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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 December 2022, the Group is expected to record a loss for the annual results for the year ended 31 December 2022, the main reasons for which are as follows:

- (1) in 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 the purchase orders for the Group’s cotton textile products and thus a period-on-period decrease in the sales volume; on the other hand, the Group recorded a substantial increase in the production costs for its textile products as the price of cotton lint, the major raw material for the production of the Group’s textile products, first increased and then decreased in the year with a period-on-period increase in the average price, and an increase in staff costs as compared with the same period last year. Despite the slight period-on-period increase in the sales prices of the Group’s cotton yarn and denim products, the Group’s textile business recorded a gross loss in the year of 2022 as such increase in sales prices was exceeded by the sharp increase in the production costs and there was a period-on-period decrease in sales price of grey fabric, resulting in a corresponding increase in the Group’s inventory provision for decline in value, but such inventory provision for decline in value is not a realised loss; and

- (2) in 2022, although the Group maintained a profit 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 RMB1.6 billion for the year ended 31 December 2022. The Board will pay close attention to the overall development of the textile industry in China in 2023, 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 audited annual results for the year ended 31 December 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 audited annual results announcement of the Company for the year ended 31 December 2022, which is expected to be published by the end of March 2023.

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

By Order of the Board  
**Wei qiao Textile Company Limited\***  
**Ms. Zhang Hongxia**  
*Chairman and Executive Director*

Shandong, the People's Republic of China  
3 February 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 "Wei qiao Textile Company Limited" and the Chinese name of the Company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).*