract liabilities		<b>262,391</b>	182,602
Income tax payable		<b>921,240</b>	849,256
Bank borrowings		<b>4,412,500</b>	2,247,500
Deferred income		<b>13,356</b>	12,130
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>7,658,909</b>	5,455,180
		<hr/>	<hr/>
<b>Net current assets</b>		<b>8,484,231</b>	10,447,141
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>17,845,276</b>	19,763,302
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Equity</b>			
Share capital		<b>1,194,389</b>	1,194,389
Reserves		<b><u>16,117,645</u></b>	<u>17,890,278</u>
Equity attributable to owners of the Company		<b>17,312,034</b>	19,084,667
<b>Non-controlling interests</b>		<b><u>4,885</u></b>	<u>9,901</u>
<b>Total equity</b>		<b><u>17,316,919</u></b>	<u>19,094,568</u>
<b>Non-current liabilities</b>			
Lease liabilities		<b>24,362</b>	34,672
Deferred income		<b>105,029</b>	118,929
Deferred tax liabilities		<b>966</b>	1,133
Bank borrowings		<b><u>398,000</u></b>	<u>514,000</u>
<b>Total non-current liabilities</b>		<b><u>528,357</u></b>	<u>668,734</u>
<b>Total equity and non-current liabilities</b>		<b><u><u>17,845,276</u></u></b>	<u><u>19,763,302</u></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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 1 January 2021	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 year	-	-	-	614,187	614,187	718	614,905
Final 2020 dividend declared <sup>(note 9)</sup>	-	-	-	(72,858)	(72,858)	-	(72,858)
At 31 December 2021 and 1 January 2022	1,194,389	6,692,394	1,845,222	9,352,662	19,084,667	9,901	19,094,568
Loss and total comprehensive expense for the year	-	-	-	(1,557,643)	(1,557,643)	(5,016)	(1,562,659)
Final 2021 dividend declared <sup>(note 9)</sup>	-	-	-	(214,990)	(214,990)	-	(214,990)
At 31 December 2022	<u>1,194,389</u>	<u>6,692,394</u>	<u>1,845,222</u>	<u>7,580,029</u>	<u>17,312,034</u>	<u>4,885</u>	<u>17,316,919</u>

*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 as the 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.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
<b>OPERATING ACTIVITIES</b>		
(Loss) profit before taxation	<b>(1,469,710)</b>	641,897
Adjustments for:		
Allowance on inventories	<b>493,022</b>	174,341
Amortisation of other intangible assets	<b>24</b>	15
Depreciation of investment properties	<b>4,148</b>	2,622
Depreciation of property, plant and equipment	<b>699,383</b>	715,229
Depreciation of right-of-use assets	<b>24,094</b>	23,864
Finance costs	<b>143,363</b>	116,306
Gain on disposal of non-current assets held for sale	<b>(3,022)</b>	(1,878)
Gain on disposal of property, plant and equipment	<b>(29,986)</b>	(77,167)
Gain on disposal of right-of-use assets	<b>(18,956)</b>	–
Government grant	<b>(6,778)</b>	(15,737)
Interest income for bank deposits	<b>(159,956)</b>	(108,385)
Impairment loss on property, plant and equipment	<b>37,518</b>	133,261
Loss allowance on trade receivables	<b>1,080</b>	727
Loss allowance on other receivables	<b>265</b>	256
Release of deferred income	<b>(15,822)</b>	(13,507)
Reversal of allowance for inventories	<b>(637)</b>	(534)
Share of profit of an associate	<b>(2,545)</b>	(1,253)
Operating cash flows before movements in working capital	<b>(304,515)</b>	1,590,057
Increase in inventories	<b>(584,239)</b>	(795,638)
Decrease (increase) in trade receivables	<b>250,408</b>	(185,636)
Increase in deposits, prepayments and other receivables	<b>(641,018)</b>	(142,827)
(Decrease) increase in trade payables	<b>(149,860)</b>	67,464
Increase (decrease) in other payables and accruals	<b>32,881</b>	(51,734)
Increase (decrease) in contract liabilities	<b>79,789</b>	(59,544)
Cash (used in) generated from operations	<b>(1,316,554)</b>	422,142
Income tax paid	<b>(11,837)</b>	(263,250)
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(1,328,391)</b>	158,892

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(925,684)</b>	(83,601)
Placement of pledged bank deposits	<b>(571,238)</b>	(578,890)
Purchase of intangible assets	<b>(591)</b>	–
Withdrawal of pledged bank deposits	<b>645,969</b>	269,409
Bank interest income received	<b>160,014</b>	108,617
Proceeds from disposal of property, plant and equipment	<b>144,003</b>	110,824
Proceeds from disposal of right-of-use assets	<b>18,956</b>	–
Proceeds from disposal of non-current assets held for sale	<b>4,728</b>	3,161
	<u><b>(523,843)</b></u>	<u>(170,480)</u>
<b>FINANCING ACTIVITIES</b>		
New bank borrowings raised	<b>4,296,500</b>	3,261,500
Government grant received	<b>9,926</b>	17,485
Repayment of bank borrowings	<b>(2,247,500)</b>	(2,757,000)
Interest paid	<b>(137,519)</b>	(112,318)
Dividend paid	<b>(214,990)</b>	(72,858)
Payment of lease liabilities	<b>(17,999)</b>	(17,540)
	<u><b>1,688,418</b></u>	<u>319,269</u>
NET CASH USED IN INVESTING ACTIVITIES		
NET CASH FROM FINANCING ACTIVITIES		
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<b>(163,816)</b>	307,681
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u><b>11,565,829</b></u>	<u>11,258,148</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	<u><b>11,402,013</b></u>	<u>11,565,829</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 1. GENERAL INFORMATION

The Company is a limited company incorporated in the PRC. The registered office of the Company is located at No. 1, Wei Fang Road, Economic Development Zone, Zouping City, Binzhou City, Shandong Province, the PRC. The immediate holding company and the ultimate holding company of the Group 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 Group was principally engaged in the manufacture and sale of cotton yarn, grey fabric and denim and generation and sale of electricity and steam.

