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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 2021**

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Compared to 2020 financial results:

Revenue was approximately RMB16,263 million, representing an increase of approximately 27.6% over that of the corresponding period of last year.

Gross profit was approximately RMB1,302 million, representing an increase of approximately 35.3% over that of the corresponding period of last year.

Profit and comprehensive income for the year was approximately RMB615 million, representing an increase of approximately 204.5% over that of the corresponding period of last year.

Net profit attributable to owners of the Company was approximately RMB614 million, representing an increase of approximately 199.5% over that of the corresponding period of last year.

Earnings per share were approximately RMB0.51, representing an increase of approximately 200.0% over that of last year.

The Board has proposed a payment of final dividend of RMB0.18 per share (inclusive of tax) for the year ended 31 December 2021.

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 2021 (the “**Year**” or “**Year under Review**”). During the Year under Review, the revenue of the Group was approximately RMB16,263 million, representing an increase of approximately 27.6% over that of the corresponding period of last year. Net profit attributable to owners of the Company amounted to approximately RMB614 million, representing an increase of approximately 199.5% as compared with that of the corresponding period of last year.

* For identification purposes only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	3	16,262,686	12,743,437
Cost of sales		<u>(14,960,785)</u>	<u>(11,781,282)</u>
Gross profit		1,301,901	962,155
Other income and gain	5	381,048	221,409
Selling and distribution expenses		(225,762)	(150,903)
Administrative expenses		(347,918)	(277,751)
Other expenses		(352,319)	(171,494)
Finance costs	6	(116,306)	(114,769)
Share of profit (loss) of an associate		<u>1,253</u>	<u>(2,003)</u>
Profit before taxation		641,897	466,644
Income tax expenses	7	<u>(26,992)</u>	<u>(264,416)</u>
Profit and total comprehensive income for the year	8	<u>614,905</u>	<u>202,228</u>
Attributable to:			
Owners of the Company		614,187	204,833
Non-controlling interests		<u>718</u>	<u>(2,605)</u>
		<u>614,905</u>	<u>202,228</u>
Earnings per share attributable to owners of the Company			
Basic and diluted (RMB)	10	<u>0.51</u>	<u>0.17</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		8,688,990	9,516,424
Right-of-use assets		358,523	382,387
Investment properties		79,471	54,901
Other intangible assets		45	60
Interest in an associate		75,226	73,973
Deferred tax assets		113,906	98,804
		<hr/>	<hr/>
Total non-current assets		9,316,161	10,126,549
Current assets			
Inventories		2,970,004	2,348,173
Trade receivables	<i>11</i>	537,562	352,653
Deposits, prepayments and other receivables		361,222	218,883
Pledged deposits		465,998	156,517
Bank balances and cash		11,565,829	11,258,148
		<hr/>	<hr/>
		15,900,615	14,334,374
Non-current assets classified as held for sale		1,706	1,293
		<hr/>	<hr/>
Total current assets		15,902,321	14,335,667
Current liabilities			
Trade payables	<i>12</i>	1,118,471	1,051,007
Other payables and accruals		1,031,478	1,082,586
Lease liabilities		13,743	14,178
Contract liabilities		182,602	242,146
Income tax payable		849,256	1,070,246
Bank borrowings		2,247,500	2,257,000
Deferred income		12,130	13,340
		<hr/>	<hr/>
Total current liabilities		5,455,180	5,730,503
		<hr/>	<hr/>
Net current assets		10,447,141	8,605,164
		<hr/>	<hr/>
Total assets less current liabilities		19,763,302	18,731,713
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	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Equity		
Share capital	1,194,389	1,194,389
Reserves	<u>17,890,278</u>	<u>17,348,949</u>
Equity attributable to owners of the Company	19,084,667	18,543,338
Non-controlling interests	<u>9,901</u>	<u>9,183</u>
Total equity	<u>19,094,568</u>	<u>18,552,521</u>
Non-current liabilities		
Lease liabilities	34,672	48,415
Deferred income	118,929	129,478
Deferred tax liabilities	1,133	1,299
Bank borrowings	<u>514,000</u>	<u>–</u>
Total non-current liabilities	<u>668,734</u>	<u>179,192</u>
Total equity and non-current liabilities	<u>19,763,302</u>	<u>18,731,713</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	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 2020	1,194,389	6,692,394	1,845,222	8,682,941	18,414,946	11,788	18,426,734
Profit and total comprehensive income for the year	-	-	-	204,833	204,833	(2,605)	202,228
Final 2019 dividend declared ^(note 9)	-	-	-	(76,441)	(76,441)	-	(76,441)
At 31 December 2020 and 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 ^(note 9)	-	-	-	(72,858)	(72,858)	-	(72,858)
At 31 December 2021	<u>1,194,389</u>	<u>6,692,394</u>	<u>1,845,222</u>	<u>9,352,662</u>	<u>19,084,667</u>	<u>9,901</u>	<u>19,094,568</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 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
OPERATING ACTIVITIES		
Profit before taxation	641,897	466,644
Adjustments for:		
Allowance on inventories	174,341	111,500
Amortisation of other intangible assets	15	16
Depreciation of investment properties	2,622	737
Depreciation of property, plant and equipment	715,229	826,520
Depreciation of right-of-use assets	23,864	24,461
Finance costs	116,306	114,769
Gain on disposal of non-current assets held for sale	(1,878)	(5,969)
Gain on disposal of property, plant and equipment	(77,167)	(2,300)
Government grant	(15,737)	(25,272)
Interest income for bank deposits	(108,385)	(31,277)
Impairment loss on property, plant and equipment	133,261	61,052
Loss allowance on trade receivables	727	129
Loss allowance on other receivables	256	89
Release of deferred income	(13,507)	(15,920)
Reversal of allowance for inventories	(534)	(834)
Share of (profit) loss of an associate	(1,253)	2,003
	<hr/>	<hr/>
Operating cash flows before movements in working capital	1,590,057	1,526,348
(Increase) decrease in inventories	(795,638)	306,874
(Increase) decrease in trade receivables	(185,636)	49,408
(Increase) decrease in deposits, prepayments and other receivables	(142,827)	20,851
Increase (decrease) in trade payables	67,464	(320,586)
(Decrease) increase in other payables and accruals	(51,734)	13,362
(Decrease) increase in contract liabilities	(59,544)	70,581
	<hr/>	<hr/>
Cash generated from operations	422,142	1,666,838
Income tax paid	(263,250)	(239,167)
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	158,892	1,427,671

