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魏橋紡織股份有限公司

Weiqiao Textile Company Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2698)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

- Revenue was approximately RMB7,951 million, representing a decrease of approximately 4.1% from that for the corresponding period of last year.
- Gross profit was approximately RMB22 million, as compared to the gross loss of approximately RMB419 million recorded for the same period of last year.
- Net loss attributable to owners of the Company was approximately RMB504 million, as compared to the net loss attributable to owners of the Company of approximately RMB650 million recorded for the same period of last year.
- Loss per share was approximately RMB0.42, as compared to the loss per share of approximately RMB0.54 recorded for the same period of last year.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		For the six months ended	
		30 June	
	<i>Notes</i>	2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	7,951,142	8,293,034
Cost of sales		<u>(7,929,143)</u>	<u>(8,712,253)</u>
Gross profit (loss)		21,999	(419,219)
Other income and gain	5	152,210	164,114
Selling and distribution expenses		(92,691)	(129,620)
Administrative expenses		(169,322)	(171,430)
Other expenses		(219,742)	(25,894)
Finance costs	6	(119,856)	(68,041)
Share of profit of an associate		<u>1,432</u>	<u>1,600</u>
Loss before taxation		(425,970)	(648,490)
Income tax expense	7	<u>(79,582)</u>	<u>(2,624)</u>
Loss and total comprehensive expense for the period	8	<u>(505,552)</u>	<u>(651,114)</u>
Attributable to:			
Owners of the Company		(504,331)	(650,036)
Non-controlling interests		<u>(1,221)</u>	<u>(1,078)</u>
		<u>(505,552)</u>	<u>(651,114)</u>
Loss per share attributable to the Owners of the Company			
Basic and diluted (<i>RMB</i>)	10	<u>(0.42)</u>	<u>(0.54)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

		As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	<i>11</i>	8,291,656	8,508,619
Right-of-use assets	<i>12</i>	313,342	324,792
Investment properties		90,644	93,017
Other intangible assets		721	612
Deposits paid for acquisition of property, plant and equipment		208,686	251,623
Interest in an associate		79,203	77,771
Deferred tax assets		63,497	104,611
		<u>9,047,749</u>	<u>9,361,045</u>
Current assets			
Inventories	<i>13</i>	3,171,018	3,061,858
Trade receivables	<i>14</i>	260,538	286,074
Deposits, prepayments and other receivables	<i>15</i>	1,693,051	1,001,917
Pledged deposits		6,359	391,267
Bank balances and cash		10,109,959	11,402,013
		<u>15,240,925</u>	<u>16,143,129</u>
Non-current assets classified as held for sale	<i>11</i>	<u>11</u>	<u>11</u>
		<u>15,240,936</u>	<u>16,143,140</u>
Current liabilities			
Trade payables	<i>16</i>	694,318	968,611
Other payables and accruals	<i>17</i>	1,293,531	1,067,211
Lease liabilities	<i>12</i>	11,089	13,600
Contract liabilities		185,672	262,391
Income tax payable		295,078	921,240
Bank borrowings	<i>18</i>	4,409,500	4,412,500
Deferred income		13,131	13,356
		<u>6,902,319</u>	<u>7,658,909</u>
Total current liabilities		<u>6,902,319</u>	<u>7,658,909</u>
Net current assets		<u>8,338,617</u>	<u>8,484,231</u>
Total assets less current liabilities		<u>17,386,366</u>	<u>17,845,276</u>

		As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Equity			
Share capital	<i>19</i>	1,194,389	1,194,389
Reserves		15,613,314	16,117,645
		<hr/>	<hr/>
Equity attributable to owners of the Company		16,807,703	17,312,034
Non-controlling interests		3,664	4,885
		<hr/>	<hr/>
Total equity		16,811,367	17,316,919
		<hr/>	<hr/>
Non-current liabilities			
Lease liabilities	<i>12</i>	19,507	24,362
Deferred income		99,868	105,029
Deferred tax liabilities		966	966
Bank borrowings	<i>18</i>	454,658	398,000
		<hr/>	<hr/>
Total non-current liabilities		574,999	528,357
		<hr/>	<hr/>
Total equity and non-current liabilities		17,386,366	17,845,276
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Attributable to owners of the Company				Total	Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve	Retained profits			
	RMB'000	RMB'000	RMB'000 (Note)	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022 (Audited)	1,194,389	6,692,394	1,845,222	7,580,029	17,312,034	4,885	17,316,919
Loss and total comprehensive expense for the period	—	—	—	(504,331)	(504,331)	(1,221)	(505,552)
At 30 June 2023 (Unaudited)	<u>1,194,389</u>	<u>6,692,394</u>	<u>1,845,222</u>	<u>7,075,698</u>	<u>16,807,703</u>	<u>3,664</u>	<u>16,811,367</u>
At 31 December 2021 (Audited)	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 period	—	—	—	(650,036)	(650,036)	(1,078)	(651,114)
Final 2021 dividend declared	—	—	—	(214,990)	(214,990)	—	(214,990)
At 30 June 2022 (Unaudited)	<u>1,194,389</u>	<u>6,692,394</u>	<u>1,845,222</u>	<u>8,487,636</u>	<u>18,219,641</u>	<u>8,823</u>	<u>18,228,464</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 to fund statutory surplus reserve. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the registered capital after such usage.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	For the six months ended	
	30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	<u>(1,376,033)</u>	<u>(642,339)</u>
INVESTING ACTIVITIES		
Decrease in pledged deposits	384,908	308,320
Net cash outflow arising on disposal of subsidiaries (<i>note 21</i>)	(5,763)	–
Proceeds from disposal of property, plant and equipment	19	31,687
Proceeds from disposal of non-current assets classified as held for sale	–	4,715
Bank interest income received	74,027	76,574
Purchase of intangible assets	(141)	(31)
Purchase of property, plant and equipment	<u>(302,553)</u>	<u>(260,955)</u>
NET CASH GENERATED FROM INVESTING ACTIVITIES	<u>150,497</u>	<u>160,310</u>
FINANCING ACTIVITIES		
Repayment of bank borrowings	(1,160,000)	(477,250)
Interest paid	(119,905)	(66,966)
Dividend paid	–	(214,990)
Payment of lease liabilities	(7,366)	(7,220)
Government grant received	7,095	6,760
New bank borrowings raised	<u>1,213,658</u>	<u>457,000</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(66,518)</u>	<u>(302,666)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,292,054)</u>	<u>(784,695)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>11,402,013</u>	<u>11,565,829</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD REPRESENTED BY BANK BALANCES AND CASH	<u><u>10,109,959</u></u>	<u><u>10,781,134</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

The condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except as described below.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2023:

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendment to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendment to HKAS 12	International Tax Reform – Pillar Two Model Rules

* *For identification purpose only*

Except as described below, the application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments to HKAS 1 and HKFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as they relate to disclosures of accounting policies in complete financial statements rather than interim financial statements. The amendments are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements for the year ending 31 December 2023.