The 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

In the current year, the Group has applied, for the first time, the following amendments to the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Company’s financial year beginning 1 January 2022:

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

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

\* For identification purpose only



## New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

### 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 year is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
– Sales of textile products		
• Cotton yarn	4,555,618	5,290,988
• Grey Fabric	5,325,722	5,551,419
• Denim	617,983	607,912
– Sales of electricity and steam	<u>6,074,345</u>	<u>4,812,367</u>
	<u><u>16,573,668</u></u>	<u><u>16,262,686</u></u>

#### Disaggregation of the Group's revenue by geographical market

	Textile products <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the year ended 31 December 2022</b>			
<b>Geographical market</b>			
Mainland China	7,406,435	6,074,345	13,480,780
Hong Kong, China	531,175	–	531,175
East Asia region	567,243	–	567,243
Southeast Asia region	552,262	–	552,262
South Asia region	1,157,812	–	1,157,812
Other regions	<u>284,396</u>	<u>–</u>	<u>284,396</u>
	<u><u>10,499,323</u></u>	<u><u>6,074,345</u></u>	<u><u>16,573,668</u></u>

For the year ended 31 December 2021	Textile products <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
Geographical market			
Mainland China	8,090,173	4,812,367	12,902,540
Hong Kong, China	927,696	–	927,696
East Asia region	568,216	–	568,216
Southeast Asia region	278,624	–	278,624
South Asia region	1,344,073	–	1,344,073
Other regions	<u>241,537</u>	<u>–</u>	<u>241,537</u>
	<u>11,450,319</u>	<u>4,812,367</u>	<u>16,262,686</u>

The timing of revenue recognition of all revenue from contracts with customers is at a point in time.

#### **Transaction price allocated to the remaining performance obligations for contracts**

The contracts are with an original expected duration of one year or less or contracts for which revenue is recognised at the amount to which that Group has the right to invoice for the services performed. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period.

#### **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 is categorised mainly according to the types of products sold and 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 sells the remaining portion 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 segments.

### *For the year ended 31 December 2022*

	Textile products <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
External revenue	10,499,323	6,074,345	16,573,668
Intersegment revenue	—	<u>1,205,581</u>	<u>1,205,581</u>
Segment revenue	<u>10,499,323</u>	<u>7,279,926</u>	17,779,249
Eliminations			<u>(1,205,581)</u>
Group revenue			<u>16,573,668</u>
Segment (loss) profit	<u>(1,707,036)</u>	<u>347,998</u>	(1,359,038)
Unallocated income			370,539
Unallocated corporate expenses			(343,385)
Unallocated finance costs			(140,371)
Share of profit of an associate			<u>2,545</u>
Loss before taxation			<u>(1,469,710)</u>

### *For the year ended 31 December 2021*

	Textile products <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
External revenue	11,450,319	4,812,367	16,262,686
Intersegment revenue	—	<u>1,203,891</u>	<u>1,203,891</u>
Segment revenue	<u>11,450,319</u>	<u>6,016,258</u>	17,466,577
Eliminations			<u>(1,203,891)</u>
Group revenue			<u>16,262,686</u>
Segment profit	<u>598,551</u>	<u>207,349</u>	805,900
Unallocated income			381,048
Unallocated corporate expenses			(433,360)
Unallocated finance costs			(112,944)
Share of profit of an associate			<u>1,253</u>
Profit before taxation			<u>641,897</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' emoluments, research and development expenses, other income, interest on bank loans and share of results of an associate. This is the measure adopted for reporting to the directors of the Company 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 segments:

#### Segment assets

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Textile products	7,813,882	6,565,825
Electricity and steam	<u>5,424,571</u>	<u>6,119,204</u>
Total segment assets	13,238,453	12,685,029
Interest in an associate	77,771	75,226
Corporate and other assets	<u>12,187,961</u>	<u>12,458,227</u>
Total assets	<u><u>25,504,185</u></u>	<u><u>25,218,482</u></u>

#### Segment liabilities

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Textile products	2,068,249	2,322,890
Electricity and steam	<u>80,136</u>	<u>120,902</u>
Total segment liabilities	2,148,385	2,443,792
Corporate and other liabilities	<u>6,038,881</u>	<u>3,680,122</u>
Total liabilities	<u><u>8,187,266</u></u>	<u><u>6,123,914</u></u>

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

- All assets are allocated to operating segment, other than other intangible assets, interest in an associate, deferred tax assets, pledged bank deposits, bank balances and cash and other corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments; and
- All liabilities are allocated to each operating segment, other than 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.

## Other segment information

For the year ended 31 December 2022

	Textile products RMB'000	Electricity and steam RMB'000	Unallocated RMB'000	Total RMB'000
Amounts include in the measure of segment profit or segment assets:				
Addition to non-current assets <i>(Note)</i>	656,807	17,254	5,145	679,206
Depreciation and amortisation	209,210	457,198	61,241	727,649
Impairment losses on property, plant and equipment	25,088	12,430	–	37,518
Reversal of allowances for inventories	(637)	–	–	(637)
Allowances for inventories	493,022	–	–	493,022
Loss allowance (reversal of loss allowance) on trade receivables	1,245	(165)	–	1,080
Loss allowance on other receivables	265	–	–	265
Gain on disposal of property, plant and equipment	(29,986)	–	–	(29,986)
Gain on disposal of right-of-use asset	(18,956)	–	–	(18,956)
Gain on disposal of non-current assets classified as held for sale	(3,022)	–	–	(3,022)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Interest income	–	–	(159,956)	(159,956)
Finance costs	2,992	–	140,371	143,363
Interest in an associate	–	–	77,771	77,771
Share of profit of an associate	–	–	(2,545)	(2,545)
Income tax expense	–	–	92,949	92,949

