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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)

Profit Warning

This announcement is made by Weiqiao Textile Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and the potential investors that, based on the unaudited management accounts of the Group for the period from January to June, the Group is expected to record a loss for the interim results for the six months ended 30 June 2022, the main reasons for which are as follows:

- (1) in the first half of 2022, on one hand, under the adverse impacts of factors including the recurrence of the global COVID-19 pandemic as well as the changes in the textile market supply chain landscape caused by the international trade tensions, the domestic and overseas textile markets continued to weaken, leading to an overall decline in the demand for textile products, which resulted in a corresponding decrease in purchase orders for the Group’s cotton textile products and thus a period-on-period decrease in sales volume; and, on the other hand, 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 production of the Group’s 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 gross loss in the first half of the year as such increase in sales prices was exceeded by the sharp 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 costs of electricity generation, thereby leading to a decrease in the unit gross profit from electricity generation in accordance with the electricity supply agreement.

Based on the main reasons as aforesaid, the Board expects that the Group will record a loss of approximately RMB600 million to RMB700 million for the six months ended 30 June 2022. The Board will pay close attention to the overall development of the textile industry in China during the second half of the year, and will make timely adjustments to the Group's operation strategy according to the overall situation of the industry, fully utilise its characteristics and advantages, and continue to make great efforts in aspects including management innovation, cost reduction and efficiency improvement, investments in research and development activities as well as green and intelligent manufacturing, in order to enhance its competitiveness in domestic and overseas markets.

As the Company is still in the process of finalising the Group's unaudited interim results for the six months ended 30 June 2022, the Company has not yet quantified the specific amount of the loss of the Group. This profit warning announcement is only a preliminary assessment made by the management of the Company and it is not based on any figures or information which have been audited or reviewed by the Company's auditor. Shareholders and potential investors are advised to read carefully the unaudited interim results announcement of the Company for the six months ended 30 June 2022, which is expected to be published by the end of August 2022.

Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

By Order of the Board
Weiqiao Textile Company Limited
Zhang Hongxia
Chairman and Executive Director

Shandong, the People's Republic of China
14 July 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 purpose 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).*