Impact on application of Amendments to HKAS 8 – Definition of Accounting Estimates

The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the interim condensed consolidated financial statements of the Group.

Impact on application of Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to HKAS 12 narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations.

The amendments had no material impact on the interim condensed consolidated financial statements 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 period is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of textile products		
• Cotton yarn	2,847,688	2,474,531
• Grey fabric	2,644,879	2,619,927
• Denim	419,628	346,261
– Sales of electricity and steam	2,038,947	2,852,315
	<u>7,951,142</u>	<u>8,293,034</u>

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

4. SEGMENT INFORMATION

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

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

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

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

Segment revenues and results

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

For the six months ended 30 June 2023

	Textile products RMB'000 (Unaudited)	Electricity and steam RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
External revenue	5,912,195	2,038,947	7,951,142
Inter-segment revenue	<u>–</u>	<u>632,467</u>	<u>632,467</u>
Segment revenue	<u>5,912,195</u>	<u>2,671,414</u>	8,583,609
Eliminations			(632,467)
Group revenue			<u>7,951,142</u>
Segment loss	<u>(166,406)</u>	<u>(139,181)</u>	(305,587)
Unallocated income			152,210
Unallocated corporate expenses			(155,281)
Unallocated finance costs			(118,744)
Share of profit of an associate			<u>1,432</u>
Loss before taxation			<u>(425,970)</u>

For the six months ended 30 June 2022

	Textile products <i>RMB'000</i> (Unaudited)	Electricity and steam <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
External revenue	5,440,719	2,852,315	8,293,034
Inter-segment revenue	<u>–</u>	<u>626,389</u>	<u>626,389</u>
Segment revenue	<u>5,440,719</u>	<u>3,478,704</u>	8,919,423
Eliminations			(626,389)
Group revenue			<u>8,293,034</u>
Segment (loss) profit	<u>(723,829)</u>	<u>144,860</u>	(578,969)
Unallocated income			164,114
Unallocated corporate expenses			(168,623)
Unallocated finance costs			(66,612)
Share of profit of an associate			<u>1,600</u>
Loss before taxation			<u>(648,490)</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, other income, certain finance costs and share of profit of an associate. This is the measure reported to the directors with respect to the resource allocation and performance assessment.

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

Segment assets and liabilities

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

Segment assets

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Textile products	8,876,203	7,813,882
Electricity and steam	<u>5,152,743</u>	<u>5,424,571</u>
Total segment assets	14,028,946	13,238,453
Interest in an associate	79,203	77,771
Corporate and other assets	<u>10,180,536</u>	<u>12,187,961</u>
Total assets	<u><u>24,288,685</u></u>	<u><u>25,504,185</u></u>

Segment liabilities

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Textile products	1,933,342	2,068,249
Electricity and steam	<u>80,726</u>	<u>80,136</u>
Total segment liabilities	2,014,068	2,148,385
Corporate and other liabilities	<u>5,463,250</u>	<u>6,038,881</u>
Total liabilities	<u><u>7,477,318</u></u>	<u><u>8,187,266</u></u>

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

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

5. OTHER INCOME AND GAIN

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest income from bank deposits	73,528	76,574
Release of deferred income	6,565	7,751
Government grants (<i>note</i>)	5,916	4,084
Compensation from suppliers on the supply of sub-standard goods	9,099	7,358
Gross rental income	14,326	5,651
Exchange gains, net	26,148	24,316
Gain on sales of waste and spare parts	14,506	25,986
Gain on disposal of property, plant and equipment	1	8,985
Gain on disposal of non-current assets classified as held for sale	–	3,022
Reversal of impairment loss on trade and other receivables	1,802	100
Others	319	287
	<u>152,210</u>	<u>164,114</u>

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

6. FINANCE COSTS

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on:		
– bank loans	118,744	66,612
– lease liabilities	1,112	1,429
	<u>119,856</u>	<u>68,041</u>

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax:		
PRC Enterprises Income Tax (“EIT”)	38,468	30,313
Deferred tax	41,114	(27,689)
	<u>79,582</u>	<u>2,624</u>

Notes:

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

8. LOSS FOR THE PERIOD

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Loss for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	355,614	347,315
Depreciation of right-of-use assets	11,450	11,822
Depreciation of investment properties	2,373	1,818
Amortisation of other intangible assets	32	8
Impairment loss on property, plant and equipment (included in other expenses)	206,821	–
Reversal of impairment loss on trade and other receivables	(1,802)	(100)
Reversal of impairment loss on inventories (included in cost of sales)	(2,163)	(1,100)
Allowance for inventories (included in cost of sales)	202,912	267,261
Research and development cost	<u>201,946</u>	<u>318,850</u>

9. DIVIDEND

No dividend was proposed during the six months ended 30 June 2023, nor has any dividend been proposed since the end of the interim period (six months ended 30 June 2022: nil).

10. LOSS PER SHARE

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share	<u>(504,331)</u>	<u>(650,036)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (<i>'000 shares</i>)	<u>1,194,389</u>	<u>1,194,389</u>

Note:

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

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group spent approximately RMB345,490,000 (six months ended 30 June 2022: approximately RMB260,955,000) on acquisition of property, plant and equipment.

During the six months ended 30 June 2023, the Group has disposed of certain property, plant and equipment with an aggregate carrying value of approximately RMB18,000 (six months ended 30 June 2022: approximately RMB22,702,000) for cash proceeds of approximately RMB19,000 (six months ended 30 June 2022: approximately RMB31,687,000), resulting in a gain on disposal of approximately RMB1,000 (six months ended 30 June 2022: approximately RMB8,985,000).

During the six months ended 30 June 2023, no written off has been recognised for property, plant and equipment (six months ended 30 June 2022: approximately RMB36,000).

During the six months ended 30 June 2023, due to the adjustments to macro policies and the decreased demand from downstream market, which resulted in the certain plant and equipment of a cash-generating unit ("CGU") representing a business operation under electricity and steam segment not being able to operate at full capacity, the Group conducted a further review of the CGU's property, plant and equipment with carrying amount of approximately RMB4,641,453,000 based on the use of such assets and determined that a number of those assets were impaired. Accordingly, impairment loss of approximately RMB206,821,000 has been recognised in respect of the CGU's property, plant and equipment (30 June 2022: nil). The recoverable amounts of relevant property, plant and equipment of approximately RMB4,434,632,000 were determined on the basis of the CGU's value-in-use. Pre-tax discount rate used in measuring value-in-use was 12% (31 December 2022: nil).