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(83,601)	(44,459)
Placement of pledged deposits	(578,890)	(48,835)
Proceeds from disposal of property, plant and equipment	110,824	41,859
Bank interest income received	108,617	31,282
Proceeds from disposal of non-current assets held for sale	3,161	7,240
Withdrawal of pledged deposits	269,409	100
	<u>(170,480)</u>	<u>(12,813)</u>
NET CASH USED IN INVESTING ACTIVITIES		
FINANCING ACTIVITIES		
New bank borrowings raised	3,261,500	2,904,000
Government grant received	17,485	25,272
Repayment of bank borrowings	(2,757,000)	(2,756,350)
Interest paid	(112,318)	(110,991)
Dividend paid	(72,858)	(76,441)
Payment of lease liabilities	(17,540)	(17,542)
	<u>319,269</u>	<u>(32,052)</u>
NET CASH FROM (USED IN) FINANCING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	307,681	1,382,806
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>11,258,148</u>	<u>9,875,342</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		
	<u>11,565,829</u>	<u>11,258,148</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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, Zouping 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 2021:

Amendment to HKFRS 16	Covid - 19 - Related Rent Concessions
Amendments to HKFRS 9, Hong Kong Accounting Standard (“ HKAS ”) 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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 purposes 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	Insurance Contracts and related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
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 ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts: Cost of Fulfilling a Contract ²
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

The Directors 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:

	2021	2020
	<i>RMB'000</i>	<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	5,290,988	3,721,815
• Grey Fabric	5,551,419	4,534,249
• Denim	607,912	388,633
– Sales of electricity and steam	<u>4,812,367</u>	<u>4,098,740</u>
	<u>16,262,686</u>	<u>12,743,437</u>

Disaggregation of the Group's revenue by geographical market

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>

For the year ended 31 December 2020	Textile products <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
Geographical market			
Mainland China	5,898,868	4,098,740	9,997,608
Hong Kong, China	769,358	–	769,358
East Asia region	383,941	–	383,941
Southeast Asia region	398,640	–	398,640
South Asia region	949,434	–	949,434
Other regions	<u>244,456</u>	<u>–</u>	<u>244,456</u>
	<u>8,644,697</u>	<u>4,098,740</u>	<u>12,743,437</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, 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 2021

	Textile products RMB'000	Electricity and steam RMB'000	Total RMB'000
External revenue	11,450,319	4,812,367	16,262,686
Intersegment revenue	<u>–</u>	<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>

For the year ended 31 December 2020

	Textile products RMB'000	Electricity and steam RMB'000	Total RMB'000
External revenue	8,644,697	4,098,740	12,743,437
Intersegment revenue	<u>–</u>	<u>701,609</u>	<u>701,609</u>
Segment revenue	<u>8,644,697</u>	<u>4,800,349</u>	13,445,046
Eliminations			<u>(701,609)</u>
Group revenue			<u>12,743,437</u>
Segment (loss) profit	<u>(271,304)</u>	<u>924,501</u>	653,197
Unallocated income			221,409
Unallocated corporate expenses			(295,214)
Unallocated finance costs			(110,745)
Share of loss of an associate			<u>(2,003)</u>
Profit before taxation			<u>466,644</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) 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 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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Textile products	6,565,825	6,105,331
Electricity and steam	<u>6,119,204</u>	<u>6,610,359</u>
Total segment assets	12,685,029	12,715,690
Interest in an associate	75,226	73,973
Corporate and other assets	<u>12,458,227</u>	<u>11,672,553</u>
Total assets	<u><u>25,218,482</u></u>	<u><u>24,462,216</u></u>

Segment liabilities

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Textile products	2,322,890	2,040,471
Electricity and steam	<u>120,902</u>	<u>235,128</u>
Total segment liabilities	2,443,792	2,275,599
Corporate and other liabilities	<u>3,680,122</u>	<u>3,634,096</u>
Total liabilities	<u><u>6,123,914</u></u>	<u><u>5,909,695</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, 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 revenue earned by individual reportable segments; and
- all liabilities are allocated to each operating segment, 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.

Other segment information

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 <i>(Note)</i>	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 expenses	–	–	28,402	28,402

For the year ended 31 December 2020

	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 ^(Note)	29,233	33,200	–	62,433
Depreciation and amortisation	408,320	393,103	50,311	851,734
Impairment losses on property, plant and equipment	61,052	–	–	61,052
Reversal of allowances for inventories	(834)	–	–	(834)
Allowances for inventories	111,500	–	–	111,500
Loss allowance on trade receivables	129	–	–	129
Loss allowance on other receivables	89	–	–	89
Gain on disposal of property, plant and equipment	(2,300)	–	–	(2,300)
Gain on disposal of non-current assets classified as held for sale	(5,969)	–	–	(5,969)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Interest income	–	–	(31,277)	(31,277)
Finance costs	3,972	52	110,745	114,769
Interest in an associate	–	–	73,973	73,973
Share of loss of an associate	–	–	2,003	2,003
Income tax expenses	–	–	264,416	264,416

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 2021 and 2020, 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	2021	2020
	RMB'000	RMB'000
Mainland China	12,902,540	9,997,608
Hong Kong, China	927,696	769,358
East Asia region	568,216	383,941
Southeast Asia region	278,624	398,640
South Asia region	1,344,073	949,434
Other regions	241,537	244,456
	<u>16,262,686</u>	<u>12,743,437</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:

	2021	2020
	RMB'000	RMB'000
Customer A ^(Note i)	2,234,720	1,984,854
Holding Company ^(Note ii)	1,868,737	1,702,005

Notes:

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

5. OTHER INCOME AND GAIN

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest income from bank deposits	108,385	31,277
Release of deferred income	13,507	15,920
Government grants <i>(note i)</i>	15,737	25,272
Compensation from suppliers on the supply of sub-standard goods	14,093	15,084
Gain on sale of waste and spare parts	132,755	117,716
Gain on disposal of property, plant and equipment	77,167	2,300
Gain on disposal of non-current assets classified as held for sale	1,878	5,969
Gross rental income <i>(note ii)</i>	7,799	7,384
Others	9,727	487
	<u>381,048</u>	<u>221,409</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 RMB486,000 (2020: RMB664,000) were incurred during the year ended 31 December 2021.

6. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on:		
– bank borrowings	112,944	110,745
– lease liabilities	3,362	4,024
	<u>116,306</u>	<u>114,769</u>

7. INCOME TAX EXPENSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax:		
PRC Enterprises Income Tax (“EIT”)	42,260	270,199
Deferred taxation	<u>(15,268)</u>	<u>(5,783)</u>
	<u><u>26,992</u></u>	<u><u>264,416</u></u>

Notes:

- i. No Hong Kong Profits Tax has been provided for the years ended 31 December 2021 and 2020 as the Company did not have any assessable profits subject to Hong Kong Profits Tax.
- ii. 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 years. Pursuant to the relevant laws and regulations in the PRC, the Company was accredited as high-tech enterprise for both years. It is entitled to the preferential tax rate of 15% for both years. During the year ended 31 December 2021, a PRC subsidiary has been accredited as a high-tech enterprise and is eligible to apply a preferential tax rate of 15%.

8. PROFIT FOR THE YEAR

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year has been arrived at after charging (crediting):		
Directors', chief executive's and supervisors' emoluments	5,354	5,147
Salaries, wages, allowances and other benefits	3,098,200	2,693,228
Contributions to retirement benefits scheme (excluding Directors', chief executive's and supervisors' emoluments)	<u>298,093</u>	<u>189,692</u>
Total staff costs	<u>3,401,647</u>	<u>2,888,067</u>
Auditor's remuneration	6,055	5,808
Depreciation of property, plant and equipment	715,229	826,520
Depreciation of right-of-use assets	23,864	24,261
Depreciation of investment properties	2,622	737
Exchange loss, net (included in other expenses)	46,592	68,505
Impairment loss on property, plant and equipment (included in other expenses)	133,261	61,052
Research and development costs <i>(note)</i>	595,559	377,411
Amortisation of other intangible assets	15	16
Loss allowance on trade receivables	727	129
Loss allowance on other receivables	256	89
Allowance for inventories (included in cost of sales)	174,341	111,500
Reversal of allowance for inventories (included in cost of sales)	(534)	(834)
Amount of inventories recognised as an expense	<u>14,960,785</u>	<u>11,769,782</u>

Note: Staff costs of approximately RMB109,030,000 (2020: RMB112,206,000) are included in the research and development costs for the year ended 31 December 2021.

9. DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
2021 Proposed Final – RMB0.18 (2020 Final – RMB0.061) per share	<u>214,990</u>	<u>72,858</u>

Subsequent to the end of the reporting period, the Directors proposed a final dividend in respect of the year ended 31 December 2021 of RMB0.18 per share, amounting to a total of RMB214,990,000 (2020: RMB0.061 per share, amounting to a total of RMB72,858,000), which is subject to approval by the shareholders of the Company (the “Shareholders”) in the forthcoming annual general meeting. The final dividends proposed after the end of reporting period has not been recognised as a liability at the end of reporting period.

10. EARNINGS PER SHARE

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>614,187</u>	<u>204,833</u>
Number of shares		
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 earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2021 and 2020.

11. TRADE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Receivables at amortised cost comprise:		
Trade receivables	543,029	357,393
Less: loss allowance for trade receivables	<u>(5,467)</u>	<u>(4,740)</u>
	<u>537,562</u>	<u>352,653</u>

As at 31 December 2021, the gross amount of trade receivables arising from contracts with customers amounted to approximately RMB543,029,000 (2020: RMB357,393,000).

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.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 90 days	515,534	350,636
91 to 180 days	12,893	1,392
181 to 365 days	9,084	290
Over 365 days	<u>51</u>	<u>335</u>
	<u>537,562</u>	<u>352,653</u>

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 90 days	987,558	893,929
91 to 180 days	2,828	8,836
181 to 365 days	27,359	32,949
Over 365 days	100,726	115,293
	<u>1,118,471</u>	<u>1,051,007</u>

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.

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 2021.

During the Year, the global economy gradually recovered from the novel coronavirus pandemic (the “**Pandemic**”), and the PRC economy achieved steady growth, showing strong growth momentum especially in terms of import and export trade. At the same time, it was also adversely affected by various negative factors such as the supply chain, inflation pressure and energy prices.

Under the combined effect of relaxation of the Pandemic control measures by the European countries and the United States of America and the improvement of global consumer demands, despite the presence of negative factors such as the fluctuations in raw material prices and rising freight costs, the Chinese textile industry demonstrated relatively strong development resilience and vitality, with continuous improvements in the operation efficiency and profitability.

During the Year, due to the steady improvements in the textile business, the Group recorded revenue of approximately RMB16,263 million, representing an increase of approximately 27.6% as compared with last year. Net profit attributable to owners of the Company was approximately RMB614 million, representing a significant increase of approximately 199.5% as compared with last year. Earnings per share were approximately RMB0.51.

During the Year, in terms of the manufacturing of textile products, the Group continued to increase investments in business transformation and upgrading, pushed forward automatic and intelligent technology transformation, constructed two new green and intelligent plants, and also carried out technology transformation to the compact spinning, siro spinning and new slub spinning system. In terms of textile product research and development, the Group increased investments in technology innovation, strengthened industry-university-research cooperation and optimised its product portfolio. In terms of textile product sale and raw material procurement, the Group continued to enhance quality management and made consistent efforts to improve product quality, with an aim to strengthen its market competitiveness with superior product quality. The Group continued to strengthen management over raw material procurement, and improved collaboration and communication among the purchase, production and marketing departments, doing its best to cut down costs.

In terms of the electricity and steam business, being affected by the decrease in demands for electricity from the downstream customers, the sales volume of electricity of the Group recorded a year-on-year decrease. Meanwhile, there is a significant decrease in the gross profit from the sales of electricity by the Group as compared with last year as a result of the increased production costs for electricity due to the substantial increase in coal price.