For the year ended 31 December 2021

	Textile products RMB'000	Electricity and steam RMB'000	Unallocated RMB'000	Total RMB'000
Amounts include in the measure of segment profit or segment assets:				
Addition to non-current assets <sup>(Note)</sup>	45,669	37,936	–	83,605
Depreciation and amortisation	251,312	443,243	47,175	741,730
Impairment losses on property, plant and equipment	82,107	51,154	–	133,261
Reversal of allowances for inventories	(534)	–	–	(534)
Allowances for inventories	174,341	–	–	174,341
Loss allowance on trade receivables	487	240	–	727
Loss allowance on other receivables	256	–	–	256
Gain on disposal of property, plant and equipment	(77,167)	–	–	(77,167)
Gain on disposal of non-current assets classified as held for sale	(1,878)	–	–	(1,878)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Interest income	–	–	(108,385)	(108,385)
Finance costs	3,362	–	112,944	116,306
Interest in an associate	–	–	75,226	75,226
Share of profit of an associate	–	–	(1,253)	(1,253)
Income tax expense	–	–	28,402	28,402

*Note:* Non-current assets included property, plant and equipment, investment properties, right-of-use assets and other intangible assets.

## Geographical information

During the years ended 31 December 2022 and 2021, the Group's operations are mainly located in the PRC.

Information about the Group's revenue from external customers is presented based on the location at which the goods and services were delivered or rendered as follows:

### Revenue from external customers

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Mainland China	13,480,780	12,902,540
Hong Kong, China	531,175	927,696
East Asia region	567,243	568,216
Southeast Asia region	552,262	278,624
South Asia region	1,157,812	1,344,073
Other regions	284,396	241,537
	<u>16,573,668</u>	<u>16,262,686</u>

All non-current assets of the Group are located in the PRC.

### Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer A <i>(note i)</i>	2,752,652	2,234,720
Holding Company <i>(note ii)</i>	2,355,532	1,868,737

*Notes:*

- i. Revenue from sales of electricity and steam.
- ii. Revenue from sales of textile products and electricity.



## 5. OTHER INCOME AND GAIN

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income from bank deposits	159,956	108,385
Exchange gain, net	56,248	–
Release of deferred income	15,822	13,507
Government grants <i>(note i)</i>	6,778	15,737
Compensation from suppliers on the supply of sub-standard goods	14,788	14,093
Gain on sale of waste and spare parts	49,587	132,755
Gain on disposal of property, plant and equipment	29,986	77,167
Gain on disposal of right-of-use asset	18,956	–
Gain on disposal of non-current assets classified as held for sale	3,022	1,878
Gross rental income <i>(note ii)</i>	14,908	7,799
Others	488	9,727
	<u>370,539</u>	<u>381,048</u>

### Notes:

- i. The government grants are the income received from local government authorities for development scheme and salaries subsidies which were immediately recognised as other income for the year. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.
- ii. The related direct operating expenses of approximately RMB752,000 (2021: approximately RMB486,000) were incurred during the year ended 31 December 2022.

## 6. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on:		
– bank borrowings	140,371	112,944
– lease liabilities	2,992	3,362
	<u>143,363</u>	<u>116,306</u>

## 7. INCOME TAX EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax:		
PRC Enterprises Income Tax (“EIT”)	83,821	42,260
Deferred tax	<u>9,128</u>	<u>(15,268)</u>
	<u><u>92,949</u></u>	<u><u>26,992</u></u>

### *Notes:*

- (i) No Hong Kong Profits Tax has been provided for the years ended 31 December 2022 and 2021 as the Company did not have any assessable profits subject to Hong Kong Profits Tax.
- (ii) Under the EIT Law of the PRC (the “EIT Law”) and Implementation Regulations of the EIT Law, the income tax rate of PRC companies is 25% for both years. Pursuant to the relevant laws and regulations in the PRC, the Company and a PRC subsidiary were accredited as high-tech enterprises, they are both eligible to apply a preferential tax rate of 15%.

## 8. (LOSS) PROFIT FOR THE YEAR

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(Loss) profit for the year has been arrived at after charging (crediting):		
Directors', chief executive's and supervisors' emoluments	5,541	5,354
Salaries, wages, allowances and other benefits	2,866,155	3,098,200
Contributions to retirement benefits scheme (excluding directors', chief executive's and supervisors' emoluments)	<u>794,561</u>	<u>298,093</u>
Total staff costs	<u>3,666,257</u>	<u>3,401,647</u>
Auditor's remuneration	6,000	6,055
Depreciation of property, plant and equipment	699,383	715,229
Depreciation of right-of-use assets	24,094	23,864
Depreciation of investment properties	4,148	2,622
Exchange loss, net (included in other expenses)	–	46,592
Impairment loss on property, plant and equipment (included in other expenses)	37,518	133,261
Research and development costs <sup>(note)</sup>	535,461	595,559
Amortisation of other intangible assets	24	15
Loss allowance on trade receivables (included in administrative expenses)	1,080	727
Loss allowance on other receivables (included in administrative expenses)	265	256
Allowance for inventories (included in cost of sales)	493,022	174,341
Reversal of allowance for inventories (included in cost of sales)	(637)	(534)
Amount of inventories recognised as an expense	<u>17,589,870</u>	<u>14,960,785</u>

*Note:* Staff costs of approximately RMB94,947,000 (2021: approximately RMB109,030,000) are included in the research and development costs for the year ended 31 December 2022.

## 9. DIVIDENDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
2022 Proposed Final – RMB0.00 (2021 Final – RMB0.18) per share	<u>–</u>	<u>214,990</u>

No dividend was paid or proposed during the year ended 31 December 2022 nor has any dividend been proposed since the end of the reporting period (2021: RMB0.18 per share, amounting to a total of approximately RMB214,990,000).

## 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>(Loss) earnings</b>		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	<u>(1,557,643)</u>	<u>614,187</u>
<b>Number of shares</b>	2022	2021
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,194,389,000</u>	<u>1,194,389,000</u>

The dilutive (loss) earnings per share is equal to the basic (loss) earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2022 and 2021.