The valuation carried out on 30 June 2023 was performed by Wan Long (Shanghai) Assets Evaluation Co., Ltd. (“**Shanghai Wan Long**”), an independent qualified professional valuer not connected with the Group. Shanghai Wan Long has appropriate qualifications and has recent experience in the similar valuation.

Non-current assets classified as held for sale

At 30 June 2023 and 31 December 2022, the non-current assets classified as held for sale were certain items of property and machinery that would be recovered principally through sale.

During the six months ended 30 June 2023, no non-current assets held for sale were sold (six months ended 30 June 2022: non-current assets held for sale were sold for cash proceeds of approximately RMB4,715,000, resulting in a gain on disposal of approximately RMB3,022,000).

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Land	309,993	320,323
Buildings	3,349	4,469
	<u>313,342</u>	<u>324,792</u>

Right-of-use assets of approximately RMB309,993,000 (2022: approximately RMB320,323,000) represent land use rights located in the PRC.

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

(ii) Lease liabilities

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Non-current	19,507	24,362
Current	<u>11,089</u>	<u>13,600</u>
	<u>30,596</u>	<u>37,962</u>
Amounts payable under lease liabilities		
Within one year	11,089	13,600
After one year but within two years	8,986	9,744
After two years but within five years	10,521	14,453
After five years	<u>-</u>	<u>165</u>
	30,596	37,962
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(11,089)</u>	<u>(13,600)</u>
Amount due for settlement after 12 months	<u>19,507</u>	<u>24,362</u>

(iii) Amount recognised in profit or loss

	For the six months ended 30 June	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Depreciation of right-of-use assets	11,450	11,822
Interest expense on lease liabilities	<u>1,112</u>	<u>1,429</u>

(iv) Others

During the six months ended 30 June 2023, the total cash outflow for lease amounted to approximately RMB8,478,000 (six months ended 30 June 2022: approximately RMB8,649,000).

13. INVENTORIES

As 30 June 2023, the carrying amounts of the Group's inventories were net of impairment provisions of approximately RMB258,496,000 (31 December 2022: approximately RMB493,022,000).

During the six months ended 30 June 2023, an allowance for inventories of approximately RMB202,912,000 (six months ended 30 June 2022: approximately RMB267,261,000) has been recognised and included in cost of sales.

During the six months ended 30 June 2023, there was a decrease in allowance of approximately RMB435,275,000 (six months ended 30 June 2022: approximately RMB162,244,000) for inventories due to elimination of allowances upon the subsequent sales of inventories during the current period.

During the six months ended 30 June 2023, there was an increase in the net realised value of semi-finished goods and finished goods due to market condition. As a result, a reversal of write-down of semi-finished goods and finished goods of approximately RMB2,163,000 (six months ended 30 June 2022: approximately RMB1,100,000) has been recognised and included in cost of sales in the current period.

14. TRADE RECEIVABLES

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

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Within 90 days	237,620	274,752
91 to 180 days	17,711	11,057
181 to 365 days	5,203	15
Over 365 days	<u>4</u>	<u>250</u>
Total	<u>260,538</u>	<u>286,074</u>

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

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

	Gross carrying amount RMB'000 (Unaudited)	Loss allowance RMB'000 (Unaudited)	Net carrying amount RMB'000 (Unaudited)
As at 30 June 2023			
Within 3 months	243,911	(371)	243,540
3 months to 1 year	17,146	(152)	16,994
1 to 2 years	13	(11)	2
Over 2 years	4,496	(4,494)	2
	<u>265,566</u>	<u>(5,028)</u>	<u>260,538</u>
	Gross carrying amount RMB'000 (Audited)	Loss allowance RMB'000 (Audited)	Net carrying amount RMB'000 (Audited)
As at 31 December 2022			
Within 3 months	275,137	(385)	274,752
3 months to 1 year	11,164	(91)	11,073
1 to 2 years	1,863	(1,614)	249
Over 2 years	4,457	(4,457)	–
	<u>292,621</u>	<u>(6,547)</u>	<u>286,074</u>

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

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
At the beginning of the period/year	6,547	5,467
(Reversal of) loss allowance recognised in profit or loss during the period/year	<u>(1,519)</u>	<u>1,080</u>
At the end of the period/year	<u>5,028</u>	<u>6,547</u>

15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Prepayments to suppliers	1,466,272	769,447
Other taxes recoverable	223,487	229,345
Interest receivables	–	499
Deposits	32	32
Other receivables	<u>3,878</u>	<u>3,495</u>
	1,693,669	1,002,818
Less: loss allowance of other receivables	<u>(618)</u>	<u>(901)</u>
	<u>1,693,051</u>	<u>1,001,917</u>

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

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
At the beginning of the period/year	901	636
(Reversal of) loss allowance recognised in profit or loss during the period/year	<u>(283)</u>	<u>265</u>
At the end of the period/year	<u>618</u>	<u>901</u>

16. TRADE PAYABLES

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

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Within 90 days	502,558	734,250
91 to 180 days	6,566	94,978
181 to 365 days	124,990	101,773
Over 365 days	<u>60,204</u>	<u>37,610</u>
Total	<u>694,318</u>	<u>968,611</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.

17. OTHER PAYABLES AND ACCRUALS

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Payroll payable	449,151	261,750
Accrued staff benefits	506,141	487,554
Other taxes payable	190,049	174,189
Accrued distribution expenses	20,578	30,829
Deposit received	75,098	66,480
Interest payable	6,847	6,896
Other payables	45,667	39,513
	<u>1,293,531</u>	<u>1,067,211</u>

18. BANK BORROWINGS

Set out below is the information relating to the Group's interest-bearing bank borrowings as at 30 June 2023:

- a) As at 30 June 2023 and 31 December 2022, all Group's bank borrowings were denominated in RMB.
- b) As at 30 June 2023, certain of the Group's bank borrowings amounting to approximately RMB1,259,000,000 (31 December 2022: approximately RMB1,511,000,000) were secured by certain of the Group's property, plant and equipment, investment properties and right-of-use assets of an aggregate carrying value of approximately RMB1,501,889,000, RMB30,098,000 and RMB47,329,000 respectively (31 December 2022: Group's property, plant and equipment, investment properties and right-of-use assets of aggregate carrying values of approximately RMB1,583,804,000, RMB37,640,000 and RMB51,131,000 respectively).
- c) During the six months ended 30 June 2023, the Group obtained new loans in the amount of approximately RMB1,213,659,000 (30 June 2022: approximately RMB457,000,000). The proceeds were used to purchase the raw materials.
- d) As at 30 June 2023, bank borrowings with an aggregate principal amount of approximately RMB2,435,158,000 (31 December 2022: approximately RMB2,199,500,000) were guaranteed by the Holding Company and its subsidiary.