Looking forward to 2022, faced with the continuous sporadic outbursts of the Pandemic and the complex and changing geopolitical landscape, the recovery of the global economy will be surrounded with increasing uncertainties, and the current trend of strained supply chain and persistently high raw material prices is unlikely to be improved in the short run. Against this backdrop, it is pointed out at the Central Economic Work Conference of the PRC government that the economic work in 2022 will prioritise stability while pursuing progress. Upholding this guidance, the textile industry in China will make systematic efforts to promote technology-empowered, fashionable, green and high-quality development.

In 2022, the Group will speed up the pace of digital transformation, build intelligent plants, push forward the establishment of intelligent textile production lines, and facilitate the digital and intelligent transformation of the Company by innovating the management mode of the Company. Meanwhile, the Group will continue to optimise its product mix, perfect its green manufacturing industrial chain, take concrete measures to promote resource conservation, recycling and reuse, and expedite its transition to low-carbon operations.

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 technology empowerment and green transformation, making contributions 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 create best returns for its Shareholders.

Ms. Zhang Hongxia

Chairman

Shandong, the PRC

11 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2021, the global economy continued to recover, but with different countries embarking on diverging short-term economic trends due to the impact of the Pandemic. The global supply chain was faced with severe challenges, and the market was under greater inflation pressure. The main macroeconomic indicators of China remained within an appropriate range, which indicated a good start for the “14th Five-Year Plan” period, and the national economy continued to demonstrate its development resilience.

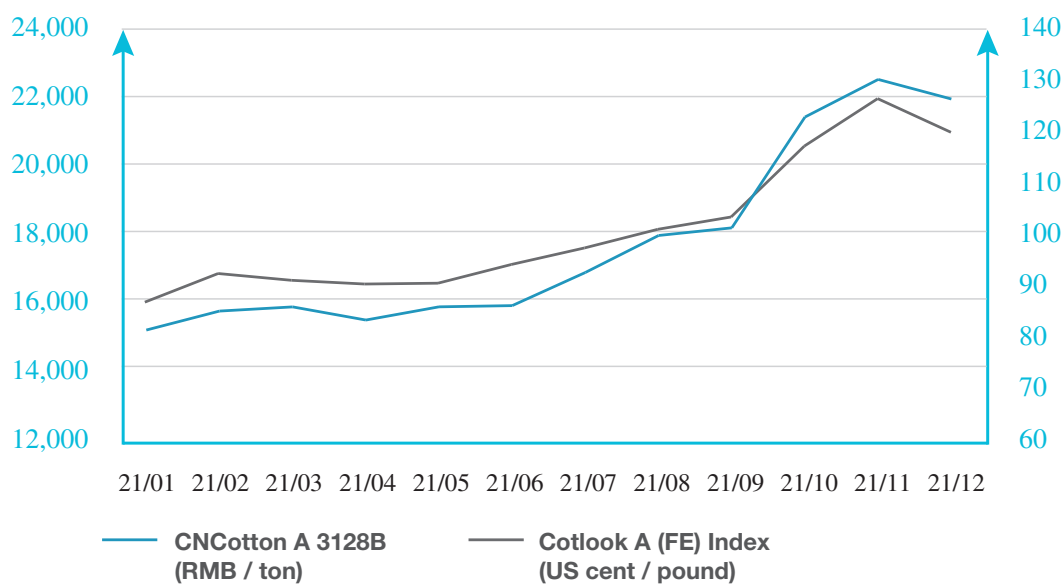
Benefiting from the successful containment of the Pandemic within the country and the rally in demands from the domestic and overseas markets, the textile industry in China maintained an overall recovery momentum, with continuously improving industry sentiment.

During the Year, driven by the recovery of consumer markets across the country, the retail industry maintained steady growth. According to the statistics from the National Bureau of Statistics of the PRC, the retail sales of commodities such as apparel, footwear, headwear and knitted products by enterprises above a designated size amounted to approximately RMB1,384.2 billion in 2021, representing a year-on-year increase of approximately 12.7%.

In terms of foreign trade, the amounts of imports and exports by China for the Year exceeded US\$6 trillion for the first time. Driven by the improvement in demands for textile products from the international markets and the flow-back of a portion of purchase orders to China due to the outbreak of the Pandemic across Southeast Asia, export orders recorded a steady growth. According to the statistics from the General Administration of Customs of the PRC, the aggregated exports of textile products and apparel from the PRC were approximately US\$322.71 billion in 2021, representing a year-on-year increase of approximately 9.0%.

In terms of textile raw materials, driven by the improvement in demands and the overall increase in the prices of bulk commodities across the world, the domestic and international cotton prices maintained a growth momentum during 2021. In 2021, the CNCotton A 3128B recorded approximately RMB17,808 per ton in average, representing a year-on-year increase of approximately 37.7%, while the Cotlook A (FE) Index was approximately US101.2 cents per pound in average, representing a year-on-year increase of approximately 40.7%. The movement of CNCotton A 3128B and Cotlook A (FE) Index during 2021 was as follows:

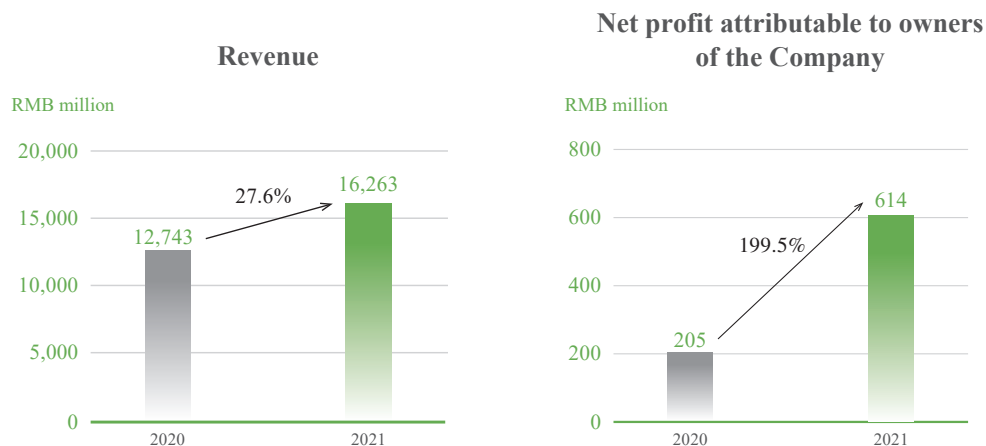
CNCotton A 3128B and Cotlook A (FE) Index in 2021