## 11. TRADE RECEIVABLES

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Receivables at amortised cost comprise:		
Trade receivables	<b>292,621</b>	543,029
Less: loss allowance for trade receivables	<u>(6,547)</u>	<u>(5,467)</u>
	<b><u>286,074</u></b>	<b><u>537,562</u></b>

As at 31 December 2022, the gross amount of trade receivables arising from contracts with customers amounted to approximately RMB292,621,000 (2021: approximately RMB543,029,000).

The Group normally allows a credit period of not more than 45 days to its customers, although an extension of the credit period is not uncommon for customers who have a long term relationship with the Group. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The following is an aged analysis of trade receivables, net of loss allowance for trade receivables, presented based on the invoice date, which approximates revenue recognition date at the end of each reporting period.

	<b>2022</b> <i>RMB'000</i>	2021 RMB'000
Within 90 days	<b>274,752</b>	515,534
91 to 180 days	<b>11,057</b>	12,893
181 to 365 days	<b>15</b>	9,084
Over 365 days	<u><b>250</b></u>	<u>51</u>
	<b><u>286,074</u></b>	<b><u>537,562</u></b>

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the allowance based on aging status is not further distinguished between the Group's different customer bases.

## 12. TRADE PAYABLES

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

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 90 days	<b>734,250</b>	987,558
91 to 180 days	<b>94,978</b>	2,828
181 to 365 days	<b>101,773</b>	27,359
Over 365 days	<b>37,610</b>	100,726
	<b>968,611</b>	1,118,471

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

## CHAIRMAN'S STATEMENT

It is my pleasure to present on behalf of the Board the audited consolidated results of the Group for the year ended 31 December 2022.

In 2022, being affected by a number of adverse factors such as the international trade frictions, complex geopolitical landscape and strong fluctuations in the prices of bulk commodities, the textile industry in China was confronted with a series of tough challenges, including sluggish market demands, disruptions to the supply chain, rising prices of bulk commodities as well as complexity in the international trade environment, resulting in greater pressure on the profitability of textile enterprises. Under the backdrop of a complex and challenging domestic and international environment, the textile industry in the PRC was subject to a challenging business environment, with approximately 21.4% of the industry players being loss-making, up by approximately 4.3 percentage points over last year. Faced with the complex domestic and international environment, the business and operation of the Group were also under great pressure.

During the Year, the Group proactively coped with market challenges, making strenuous efforts to ensure stable production and sales while maintaining its market share in the domestic and international markets. During the Year under Review, the Group recorded revenue of approximately RMB16,574 million, representing an increase of approximately 1.9% as compared with that of the corresponding period of last year. Net loss attributable to owners of the Company was approximately RMB1,558 million. Loss per share was approximately RMB1.30.

While endeavouring to maintain stable operations, the Group continued to step up efforts in technological innovation, upgrades in intelligentisation and green development. During the Year, the Group continuously enhanced the level of intelligentisation and digitalisation of its equipment by carrying out intelligentisation transformation of its existing equipment, so as to improve productivity. Moreover, the Group cooperated with a number of universities and scientific research institutes to promote collaboration with innovation industries and development of platforms of innovation, and carried out key technology research of smart textiles and relevant product research and development. A milestone success has been achieved in “Key Technologies and Applications in the Smart Manufacturing of Bacteriostatic Textiles” (《抑菌紡織品智能製造關鍵技術及應用》), a collaborative engineering project with Donghua University in Shandong Province. The Group successfully developed high-performance knitted flame retardant fabric and a series of bacteriostatic fabric, etc., and successfully developed a patented technology to achieve domestic production of Lyocell pure-spinning high-count yarn. The Group has developed a fabric interwoven with Lyocell and polylactic acid, in an effort to develop green, low-carbon and environmentally-friendly products featured with regenerated cellulose fibre and bio-based materials.

During the Year, the Group was granted a series of honours and awards. In China, the Group was recognised as an “Advanced Group in the National Textile Industry” (全國紡織工業先進集體), the “National Priority Target of Manufacturing Brand” (國家製造品牌重點培育對象), the “National Leading Intellectual Property Enterprise” (國家知識產權優勢企業) and the “Model Enterprise for Technology Innovation at the Provincial Level” (省級技術創新示範企業).

Looking forward to 2023, due to the adverse factors such as geopolitical conflicts and international trade frictions, the development of the global economy will be faced with new challenges. Nevertheless, there are also some positive factors. Benefitting from the policies implemented to promote economic development by the Chinese government, the textile industry in China is poised to recover gradually.

In 2023, building on the foundation of its existing green and smart textile production lines, the Group will further push forward its transformation through digitalisation and intelligentisation to increase its average labour efficiency, thereby improving productivity. The Group will continue to strengthen cooperation with various professional colleges, universities and scientific research institutes for textile manufacturing, increase investments in technology research and development, enhance the synergetic development between the industry and the education sector, improve innovation capabilities, step up efforts in the research and development of functional fabrics and promote the optimisation and upgrading of its product portfolio.

The management of Weiqiao Textile and I would like to express our sincere gratitude to the shareholders and business partners for their unwavering support towards the Group. The Group will continue to pursue new approaches to promote the development and upgrading of the textile industry through digital empowerment and green transformation, contributing to the sustainable development of the society. Meanwhile, the Group will continue to improve its product quality and foster new competitive strength, so as to increase its intrinsic value and maximise returns for the shareholders.