19. SHARE CAPITAL

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Registered, issued and fully paid:		
780,770,000 domestic ordinary shares of RMB1.00 each	780,770	780,770
413,619,000 H shares of RMB1.00 each	<u>413,619</u>	<u>413,619</u>
	<u><u>1,194,389</u></u>	<u><u>1,194,389</u></u>

20. CAPITAL COMMITMENTS

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Capital expenditure in respect of the acquisition of machinery contracted for but not provided in the condensed consolidated financial statements	<u>10,843</u>	<u>254,451</u>

21. DISPOSAL OF SUBSIDIARIES

- (a) On 8 April 2023, the Company disposed of its 100% equity interest in a subsidiary, 山東魯藤紡織有限公司 Shandong Luteng Textile Company Limited* (“**Shandong Luteng**”) which was not engaged in any business operation prior to the disposal, at a cash consideration of approximately RMB85,000. The Group lost its control over Shandong Luteng and Shandong Luteng ceased to be the subsidiary of the Group after the completion of abovementioned disposal on 8 April 2023. The net assets of Shandong Luteng at the date when its control was lost were as follows:

Consideration received:

	<i>RMB'000</i> (Unaudited)
Cash received	<u><u>85</u></u>

* For identification purpose only

	<i>RMB'000</i> (Unaudited)
Net assets, over which control was lost, disposed of	<u>85</u>
Gain on disposal of a subsidiary:	
	<i>RMB'000</i> (Unaudited)
Consideration received	85
Net assets disposed of	<u>(85)</u>
Gain on disposal	<u>–</u>
Net cash outflow arising on disposal	
	<i>RMB'000</i> (Unaudited)
Cash consideration	85
Less: bank balances and cash disposed of	<u>(4,316)</u>
	<u>(4,231)</u>

- (b) On 8 April 2023, the Company disposed of its 100% equity interest in a subsidiary, 山東濱藤紡織有限公司 Shandong Binteng Textile Company Limited* (“**Shandong Binteng**”) which was not engaged in any business operation prior to the disposal, at a cash consideration of approximately RMB411,000. The Group lost its control over Shandong Binteng and Shandong Binteng ceased to be the subsidiary of the Group after the completion of abovementioned disposal on 8 April 2023. The net assets of Shandong Binteng at the date when its control was lost were as follows:

Consideration received:

	<i>RMB'000</i> (Unaudited)
Cash received	<u>411</u>

* For identification purpose only

	<i>RMB'000</i> (Unaudited)
Net assets, over which control was lost, disposed of	<u>411</u>
Gain on disposal of a subsidiary:	
	<i>RMB'000</i> (Unaudited)
Consideration received	411
Net assets disposed of	<u>(411)</u>
Gain on disposal	<u>–</u>
Net cash outflow arising on disposal	
	<i>RMB'000</i> (Unaudited)
Cash consideration	411
Less: bank balances and cash disposed of	<u>(1,943)</u>
	<u>(1,532)</u>

22. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

Related parties	Nature of transaction	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
The Holding Company	Sales of electricity	672,782	1,087,828
	Sales of textile products	7	14,592
	Lease and interest payment	8,315	8,205
	Purchase of water	7,410	2,635
Fellow subsidiaries	Sales of textile products	215,886	224,589
	Gross rental income	400	550
	Processing of textile products	–	9,730
	Purchase of textile products	45,077	4,249
濱州綠動熱電有限公司 Binzhou Lvdong Thermal Power Co., Ltd*	Purchase of steam	7,206	5,458
鄒平縣宏利熱電有限公司 Zouping County Hongli Thermal Power Co., Ltd*	Purchase of steam	2,328	1,780

* For identification purpose only

(b) Commitments with related parties

At the end of the reporting period, in addition to the lease agreements in note 22(a), the Group entered into sales agreements with certain fellow subsidiaries for sale commitments which are expected to be fulfilled before the end of 2023.

(c) Compensation to key management personnel

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

	For the six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Short-term benefits	2,604	2,588
Post-employment benefits	144	132
	<u>2,748</u>	<u>2,720</u>

CHAIRMAN'S STATEMENT

It is my pleasure to present on behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Weiqiao Textile Company Limited the unaudited consolidated interim results of the Group for the six months ended 30 June 2023 (the “**Period**” or the “**Period under Review**”).

In the first half of 2023, the global economy was complicated. With an unstable foundation for the continuous recovery of the domestic economy, China's textile industry was faced with various challenges such as rising production costs, sluggish overseas market demand and adjustment to the global supply chain landscape, causing key operation indicators of the textile industry such as production, efficiency and investment to be under pressure. In the face of a complex internal and external environment, the business and operations of the Group were also unfavourably impacted.

During the Period, the Group proactively coped with market challenges, making strenuous efforts to maintain stable production and sales while maintaining its share in the domestic and international markets. During the Period, revenue for the Group was approximately RMB7,951 million, representing a decrease of approximately 4.1% as compared to that for the corresponding period of last year; net loss attributable to owners of the Company amounted to approximately RMB504 million; while loss per share was approximately RMB0.42.

During the Period, the Group continued to promote intelligent and automated transformation, and to accelerate the promotion of industrial transformation and upgrading. The Group is actively promoting the development of the end-to-end intelligent textile production line, the Self-winding Automated Yarn Transportation Project (自絡自動運紗項目) and the Automated Yarn Insertion Project (自動插紗項目).

During the Period, the Group made new progress in its innovative efforts. The Key Technology and Industrialisation of the Dimensional Cross-scale Micro-Nano Fiber Embedded Yarn Project (微納米纖維跨尺度鑲嵌紡關鍵技術及產業化項目), a technology guidance project of China National Textile and Apparel Council, has passed the result verification, with its technology reaching the international leading standard. The Key Technology and Application of the Automated Robot for the Textile Material Industry Demonstration Project (面向織材行業機器人自動化關鍵技術及應用示範項目), a key national project with its research and development led by the Company, has commenced. Two projects of the Group entered the first batch of the 2023 technological innovation programme of Shandong Province (技術創新項目計劃), while three products of the Group were listed into the China Yarns Trends (中國紗線流行趨勢) “2023/2024 Recommended Product List”.

Looking forward to the second half of 2023, with the overall PRC economy and society returning to normalised operations and the macro policies showing noticeable effects, it is expected that the PRC economy will rebound and maintain its resilience. However, as the on-going weakening of growth momentum of the major overseas economies is expected and the consumption expectation for the short term is unpromising, textile enterprises will remain under pressure in terms of export and destocking.