Data source: China Cotton Association

BUSINESS REVIEW

For the years ended 31 December 2021 and 2020, the revenue of the Group and net profit attributable to owners of the Company were as follows:



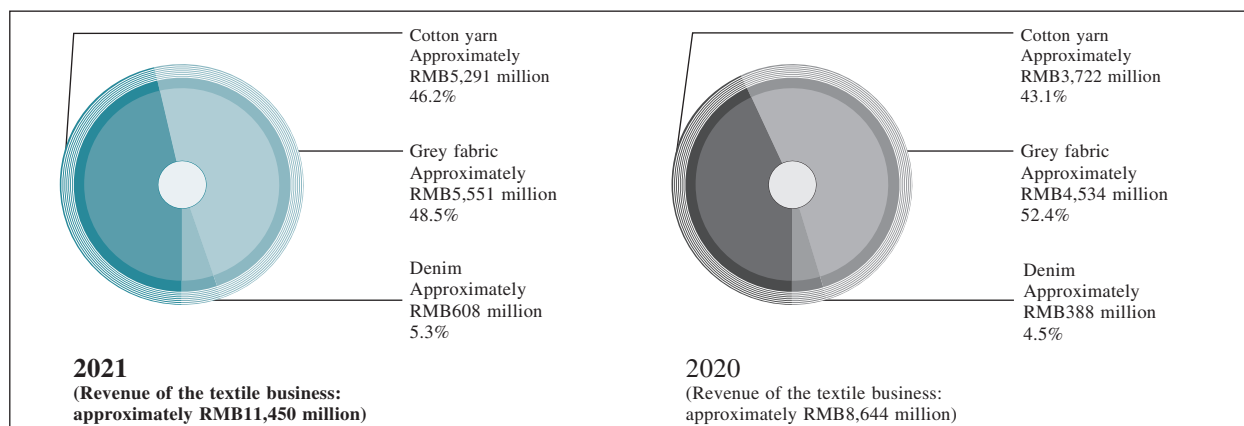
For the year ended 31 December 2021, the Group recorded revenue of approximately RMB16,263 million, representing an increase of approximately 27.6% as compared with that for the corresponding period of last year, where the revenue of textile products was approximately RMB11,450 million, representing an increase of approximately 32.5% over the corresponding period of last year, which was mainly due to the year-on-year increase in the sales volume of the Group's main textile products, as well as the increase in the sales price as compared with that for the corresponding period of last year as a result of the overall increase in the demand for textile products as consumption in the domestic and overseas textile and apparel markets gradually recovered. The revenue of electricity and steam was approximately RMB4,813 million, representing a year-on-year increase of approximately 17.4%,

which was mainly attributable to the upward adjustment of sales price of electricity by the Group according to the established electricity sales pricing mechanism due to the rising price of coal which is the raw material.

For the year ended 31 December 2021, the net profit attributable to owners of the Company was approximately RMB614 million, representing a substantial increase of approximately 199.5% as compared with that of approximately RMB205 million as recorded for the corresponding period of last year, which was mainly due to (1) the year-on-year increase in the sales volume of the Group’s main textile products, as well as the increase in the sales price as compared to that of 2020 as a result of the overall increase in the demand for textile products as consumption in the domestic and overseas textile and apparel markets gradually recovered; and the fact that the net profit of the Group was at a low level for 2020 due to the adverse impacts brought by the Pandemic; and (2) as to the electricity business of the Group, on one hand, the decrease in the Group’s sales volume of electricity as compared to that of 2020 resulting from the decreasing demand for electricity from the downstream customers; and on the other hand, the time lag between the rising production costs of electricity due to the relatively large fluctuations in the prices of coal, the main raw material, and the sales price of electricity adjusted according to the established electricity sales pricing mechanism. Due to the combined effect of the aforesaid factors, the Group recorded a substantial decrease in the gross profit generated from sales of electricity as compared to the corresponding period of last year.

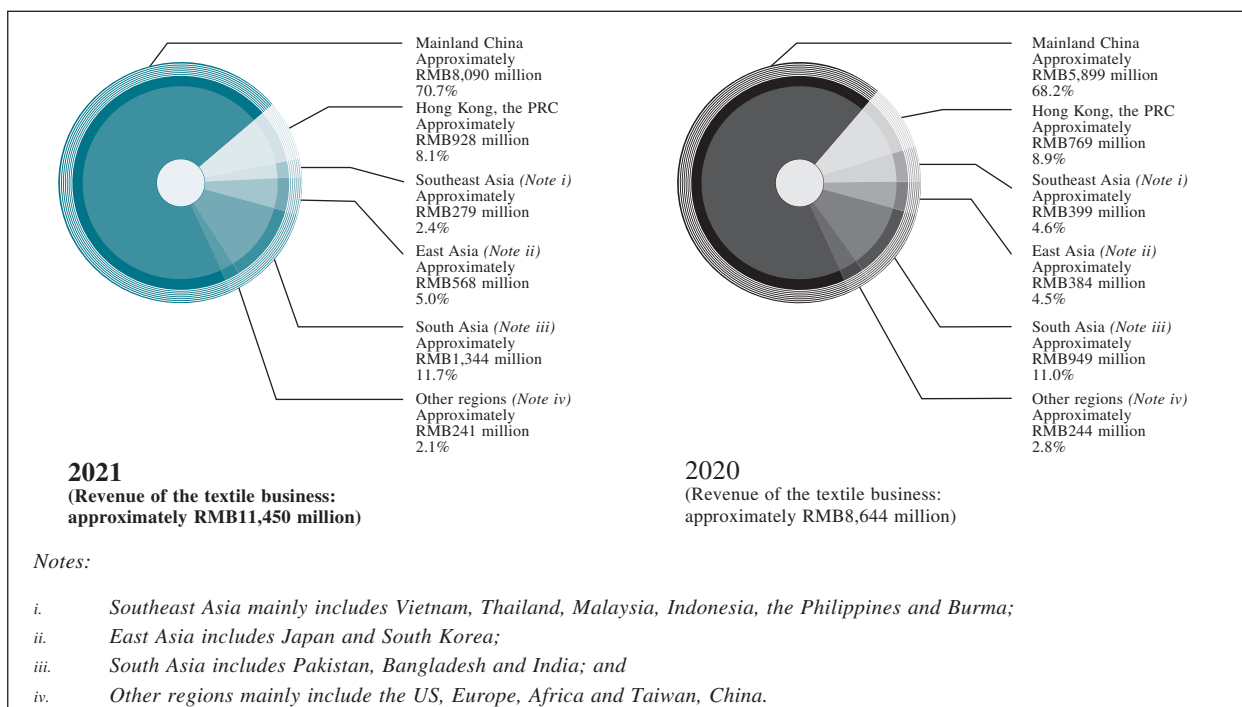
Textile Business

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 2021 and 2020, respectively:



For the year ended 31 December 2021, the Group proactively adjusted its product mix according to changes to market demand. Through these efforts, during the Year, the revenue from the Group’s cotton yarn, grey fabric and denim respectively accounted for approximately 46.2%, 48.5% and 5.3% of the revenue from the textile business, and revenue proportion of cotton yarn, grey fabric and denim increased by approximately 3.1%, decreased by approximately 3.9% and increased by approximately 0.8%, respectively, as compared with the corresponding period of last year.

The charts below are the comparison of the breakdown of revenue of the Group's textile products categorised by geographical location for the years ended 31 December 2021 and 2020, respectively:



For the year ended 31 December 2021, the Group continued to implement a sales strategy of placing equal emphasis on domestic sales and overseas sales, with overseas sales and domestic sales accounting for approximately 29.3% and 70.7% of the revenue of textile products, 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 market demand. The production output of the Group's cotton yarn was approximately 411,000 tons, representing an increase of approximately 10.8% as compared with that for the corresponding period of last year; the production output of grey fabric was approximately 728 million meters, representing an increase of approximately 0.3% as compared with that for the corresponding period of last year; the production output of denim was approximately 39 million meters, representing a decrease of approximately 22.0% 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 overall production and operations of the Group remained steady and all production facilities were functioning in good conditions during the Year under Review.

Electricity and Steam Business

As at 31 December 2021, the installed capacity of the Group's thermal power assets amounted to 2,760 MW, which was in line with the corresponding period of last year. In 2021, the power generation of the Group was approximately 12,221 million kWh, representing a decrease of approximately 9.1% as compared with the corresponding period of last year; while its electricity sales volume amounted to approximately 9,784 million kWh, representing a decrease of approximately 12.8% as compared to the corresponding period of last year, which was mainly attributable to the decrease in demand for electricity from downstream customers, resulting in the corresponding decrease in the sales volume of electricity of the Group for the Year.

For the year ended 31 December 2021, the revenue of the Group's sales of electricity and steam amounted to approximately RMB4,813 million, representing an increase of approximately 17.4% as compared with the corresponding period of last year. The increase in revenue of electricity and steam of the Group as compared with the corresponding period of last year was mainly attributable to the increase in the sales price of electricity by the Group based on the established electricity pricing adjustment mechanism as driven by the substantial increase in the coal price during the Year.

The Group achieved comprehensive ultra-low emission by installing flue gas dedusting facilities and desulphurisation and denitrification facilities for all of the Group's power generating units.

FINANCIAL REVIEW

Revenue, Gross Profit and Gross Profit Margin

The table below is an analysis of the Group's revenue, gross profit and gross profit margin attributable to the major products for the years ended 31 December 2021 and 2020, respectively:

Product categories	For the year ended 31 December					
	2021			2020		
	Revenue	Gross profit	Gross profit	Revenue	Gross profit	Gross profit
	<i>RMB'000</i>	<i>RMB'000</i>	margin	<i>RMB'000</i>	<i>RMB'000</i>	margin
			%			%
Cotton yarn	5,290,988	652,812	12.3	3,721,815	125,991	3.4
Grey fabric	5,551,419	130,579	2.4	4,534,249	(173,219)	(3.8)
Denim	607,912	72,255	11.9	388,633	46,406	11.9
Electricity and steam	<u>4,812,367</u>	<u>446,255</u>	<u>9.3</u>	<u>4,098,740</u>	<u>962,977</u>	<u>23.5</u>
Total	<u>16,262,686</u>	<u>1,301,901</u>	<u>8.0</u>	<u>12,743,437</u>	<u>962,155</u>	<u>7.6</u>

For the year ended 31 December 2021, the gross profit of the sales of textile products of the Group increased significantly to approximately RMB856 million from approximately RMB-1 million for the corresponding period of last year. The gross profit margin was approximately 7.5%, representing an increase of approximately 7.5% over the corresponding period of last year. In particular, the gross profit margin of cotton yarn and grey fabric increased as compared with the corresponding period of last year, which was mainly attributable to the increase in the sales volume and sales prices of the Group's main textile products as compared with the corresponding period of last year due to the gradual recovery in the domestic and overseas textile product markets as the Pandemic was slowly subdued. The gross profit margin of denim was in line with that of last year. The gross profit from the sales of electricity and steam of the Group decreased by approximately 53.7% from the corresponding period of last year to approximately RMB446 million, and the gross profit margin was approximately 9.3%, down by approximately 14.2% from that for the same period of last year, which was primarily due to, on one hand, the increase in the unit fixed costs as compared with the corresponding period of last year as a result of decrease in the sales volume of electricity and, on the other hand, the time lag between the rising production costs of electricity due to the substantial increase in the prices of coal which is the main raw material and the sales price of electricity adjusted according to the established electricity sales pricing mechanism during the Year.

Selling and Distribution Expenses

For the year ended 31 December 2021, the Group's selling and distribution expenses were approximately RMB226 million, representing an increase of approximately 49.7% from approximately RMB151 million for the same period of last year. Among these expenses, transportation costs increased by approximately 62.1% from approximately RMB87 million for the same period of last year to approximately RMB141 million, which was mainly attributable to the increase in the domestic sales volume of cotton yarn and the increase in unit transportation costs according to changes in the transportation market during the Year. The salary of the sales staff increased by approximately 11.1% from approximately RMB36 million for the corresponding period of last year to approximately RMB40 million, mainly due to the Group's increase in the sales volume of the textile products and the adjustment to its commission rate for the sales staff according to changes in the textile market during the Year. Sales commission was approximately RMB19 million, representing an increase of approximately 46.2% from approximately RMB13 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 year ended 31 December 2021, the administrative expenses of the Group were approximately RMB348 million, representing an increase of approximately 25.2% from approximately RMB278 million of last year, which was mainly due to, on one hand, the increase in salaries offered by the Group to the employees during the Year and, on the other hand, the corresponding increase in the research and development expenditures as the Group continued to step up efforts on product research and development as well as technique improvement.