**Ms. Zhang Hongxia**

*Chairman*

Hong Kong

17 March 2023



## **MANAGEMENT DISCUSSION AND ANALYSIS**

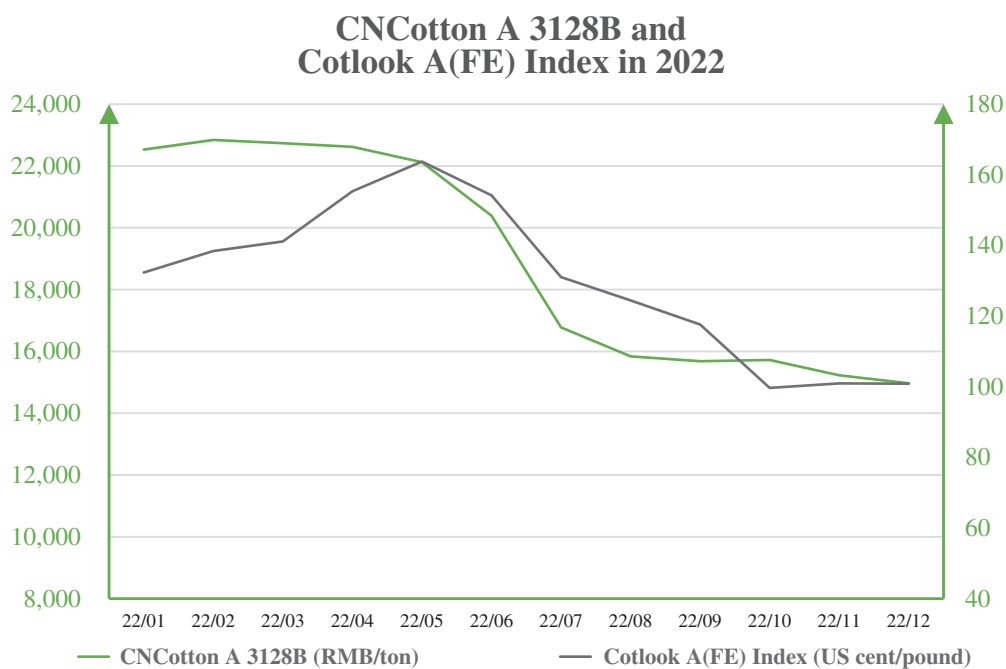
### **INDUSTRY REVIEW**

During the Year under Review, being affected by the adverse factors such as the strong fluctuations in the raw material prices, international trade frictions and changes in the supply chain landscape, the textile industry in China was confronted with various challenges and the industry players were also under significant pressure in their operation.

In terms of domestic sales, 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 for the Year amounted to approximately RMB1.3003 trillion, representing a year-on-year decrease of approximately 6.5%.

In terms of overseas sales, faced with pressure on multiple fronts such as shrinking demands and shift of orders, the growth in China's exports of textile products and apparel has decelerated. The amount of China's exports of textile products and apparel for the Year was approximately US\$323.6 billion, representing a year-on-year increase of approximately 2.7%. The growth rate decreased by approximately 6.3 percentage points as compared to last year. (Data source: China Chamber of Commerce for Import and Export of Textiles)

In terms of textile raw materials, the domestic cotton prices maintained a downward trend throughout the Year with a year-on-year increase in the average price. In the meantime, the international cotton prices initially showed an upward trend before a subsequent fall. A substantial increase in average price was recorded as compared with the corresponding period of last year. During the Year under Review, CNCotton A 3128B recorded a highest price of approximately RMB22,843 per ton and a lowest price of approximately RMB14,969 per ton. The average price for CNCotton A 3128B was approximately RMB18,955 per ton for the Year, representing a year-on-year increase of approximately 6.4%. The Cotlook A(FE) recorded a highest price of approximately US164 cents per pound and a lowest price of approximately US100 cents per pound during the Year. The average price for Cotlook A(FE) was approximately US130 cents per pound, representing a year-on-year increase of approximately 28.5%. The movement of CNCotton A 3128B and Cotlook A(FE) Index during the Year was as follows:



*Data source: China Cotton Association*

In terms of the raw materials for generation of electricity, during the Year under Review, international energy prices continued to rise in a critical and complicated international environment, causing domestic coal prices to fluctuate in tandem at high levels, which resulted in greater pressure on energy costs.

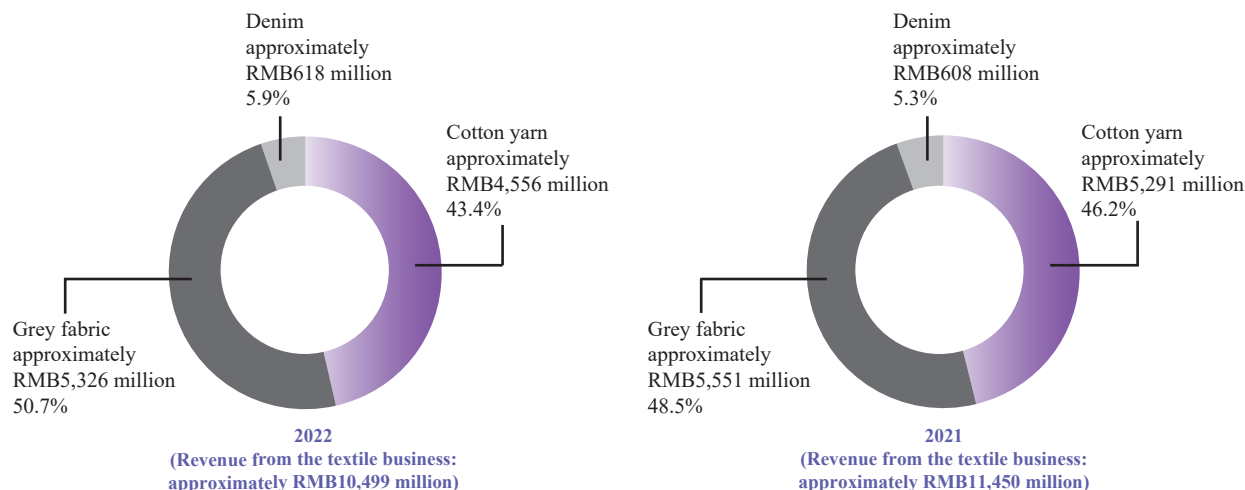
## BUSINESS REVIEW

For the year ended 31 December 2022, the Group recorded revenue of approximately RMB16,574 million, representing an increase of approximately 1.9% as compared with the corresponding period of last year, where the revenue of textile products was approximately RMB10,499 million, representing a decrease of approximately 8.3% over the corresponding period of last year, which was mainly attributable to the prolonged weakness of the domestic and international textile market as a result of the impacts from adverse factors such as the international trade frictions and the changes in the supply chain landscape, 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 sales volume. The revenue of electricity and steam was approximately RMB6,074 million, representing a year-on-year increase of approximately 26.2%, which was mainly attributable to the upward adjustment of sales price of electricity by the Group according to the established electricity sales pricing mechanism due to the rising price of coal, which is the raw material, and the increasing demand for electricity from downstream customers. As such, there was also an increase in the sales volume.