In the second half of the year, the Group will further step up efforts in technology innovation and increase investments with a focus on the development of functional products, intelligent manufacturing and transformation towards digital and green operations. Meanwhile, the Group will keep a close watch on the development dynamics of the textile industry at home and abroad, taking various measures to broaden sales channels and actively exploring new markets. The Group will continue to promote management innovation, enhance its capability of high-end manufacturing, and facilitate the improvement of qualitative benefits.

The management of Weiqiao Textile and I would like to express our sincere gratitude to the shareholders for their unwavering support towards the Group. The Group will continue to give full play to our leadership in the industry and collaborate with our customers, shareholders and business partners to contribute to the promotion of industrial transformation and upgrading. Together, we will create a better future.

Ms. Zhang Hongxia

Chairman

Hong Kong, the PRC

11 August 2023

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

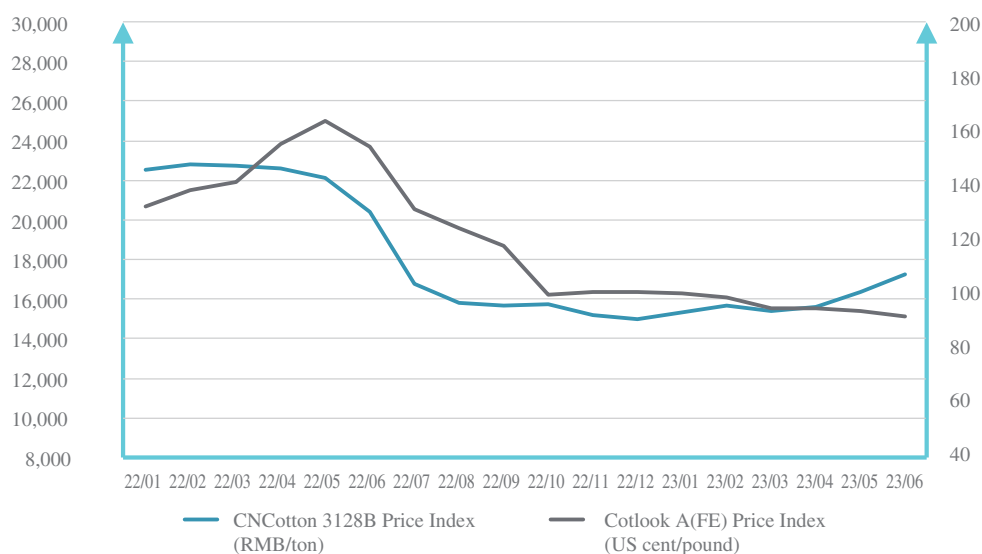
During the Period under Review, with the PRC economy returning to normalised operations, the domestic sales of China's textile industry showed a trend of gradual recovery. However, under the impact of various unfavourable factors such as the complex international trade environment as well as the high production costs, China's textile industry was under pressure during the first half of the year, with its export remaining sluggish.

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 Period amounted to approximately RMB683.4 billion, representing a period-on-period increase of approximately 12.8%.

In terms of overseas sales, under the impact of factors such as the sluggish international trade demand and the restructuring of the global supply chain, overseas demand for textile products and apparel remained sluggish in the first half of the year. China's export of textile products and apparel for the Period was approximately US\$142.7 billion, representing a period-on-period decrease of approximately 8.3%. The growth rate decreased by approximately 20.5 percentage points as compared to that for the same period of last year. (Data source: General Administration of Customs of the People's Republic of China)

In terms of textile raw materials, China’s domestic cotton prices showed an unsteady increase during the Period due to the expectation of a tightened supply in the long and medium term, while the international cotton prices showed a downward trend due to the impact of various factors such as the performance of the consumer market falling short of expectation and the macro risks. During the Period, CNCotton 3128B Price Index recorded a highest price of approximately RMB17,280 per ton, a lowest price of approximately RMB15,311 per ton and an average price of approximately RMB15,942 per ton which represented a period-on-period decrease of approximately 28.2%; the Cotlook A(FE) Price Index recorded a highest price of approximately US100.3 cents per pound, a lowest price of approximately US92.5 cents per pound and an average price of approximately US96.1 cents per pound which represented a period-on-period decrease of approximately 34.8%. The movements of CNCotton 3128B Price Index and Cotlook A(FE) Price Index during 2022 and the first half of 2023 were as follows:

The movement of CNCotton 3128B Price Index and Cotlook A (FE) Price Index during 2022 and the first half of 2023

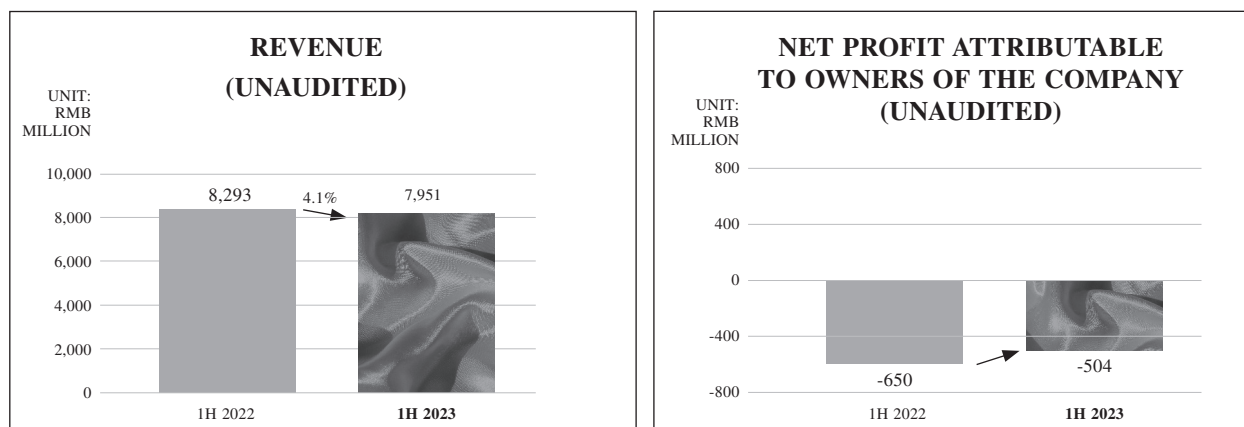


Data source: China Cotton Association

In terms of the raw materials for electricity, during the Period, due to the demand-and-supply trend becoming less tightened as a result of steady growth in domestic coal output in the PRC, the increase in the transportation capacity of major railway transportation routes, and in the meantime the substantial increase in the volume of imported coal, the domestic coal price in the PRC showed a significant downward trend.