Other Expenses

For the year ended 31 December 2021, the other expenses of the Group were approximately RMB352 million, representing an increase of 105.8% from approximately RMB171 million for the corresponding period of last year, which was mainly attributable to the expenses of approximately RMB145 million (exclusive of tax) incurred for the purchase of carbon emission quota by the Group in accordance with the Notice on Fulfilling Carbon Emission Allowance Payment Obligations in the First Compliance Period on the National Carbon Emission Trading Market (《關於做好全國碳排放權交易市場第一個履約週期碳排放配額清繳工作的通知》) issued by the Ministry of Ecology and Environment, leading to a significant increase in other expenses for the Year as compared with the corresponding period of last year.

Finance Costs

For the year ended 31 December 2021, the finance costs of the Group were approximately RMB116 million, representing an increase of approximately 0.9% from approximately RMB115 million for the corresponding period of last year, which was basically in line with that of the corresponding period of last year.

Taxation

For the year ended 31 December 2021, the income tax expense of the Group decreased from approximately RMB264 million in 2020 to approximately RMB27 million, representing a decrease of approximately 89.8%, which was mainly attributable to, on one hand, the decrease in profit from the sales of electricity and steam by the Group during the Year and, on the other hand, the make-up of the losses incurred in the previous year by the textile business of the Group.

Net Profit Attributable to Owners of the Company and Earnings per Share

For the year ended 31 December 2021, the net profit attributable to owners of the Company was approximately RMB614 million, representing a substantial increase of approximately 199.5% from approximately RMB205 million for the last year.

For the year ended 31 December 2021, the earnings per share of the Company were approximately RMB0.51, representing an increase of approximately 200.0% from approximately RMB0.17 for the last year.

Liquidity and Financial Resources

The working capital of the Group is mainly financed with the cash inflow from operating activities. For the year ended 31 December 2021, the Group recorded a net cash inflow from operating activities of approximately RMB159 million, a net cash outflow for investing activities of approximately RMB170 million, and a net cash inflow for financing activities of approximately RMB319 million.

As at 31 December 2021, the cash and cash equivalents of the Group were approximately RMB11,566 million, basically unchanged from that of approximately RMB11,258 million as at 31 December 2020.

For the year ended 31 December 2021, the average turnover days of the Group's receivables were 10 days, representing a decrease of 1 day as compared to 11 days of 2020, which was basically unchanged from last year.

For the year ended 31 December 2021, the inventory turnover days of the Group were 65 days, representing a decrease of 14 days as compared to 79 days of last year, which was mainly due to the year-on-year increase in the sales volume of the Group's main textile products as consumption in the domestic and overseas textile and apparel markets gradually recovered.

For the year ended 31 December 2021, the Group did not use derivative financial instruments (2020: nil).

Capital Structure

The major objective of the Group's capital management is to ensure ongoing operations capacity and maintain a satisfactory capital ratio in order to support its own business operations and maximise Shareholders' interests.

As at 31 December 2021, the debts of the Group were mainly bank borrowings of approximately RMB2,762 million (2020: approximately RMB2,257 million). As at 31 December 2021, the Group's asset-liability ratio was approximately 24.3% (2020: approximately 24.2%).

As at 31 December 2021, all of the Group's bank borrowings were fixed interest rate borrowings.

The Group will further improve its fund management levels. Under the premise of maintaining the Group's sufficient liquidity, the Group aims to meet its capital expenditure requirements and to further optimise its debt structure, maintaining a sound, stable and healthy position for its funds.

As at 31 December 2021, the Group's borrowings were denominated in Renminbi; 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 27.0% of the total amount.

Employees and Remuneration Policies

As at 31 December 2021, the Group had a total of approximately 40,000 employees, representing a decrease of approximately 4,000 employees as compared with that of last year. This decrease in the number of employees was mainly due to the normal employee turnover and the corresponding decrease in labour demand as the Group made continuous efforts to improve its automatic operations levels. Total staff costs of the Group for the Year amounted to approximately RMB3,402 million, representing an increase of approximately 17.8% from approximately RMB2,888 million as recorded for last year, which was mainly attributable to on one hand, the increase in salaries offered by the Group to the employees during the Year, and on the other hand the lower amount of social insurance expenditures enjoyed by the Group due to the temporary reduction or exemption of social insurance contribution scheme for enterprises during the corresponding period of last year as a result of the Pandemic.

The remuneration of the Group's employees is determined based on their performance, experience and the prevailing industry practice. The remuneration policies and such details of the Group will be regularly reviewed by the management. 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 posts.

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 2021, approximately 29.3% of the Group's revenue and approximately 12.7% of the purchase costs of cotton were denominated in US dollars. The Group recorded an exchange loss of approximately RMB47 million for the year ended 31 December 2021 due to the appreciation of Renminbi 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.

Contingent Liabilities

As at 31 December 2021 and 2020, the Group did not have any significant contingent liabilities, respectively.

OUTLOOK

Looking forward to 2022, the continuous sporadic outbursts of the Pandemic and the complex and changing geopolitical landscape will add uncertainties to the recovery of the global economy. The economy of China will uphold the underlying principle of “prioritising stability while pursuing progress” (穩字當頭、穩中求進) and give higher priority to stabilising economic growth. Under this guidance, the textile and apparel industry in China will make systematic efforts to promote technology-empowered, fashionable, green and high-quality development. However, the industry will remain under the pressure of rising raw material prices, strained supply chain and the Pandemic being the new normal.