For the year ended 31 December 2022, the net loss attributable to owners of the Company was approximately RMB1,558 million as compared to the net profit attributable to owners of the Company of approximately RMB614 million for the corresponding period of last year, which was mainly because: (1) on the textile business front, a substantial increase in the Group's production costs for its textile products was recorded due to the initial upward trend and the subsequent fall in the price of cotton lint (the major raw material for the Group's production of textile products) and the year-on-year increase in the average price of it, and an increase in staff costs as compared with the same period last year. Despite the slight year-on-year increase in the sales prices of the Group's products of cotton yarn and denim, the Group's textile business recorded a gross loss as such increase in sales price was exceeded by the extent of increase in the production costs and there was a year-on-year decrease in the sales price for grey fabric; and (2) on the electricity business front, 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 narrowing the gross profit margin.

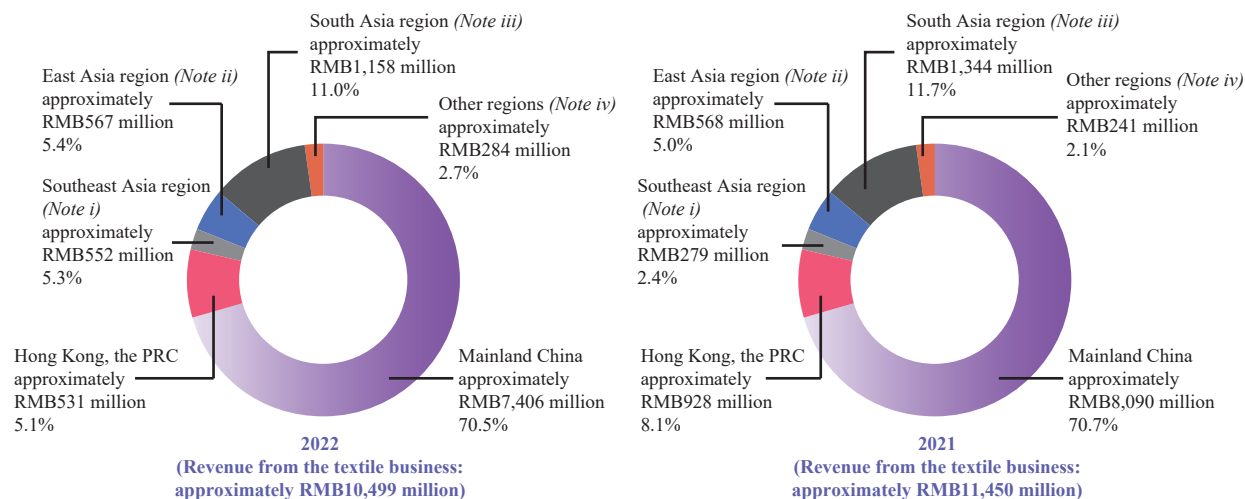
## Textile Business

The charts below are the comparison of the breakdown of revenue of the Group's textile business according to the categories of products for the years ended 31 December 2022 and 2021, respectively:



For the year ended 31 December 2022, the revenue from the Group's cotton yarn, grey fabric and denim accounted for approximately 43.4%, 50.7% and 5.9% of the revenue from the textile business for the Year respectively, and revenue proportion of each of these three major categories of products showed insignificant changes as compared to that of the corresponding period of last year.

The charts below are the comparison of the breakdown of revenue of the Group's textile business by geographical location for the years ended 31 December 2022 and 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 US, Europe, Africa and Taiwan, China.

For the year ended 31 December 2022, the Group continued to implement a sales strategy of placing equal emphasis on domestic and overseas sales, with overseas sales and domestic sales accounting for approximately 29.5% and approximately 70.5% of the revenue of textile business, respectively. There is no significant change in the proportion of overseas and domestic sales from that for the corresponding period of last year.

During the Year under Review, the Group adjusted the production plans in a timely manner based on the market demand for textile products. The output of the Group's cotton yarn was approximately 389,000 tons, representing a decrease of approximately 5.4% as compared with that for the corresponding period of last year; the output of grey fabric was approximately 697 million meters, representing a decrease of approximately 4.3% as compared with that for the corresponding period of last year; the output of denim was approximately 53 million meters, representing an increase of approximately 35.9% 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 overall production and operations of the Group remained stable and all production facilities were functioning in good conditions during the Year under Review.

### **Electricity and Steam Business**

As at 31 December 2022, the installed capacity of the Group's thermal power assets amounted to 2,760 MW, which was in line with the installed capacity of the corresponding period of last year. The power generation amount of the Group for the Year was approximately 13,193,000,000 kWh, representing an increase approximately 8.0% as compared with that for the corresponding period of last year. The Group's electricity sales volume amounted to approximately 11,034,000,000 kWh, representing an increase of approximately 12.8% as compared to that for the corresponding period of last year, which was mainly attributable to the increase in demand for electricity from downstream customers during the Year, thereby contributing to a corresponding increase in electricity sales.

During the Year under Review, the average utilisation hours of the power generating units of the Group amounted to approximately 4,780 hours, representing an increase of approximately 352 hours as compared with approximately 4,428 hours recorded for the corresponding period of last year.