BUSINESS REVIEW

For the six months ended 30 June 2023 and the corresponding period of 2022, the Group's unaudited revenue and the net profit attributable to owners of the Company, together with the comparative figures are as follows:

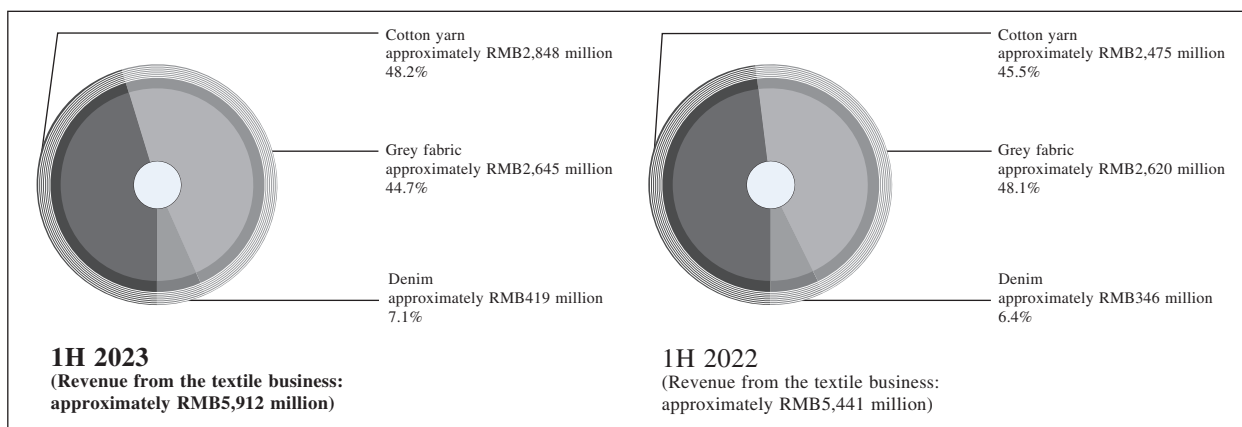


For the six months ended 30 June 2023, the Group recorded revenue of approximately RMB7,951 million, representing a decrease of approximately 4.1% as compared to that for the corresponding period of 2022, where the revenue from textile products was approximately RMB5,912 million, representing a period-on-period increase of approximately 8.7%, which was mainly attributable to, on one hand, the continuous recovery of the domestic textile product market during the Period with an increase in the overall demand for textile products and a period-on-period increase in the sales volume of cotton textile products of the Group; and, on the other hand, the Group adopted a flexible sales strategy to maintain a relatively stable market share. The revenue from electricity and steam was approximately RMB2,039 million, representing a period-on-period decrease of approximately 28.5%, which was mainly attributable to the decrease in electricity sales volume as compared to that for the corresponding period of last year due to the impact of the adjustments to macro policies and the decreased demand from the downstream market, resulting in a corresponding decrease in the revenue.

During the Period, the net loss attributable to owners of the Company was approximately RMB504 million, which was mainly because (1) the production costs for the Group's textile products increased due to the unsteady increase in the price of cotton lint. Despite the increase in the sales prices of the Group's textile products, the extent of increase in product price was exceeded by the extent of increase in the production costs; and (2) although the Group maintained a profit in the electricity business, the sales volume of electricity decreased as compared to that for the corresponding period of last year, leading to a period-on-period decrease in gross profit; meanwhile, the Group made an impairment provision for certain electricity assets based on the operation conditions of the electricity assets.

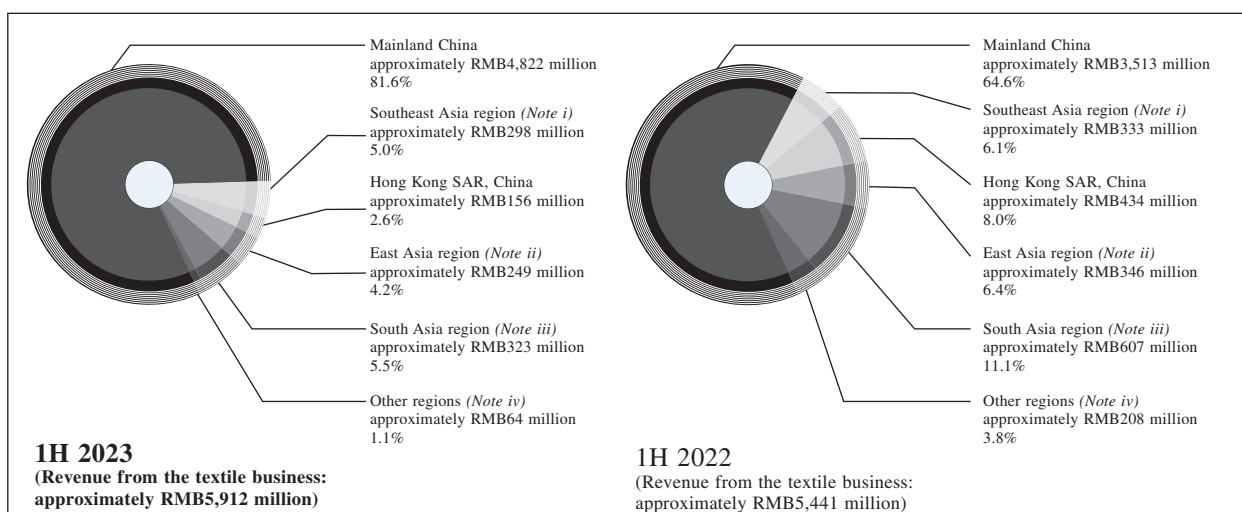
TEXTILE BUSINESS

The charts below are the comparison of the breakdown of revenue from the Group's textile products by categories of products for the six months ended 30 June 2023 and the corresponding period of 2022, respectively:



For the six months ended 30 June 2023, the revenue from the Group's cotton yarn, grey fabric and denim, respectively, accounted for approximately 48.2%, 44.7% and 7.1% of the revenue from the textile business, and revenue proportion of each of these three categories of products showed insignificant changes as compared to that for the corresponding period of last year.

The charts below are the comparison of the breakdown of revenue from the Group's textile products by geographical location for the six months ended 30 June 2023 and the corresponding period of 2022, respectively:



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

For the six months ended 30 June 2023, revenue generated from overseas and domestic sales accounted for approximately 18.4% and approximately 81.6% of the Group's revenue of textile products, respectively. The proportion of domestic sales increased as compared to that for the corresponding period of 2022, which was mainly attributable to the continuous recovery of the textile domestic sales market and the increase in domestic sales volume during the Period. Meanwhile, the proportion of export market decreased under the impact of the slowdown in the international market demand and the accelerated adjustment to the global supply chain landscape.