Faced with a complex environment including the continuous evolvement of the Pandemic and the uncertainties surrounding the international cooperation environment, the Group will continue to pursue stable and high-quality development. By focusing on technology innovation and green development, the Group will continue to push forward its business transformation and upgrading, so as to achieve high-quality production and operation. On the production front, the Group will proactively improve its intelligent operation levels and control consumption of various types of raw materials, doing its best to maximise cost reduction and efficiency improvements and to improve profitability through a range of measures. On the product front, the Group will continue to improve product quality, with an aim to strengthen its market competitiveness with superior product quality. On the sales front, the Group will further step up efforts in market exploration, continue to enhance its sales and service capabilities and give full play to its advantage in technology innovation, with an aim to solidify and increase its shares at domestic and abroad markets.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2021 and up to the date of this results announcement, no important event affecting the Group had occurred.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, 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:

Name of Shareholder	Number of domestic shares (Note i)	Approximate percentage of total issued domestic share capital as at 31 December 2021 (%)	Approximate percentage of total issued share capital as at 31 December 2021 (%)
Holding Company	757,869,600 (Long position)	97.07	63.45

Interests in the H shares of the Company:

Name of Shareholder	Type of interest	Number of H shares (Note ii)	Approximate percentage of total issued H share capital as at	Approximate percentage of total issued share capital as at
			31 December 2021 (%)	31 December 2021 (%)
Brandes Investment Partners, L.P.	Investment manager	41,206,000 (Long position) (Note iii)	9.96	3.45
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 published on the website of the Stock Exchange by Brandes Investment Partners, L.P., these 41,206,000 H shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.
- iv. According to the disclosure of interests published on the website of the Stock Exchange by Mellon Financial Corporation, 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 indirectly and 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 2021, 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 2021, 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:

		Number of domestic shares (Note)	Approximate percentage of total issued domestic share capital as at 31 December 2021 (%)	Approximate percentage of total issued share capital as at 31 December 2021 (%)
	Type of interest			
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):

	Name of associated corporation	Type of interest	Approximate percentage of total issued share capital as at 31 December 2021 (%)
Ms. Zhang Hongxia (Executive Director/Chairman)	Holding Company	Beneficial interest and spouse interest (Note i)	7.78 (Note 1)
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 2)
Mr. Wei Jiakun (Executive Director/General Manager)	Holding Company	Beneficial interest	0.52
Ms. Zhao Suwen (Executive Director)	Holding Company	Beneficial interest	<u>0.30</u>

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 2021, 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.

FINAL DIVIDENDS

The Directors recommended the payment of a final dividend of RMB0.18 (inclusive of tax) per share (the “**2021 Final Dividend**”) to the Shareholders whose names appear on the register of members of the Company as at close of business on 9 June 2022 (Thursday), and the dividend will be paid on 24 June 2022. The 2021 Final Dividend is subject to the approval at the coming annual general meeting of the Company. In accordance with the Company Law of the PRC and the articles of association of the Company, “when the accumulated amount of the statutory surplus reserve reaches over 50% of the company’s registered capital, no further appropriation needs to be made”. Since the aggregated statutory surplus reserve appropriated by the Company has exceeded the standard required by the law or the articles of association of the Company, as approved by the Board, no statutory surplus reserve was appropriated out of net profit recorded for 2021.

Under the relevant tax rules and regulations of the PRC (the “**PRC Tax Law**”), the Company is required to withhold and pay enterprise income tax at the rate of 10% when distributing final dividends to non-resident enterprises (such term shall have the meaning as defined under the PRC Tax Law) whose names appear on the register of members of H Shares of the Company.

In accordance with the PRC Tax Law, the Company is also required to withhold and pay individual income tax when distributing final dividends to individual Shareholders whose names appear on the register of members of H Shares of the Company. The Company will determine the country of domicile of the individual H Shareholders based on the registered addresses as recorded in the register of members of H Shares of the Company on the record date with details as follows:

For individual H Shareholders who are residents of Hong Kong or Macau, and those whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of them.

For individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of them. If such individual H Shareholders would like to apply for a refund of the additional amount of tax withheld and paid, the Company may make applications on their behalf to seek entitlement to the relevant agreed preferential treatments pursuant to the tax treaties.

For individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of higher than 10% but lower than 20%, the Company would withhold and pay the individual income tax at the agreed-upon effective tax rate on behalf of them.

For individual H Shareholders who are residents of those countries without any tax treaties with the PRC or having tax treaties with the PRC stipulating a dividend tax rate of 20% or more and other situations, the Company would withhold and pay the individual income tax at a tax rate of 20% on behalf of them.

Should H Shareholders have any doubt about the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax implications in Mainland China, Hong Kong and other countries (regions) on the possession and disposal of the H shares of the Company.

The Company will strictly comply with the laws and the requirements of relevant government departments, and will withhold and pay the enterprise income tax on behalf of its Shareholders whose names appear on the register of members of H shares of the Company on the record date. The Company will take no responsibility and will reject any requests from Shareholders whose identity cannot be confirmed within the specified time or cannot be confirmed at all or any disputes arising from the arrangement of withholding tax or paying tax. However, the Company may provide assistance to the extent of its ability as appropriate.

For the distribution of dividends, dividends for holders of domestic shares will be distributed and paid in RMB, while dividends for H shares will be declared in RMB but paid in Hong Kong dollars (“HK\$”) (conversion of RMB into HK\$ shall be calculated on the average price of the medium prices of the conversion of RMB into HK\$ announced by the People’s Bank of China within five working days prior to and including 27 May 2022 (Friday)).

During the Year, there was no arrangement under which any Shareholder has waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS

The Company’s register of members will be closed from 27 April 2022 (Wednesday) to 27 May 2022 (Friday) (both dates inclusive), during which no transfer of shares will be registered. The Shareholders whose names appear on the register of members of the Company on 27 April 2022 (Wednesday) 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 26 April 2022 (Tuesday).

The Company’s register of members will be closed from 2 June 2022 (Thursday) to 9 June 2022 (Thursday) (both dates inclusive), during which no transfer of shares will be registered. The Shareholders whose names appear on the register of members of the Company on 9 June 2022 (Thursday) are entitled to the 2021 Final Dividend. In order to qualify for the 2021 Final Dividend, 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 1 June 2022 (Wednesday).

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 2021.

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 11 March 2022 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 2021, 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 2021, 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 the Shareholders on or before 6 April 2022 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
Wei qiao Textile Company Limited*
Ms. Zhang Hongxia
Chairman

Shandong, the PRC
11 March 2022

As at the date of this announcement, the Board comprises nine directors, namely Ms. Zhang Hongxia, Ms. Zhang Yanhong, Ms. Zhao Suwen, Mr. Wei Jiakun 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).*