For the year ended 31 December 2022, the revenue from the Group's sales of electricity and steam amounted to approximately RMB6,074 million, representing an increase of approximately 26.2% as compared with that for the corresponding period of last year, which was mainly attributable to the fact that, on the one hand, the price of coal as its raw material, having fluctuated at high price levels, has caused the Group to increase the sales price of electricity in accordance with its established electricity sales pricing mechanism; and on the other hand, the sales volume of electricity of the Group also increased due to the increase in the demand for electricity from downstream customers.

## FINANCIAL REVIEW

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

The table below is an analysis of the Group's revenue, gross (loss) profit and gross (loss) profit margin attributable to its major products for the years ended 31 December 2022 and 2021, respectively:

Product categories	For the year ended 31 December					
	2022			2021		
	Revenue <i>RMB'000</i>	Gross (loss) profit <i>RMB'000</i>	Gross (loss) profit margin %	Revenue <i>RMB'000</i>	Gross profit <i>RMB'000</i>	Gross profit margin %
Cotton yarn	4,555,618	(504,522)	(11.1)	5,290,988	652,812	12.3
Grey fabric	5,325,722	(919,383)	(17.3)	5,551,419	130,579	2.4
Denim	617,983	6,008	1.0	607,912	72,255	11.9
Electricity and steam	<u>6,074,345</u>	<u>401,695</u>	<u>6.6</u>	<u>4,812,367</u>	<u>446,255</u>	<u>9.3</u>
Total	<u>16,573,668</u>	<u>(1,016,202)</u>	<u>(6.1)</u>	<u>16,262,686</u>	<u>1,301,901</u>	<u>8.0</u>

For the year ended 31 December 2022, the gross loss from the sales of textile products of the Group was approximately RMB1,418 million. The gross loss margin was approximately 13.5%, which was mainly attributable to the substantial increase in the production costs for its textile products due to the initial upward trend and the subsequent fall in the price of cotton lint (the major raw material for the production of the Group's textile products), and the year-on-year increase in the average price of it, and the increase in staff costs as compared with that for the same period last year. Despite the slight year-on-year increase in the sales prices of the Group's cotton yarn and denim products, the Group's textile business recorded a gross loss as such increase in sales prices was exceeded by the sharp increase in the production costs and that there was a year-on-year decrease in sales price of grey fabric. The gross profit from the sales of electricity and steam of the Group decreased by approximately 9.9% from the corresponding period of last year to approximately RMB402 million, and the gross profit margin was approximately 6.6%, down by approximately 2.7 percentage points from that for the same period of last year, primarily because the price of coal, which is the major raw material, fluctuated at high price levels, and that there was a substantial increase in the electricity costs, thereby further narrowing the gross profit margin.

### **Selling and Distribution Expenses**

For the year ended 31 December 2022, the Group's selling and distribution expenses were approximately RMB240 million, representing an increase of approximately 6.2% as compared with approximately RMB226 million as recorded for the corresponding period of last year. Among these expenses, transportation costs increased by approximately 14.2% to approximately RMB161 million from approximately RMB141 million for the same period last year, which was mainly attributable to the increase in unit shipment costs during the Year. The salary for sales staff was approximately RMB32 million, representing a decrease of approximately 20.0% from approximately RMB40 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 adjustment to the commission system for sales staff based on changes in the textile market during the Year. Sales commission was approximately RMB17 million, representing a decrease of approximately 10.5% from approximately RMB19 million for the corresponding period of last year, which was mainly due to the decrease in revenue from overseas sales of our textile products, resulting in the corresponding decrease in the commissions paid.

### **Administrative Expenses**

For the year ended 31 December 2022, the administrative expenses of the Group were approximately RMB380 million, representing an increase of approximately 9.2% from approximately RMB348 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 Year.

## **Other Expenses**

For the year ended 31 December 2022, the other expenses of the Group were approximately RMB63 million, representing a decrease of approximately 82.1% from approximately RMB352 million for the corresponding period of last year, which was mainly attributable to (1) the expenses of approximately RMB145 million (exclusive of tax) incurred for the purchase of carbon emission quota by the Group in accordance with the requirements of the relevant policies during the corresponding period of last year; (2) the decrease of approximately RMB95 million in the provision for impairment on fixed assets made by the Group as compared to the corresponding period of last year; and (3) an exchange gain of approximately RMB56 million recorded by the Group as a result of fluctuations in the RMB/USD exchange rate during the Year while an exchange loss of approximately RMB47 million was recorded for the corresponding period of last year.

## **Finance Costs**

For the year ended 31 December 2022, the finance costs of the Group were approximately RMB143 million, representing an increase of approximately 23.3% from approximately RMB116 million for the corresponding period of last year, which was primarily attributable to the increase in certain bank borrowings as the Group enhanced cooperation with financial institutions after taking into account the complex and changing macro market environment and the robustness of the Group's future development.

## **Income Tax Expenses**

For the year ended 31 December 2022, the income tax expense of the Group was approximately RMB93 million, representing an increase of approximately 244.4% from approximately RMB27 million in 2021, which was mainly attributable to, on the one hand, the utilisation of tax losses carried forward from prior years; and on the other hand, the net profit recorded by the Company and some subsidiaries during the Year.

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

The net loss attributable to owners of the Company for the year ended 31 December 2022 was approximately RMB1,558 million, while the net profit attributable to owners of the Company for the year ended 31 December 2021 amounted to approximately RMB614 million.

For the year ended 31 December 2022, the loss per share of the Company was approximately RMB1.30, while the earnings per share of the Company for the year ended 31 December 2021 was approximately RMB0.51.



## **Liquidity and Financial Resources**

The working capital of the Group is mainly financed by cash inflow from operating activities and cash reserve. For the year ended 31 December 2022, the Group recorded a net cash outflow from operating activities of approximately RMB1,328 million, a net cash outflow for investing activities of approximately RMB524 million, and a net cash inflow for financing activities of approximately RMB1,688 million.

As at 31 December 2022, the cash and cash equivalents of the Group were approximately RMB11,402 million, representing a decrease of approximately 1.4% 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 investing activities of the Group during the Year.