During the Period under Review, the Group adjusted the production plans based on market demand situation in a timely manner. The output of the Group's cotton yarn was approximately 216,000 tons, representing an increase of approximately 8.0% as compared to that for the corresponding period of last year; the output of grey fabric was approximately 353 million meters, representing a decrease of approximately 0.6% as compared to that for the corresponding period of last year; the output of denim was approximately 33 million meters, representing an increase of approximately 22.2% as compared to that for the corresponding period of last year.

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

ELECTRICITY AND STEAM BUSINESS

As at 30 June 2023, the installed capacity of the Group's thermal power assets amounted to 2,760 MW, which was in line with the installed capacity for the corresponding period of 2022. For the first half of 2023, the revenue from the Group's sales of electricity and steam amounted to approximately RMB2,039 million, representing a decrease of approximately 28.5% as compared to that for the corresponding period of last year. During the Period, the power generation amount of the Group was approximately 4,932 million kWh, representing a decrease of approximately 24.4% as compared to that for the corresponding period of last year; the sales volume of electricity amounted to approximately 3,746 million kWh, representing a decrease of approximately 24.8% as compared to that for the corresponding period of last year, which was mainly attributable to a corresponding decrease in electricity sales volume as a result of the impact of the adjustments to macro policies and the decreased demands for electricity from downstream customers during the Period.

During the Period under Review, the average utilisation hours of the power generating units of the Group amounted to approximately 1,787 hours, representing a decrease of 578 hours as compared to approximately 2,365 hours recorded for the corresponding period of last year.

FINANCIAL REVIEW

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

The table below is an analysis of the Group's gross profit (loss) and gross profit (loss) margin attributable to its major products for the six months ended 30 June 2023 and the corresponding period in 2022, respectively:

Product categories	For the six months ended 30 June					
	2023			2022		
	Revenue <i>RMB'000</i>	Gross profit (loss) <i>RMB'000</i>	Gross profit (loss) margin %	Revenue <i>RMB'000</i>	Gross profit (loss) <i>RMB'000</i>	Gross profit (loss) margin %
Cotton yarn	2,847,688	8,423	0.3	2,474,531	(142,093)	(5.7)
Grey fabric	2,644,879	(131,763)	(5.0)	2,619,927	(438,589)	(16.7)
Denim	419,628	37,341	8.9	346,261	549	0.2
Electricity and steam	<u>2,038,947</u>	<u>107,999</u>	<u>5.3</u>	<u>2,852,315</u>	<u>160,914</u>	<u>5.6</u>
Total	<u>7,951,142</u>	<u>22,000</u>	<u>0.3</u>	<u>8,293,034</u>	<u>(419,219)</u>	<u>(5.1)</u>

For the six months ended 30 June 2023, the gross loss from the sales of textile products of the Group was approximately RMB86 million. The gross loss margin was approximately 1.5%, which was mainly because, during the Period, the extent of increase in the sales prices of the Group's textile products was exceeded by the extent of increase in the production costs due to the unsteady increase in the price of cotton lint, which is the major raw material for the Group's production of textile products, thereby contributing to the gross loss of the Group's textile business. The gross profit from the sales of electricity and steam of the Group decreased by approximately 32.9% from that for the corresponding period of 2022 to approximately RMB108 million, and the gross profit margin was approximately 5.3%, down by approximately 0.3 percentage point from that for the corresponding period of 2022, which was mainly attributable to the period-on-period decrease in electricity sales volume during the Period, leading to a decrease in gross profit as compared to that for the corresponding period of last year.

Selling and Distribution Expenses

For the six months ended 30 June 2023, the Group's selling and distribution expenses were approximately RMB93 million, representing a decrease of approximately 28.5% as compared to approximately RMB130 million for the corresponding period of last year. Among these expenses, transportation costs amounted to approximately RMB50 million, representing a decrease of approximately 46.8% from approximately RMB94 million for the corresponding period of last year, which was mainly attributable to the decrease in unit ocean freight and the decrease in overseas sales volume during the Period. The salary for sales staff was approximately RMB15 million, representing an increase of approximately 36.4% from approximately RMB11 million for the corresponding period of last year, which was mainly attributable to the increase in domestic sales volume of the Group's textile products during the Period. Sales commission was approximately RMB8 million, representing a decrease of approximately 11.1% from approximately RMB9 million for the corresponding period of last year, which was mainly attributable to the decrease in revenue from export of textile products by the Group during the Period.

Administrative Expenses

For the six months ended 30 June 2023, the administrative expenses of the Group were approximately RMB169 million, representing a decrease of approximately 1.2% from approximately RMB171 million for the corresponding period of last year, which showed an insignificant change.

Other Expenses

For the six months ended 30 June 2023, the other expenses of the Group were approximately RMB220 million, representing an increase of approximately 746.2% from approximately RMB26 million for the corresponding period of last year, which was mainly attributable to the impairment provision made by the Group for certain electricity assets based on the operation condition of the electricity assets.

Finance Costs

For the six months ended 30 June 2023, the finance costs of the Group were approximately RMB120 million, representing an increase of approximately RMB52 million from approximately RMB68 million for the corresponding period of last year, which was mainly due to the increase in certain bank borrowings as the Group enhanced its cooperation with financial institutions in the second half of 2022 based on the consideration of the complex and changing macro market environment and the promotion of steady development of the Group in the future.

Income Tax Expenses

The income tax expenses of the Group increased from approximately RMB3 million to approximately RMB80 million for the first half of 2023, which was mainly attributable to the decrease in deferred income tax provision for allowances for inventories of the Group during the Period.

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

The net loss attributable to owners of the Company for the six months ended 30 June 2023 amounted to approximately RMB504 million, while the net loss attributable to owners of the Company for the same period of last year amounted to approximately RMB650 million.

For the six months ended 30 June 2023, the loss per share of the Company was approximately RMB0.42.

Liquidity and Financial Resources

The working capital of the Group is mainly financed by cash inflow from operating activities and cash reserve. For the six months ended 30 June 2023, the Group recorded a net cash outflow from operating activities of approximately RMB1,376 million, a net cash inflow from investing activities of approximately RMB150 million and a net cash outflow from financing activities of approximately RMB67 million.

As at 30 June 2023, cash and cash equivalents of the Group were approximately RMB10,110 million, representing a decrease of approximately 11.3% from approximately RMB11,402 million as at 31 December 2022, which was mainly attributable to the net cash outflow from operating activities of the Group during the Period.