For the year ended 31 December 2022, the average turnover days of the Group's receivables were 9 days, representing a decrease of 1 day as compared to 10 days of 2021, which showed no major changes as compared to the corresponding period of last year.

For the year ended 31 December 2022, the inventory turnover days of the Group were 63 days, representing a decrease of 2 days from 65 days for the last year, which was mainly attributable to the increase in production costs as compared with the corresponding period of last year while the amount of inventory remained basically the same.

For the year ended 31 December 2022, the Group did not use derivative financial instruments (2021: nil).

## **Capital Structure**

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

As at 31 December 2022, the liabilities of the Group were mainly bank loans of approximately RMB4,811 million (31 December 2021: approximately RMB2,762 million). As at 31 December 2022, the Group's liability-to-asset ratio was approximately 32.1% (31 December 2021: approximately 24.3%).

As at 31 December 2022, all of the Group's bank borrowings were fixed interest rate borrowings.

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

As at 31 December 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 2.2% of the total amount.

## **Employees and Remuneration Policies**

As at 31 December 2022, the Group had a total of approximately 38,000 employees, representing a decrease of approximately 2,000 employees as compared with that of last year. The decrease in the number of employees was mainly the normal employee turnover. Total staff costs of the Group during the Year amounted to approximately RMB3,666 million, representing an increase of approximately 7.8% from approximately RMB3,402 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 Year.

The remuneration of the Group's employees is determined based on their performance, experience and prevailing industry practice. 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 employees based on the technical requirements of different positions.

## **Exposure to Foreign Exchange Risks**

The Group adopts a strict and prudent policy in managing the 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 year ended 31 December 2022, approximately 29.5% of the Group's revenue and approximately 19.0% of the costs for procurement of cotton were denominated in US dollars. For the year ended 31 December 2022, the Group recorded an exchange gain of approximately RMB56 million due to fluctuations in the RMB/USD exchange rate during the Year. During the Year, the Group did not experience any significant difficulties or impacts on its operations or liquidity as a result of fluctuations in currency exchange rates. The Directors believe that the Group has sufficient foreign currency to meet its demands.

The Group does not currently have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange risks and will consider hedging significant foreign exchange risks where it is necessary.

## **Contingent Liabilities**

As at 31 December 2022 and 2021, the Group did not have any significant contingent liabilities, respectively.

## **OUTLOOK**

Looking forward to 2023, the external environment will be complex and challenging with the global economy subject to the risk of stagnation and an unstable foundation for recovery of the PRC economy. However, the enhanced endogenous forces for economic growth in China is expected to contribute to the domestic demands for the Chinese textile industry.

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, intelligent and green productions and make continuous efforts to push forward 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 push forward the optimisation and upgrading of product portfolio.

## **EVENTS AFTER THE REPORTING PERIOD**

Subsequent to 31 December 2022 and up to the date of this results announcement, no material event affecting the Group has occurred.

## **SUBSTANTIAL SHAREHOLDERS**

As at 31 December 2022, to the knowledge of the Directors, supervisors and chief executive of the Company, the following persons (other than the Directors, supervisors or 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 (Note i)</b>	<b>Approximate percentage of total issued domestic share capital as at 31 December 2022 (%)</b>	<b>Approximate percentage of total issued share capital as at 31 December 2022 (%)</b>
Holding Company	757,869,600 (Long position)	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 (Note ii)</b>	<b>Approximate percentage of total issued H share capital as at 31 December 2022 (%)</b>	<b>Approximate percentage of total issued share capital as at 31 December 2022 (%)</b>
Brandes Investment Partners, L.P.	Investment manager	41,333,000 (Long position) (Note iii)	9.99	3.46
Mellon Financial Corporation	Interest of a controlled corporation	41,073,100 (Long position) (Note iv)	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 dated 11 May 2022 and published on the website of the Stock Exchange, 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 dated 2 July 2008 and published on the website of the Stock Exchange, 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, which is wholly controlled by MAM (DE) Trust. MAM (DE) Trust is 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 31 December 2022, there was no any other person (other than the Directors, supervisors or 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 IN THE COMPANY**

As at 31 December 2022, the interests and short positions of the Directors, supervisors and chief executive of the Company in the shares, underlying shares and 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 and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company under section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (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 31 December 2022 (%)</b>	<b>Approximate percentage of total issued share capital as at 31 December 2022 (%)</b>
	<b>Type of interest</b>	<b>Number of domestic shares (Note)</b>	
Ms. Zhang Hongxia (Executive Director/Chairman)	Beneficial interest	<u>17,700,400</u>	<u>2.27</u>
			<u>1.48</u>

*Note:* Unlisted shares

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

	<b>Name of associated corporation</b>	<b>Type of interest</b>	<b>Approximate percentage of total issued share capital as at 31 December 2022 (%)</b>
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 Hongxia. The remaining 2.18% equity interests are held by her husband, Mr. Yang Congsen, while Ms. Zhang Hongxia 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 31 December 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.

## **CLOSURE OF REGISTER OF MEMBERS**

The Company's register of members will be closed from 30 April 2023 (Sunday) to 30 May 2023 (Tuesday) (both dates inclusive), during which no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Company on 30 April 2023 (Sunday) are entitled to attend and vote at the forthcoming annual general meeting. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration of transfer of shares not later than 4:30 p.m. on 28 April 2023 (Friday).

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 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 17 March 2023 and has reviewed the Group's annual results and financial statements.

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

The Company 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 year ended 31 December 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.

## **CG CODE**

The Company has applied the principles in the CG Code. During the year ended 31 December 2022, the Company had complied with all code provisions as set out in the CG Code.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON WEBSITE**

This results announcement is published on the website of the Stock Exchange at *www.hkexnews.hk* and the Company's website at *www.wqfz.com*. The annual report for the Year will be despatched to shareholders on or before 14 April 2023 and will be available on the Company's website and the website of the Stock Exchange at the same time.

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

Hong Kong  
17 March 2023

*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).*