For the six months ended 30 June 2023, the average turnover days of the Group's receivables were 6 days, representing a decrease of 6 days from 12 days for the corresponding period of 2022, which was mainly attributable to the decrease in export orders settled with letters of credit.

For the six months ended 30 June 2023, the inventory turnover days of the Group were 72 days, which remained the same as that for the corresponding period of last year.

For the six months ended 30 June 2023, the Group did not use financial derivative instruments (corresponding period of 2022: 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 to maintain a satisfactory capital ratio in order to support its business operations and maximise shareholders' interests.

As at 30 June 2023, the liabilities of the Group were mainly bank loans totalling approximately RMB4,864 million (31 December 2022: approximately RMB4,811 million). As at 30 June 2023, the Group's liability-to-asset ratio was approximately 30.8% (31 December 2022: approximately 32.1%).

As at 30 June 2023, all of the Group's bank borrowings were fixed interest rate borrowings.

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

As at 30 June 2023, 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 3.5% of the total amount.

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

Employees and Remuneration Policies

As at 30 June 2023, the Group had a total of approximately 39,000 employees, representing a decrease of approximately 1,000 employees as compared to that for the corresponding period of last year. The decrease in the number of employees was mainly the normal employee turnover during the Period. Total staff costs of the Group during the Period amounted to approximately RMB1,740 million, representing a decrease of approximately 20.5% from approximately RMB2,189 million for the corresponding period of last year, which was mainly attributable to the further improvement in welfare benefits by the Group for its employees in the same period of last year.

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

Exposure to Foreign Exchange Risks

The Group adopts a strict and prudent policy in managing exchange rate risks. Export revenue and import procurement of the Group are settled in US dollars, and a portion of bank deposits are denominated in US dollars. For the six months ended 30 June 2023, approximately 18.4% of the Group's revenue and approximately 22.5% of the costs for the procurement of cotton were denominated in US dollars. For the six months ended 30 June 2023, the Group recorded an exchange gain of approximately RMB26 million due to fluctuations in the RMB/USD exchange rate during the Period. During the Period, the Group did not experience any significant difficulties or impacts on the operations or liquidity as a result of the fluctuations in currency exchange rates. The Directors believe that the Group 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.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the six months ended 30 June 2023, the Company did not have any material acquisition or disposal of subsidiaries, associates or joint ventures (corresponding period of 2022: Nil).

Significant Investments Held

During the six months ended 30 June 2023, the Group did not hold any significant investment which had a significant impact on the Group's overall operation (corresponding period of 2022: Nil).

Future Plans for Material Investments or Acquisitions of Capital Assets

During the six months ended 30 June 2023, there was no material plan approved by the Group for investment or acquisition of capital assets (corresponding period of 2022: Nil).

Pledged Assets

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

Capital Commitments

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

Contingent Liabilities

As at 30 June 2023, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2023 and up to the date of this interim results announcement, no material event affecting the Group has occurred.

OUTLOOK

Looking forward to the second half of 2023, the prospect of global economic recovery remains uncertain. Monetary contraction by the developed economies is ongoing and the foundation for recovery of the PRC domestic economy is still unstable. However, the continuous accumulation and enhancement of the endogenous power for economic growth of China is expected to support the domestic demands for China's 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 the domestic and international situation and the industry dynamics, 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 basis of endeavouring to stabilise and secure orders from traditional developed economies, the Group will actively explore markets in countries along the route of the "Belt and Road" initiative and further unearth the potential of growth in trade in diversified markets. On the production front, the Group will continue to enhance its automated, intelligent and green production levels and strengthen enterprise competitiveness. On the product front, being guided by market demands and giving full play to the enterprise's advantages in terms of integration of industry, education, research and application, the Group will push forward the optimisation and upgrading of product portfolio.

SUPPLEMENTARY INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, to the knowledge of the Directors, supervisors and chief executive of the Company, the following persons (other than the Directors, supervisors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") or recorded in the register required to be kept by the Company under section 336 of the SFO:

Interests in the domestic shares of the Company:

Name of Shareholder	Number of domestic shares <i>(Note i)</i>	Approximate percentage of total issued domestic share capital as at 30 June 2023 <i>(%)</i>	Approximate percentage of total issued share capital as at 30 June 2023 <i>(%)</i>
Shandong Weiqiao Chuangye Group Company Limited (“ 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 <i>(Note ii)</i>	Approximate percentage of total issued H share capital as at 30 June 2023 <i>(%)</i>	Approximate percentage of total issued share capital as at 30 June 2023 <i>(%)</i>
Brandes Investment Partners, L.P.	Investment manager	41,333,000 (Long position) <i>(Note iii)</i>	9.99	3.46
Mellon Financial Corporation	Interest of a controlled corporation	41,073,100 (Long position) <i>(Note iv)</i>	9.93	3.44

Notes:

- i. Unlisted shares.
- ii. Shares listed on the Main Board of the Stock Exchange.
- iii. According to the disclosure of interests dated 13 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 30 June 2023, there was no any other person (other than the Directors, supervisors and chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2023, the interests and short positions of the Directors, supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including 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 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 30 June 2023 (%)	Approximate percentage of total issued share capital as at 30 June 2023 (%)
	Type of interest			
Ms. Zhang Hongxia (Executive Director/Chairman)	Beneficial interest	17,700,400	2.27	1.48

Note: Unlisted shares

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

	Name of associated corporation	Type of interest	Approximate percentage of total issued share capital as at 30 June 2023 (%)
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

Note i: Ms. Zhang Hongxia holds an aggregate of 7.78% equity interests of the Holding Company, of which 5.60% are directly held by Ms. Zhang. The remaining 2.18% equity interests are held by her husband, Mr. Yang Congsen, while Ms. Zhang is deemed to be interested in these equity interests under the SFO.

Note ii: Ms. Zhao Suhua is deemed to be interested in the 3.95% equity interests of the Holding Company held by her husband, Mr. Wei Yingzhao, under the SFO.

Save as disclosed above, as at 30 June 2023, there was no other Directors, supervisors or chief executive of the Company who had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company under section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERIM DIVIDEND

The Board did not recommend any payment of the interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

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 August 2023 to review the Group's interim results and unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023 and give opinions and recommendations to the Board. The Audit Committee also engaged an external auditor to review the interim results and unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023.

REMUNERATION COMMITTEE

The Company has established a remuneration committee in accordance with the corporate governance requirements for listed companies of the Stock Exchange. The objective of this committee is to set out and make suggestions on the appraisal standards for Directors and senior management, and study and review the remuneration policies and arrangements for Directors and senior management. The remuneration committee is composed of three Directors. A remuneration committee meeting was held on 17 March 2023, at which the resolution with regard to Directors' salary and bonus as well as supervisors' remuneration for the year 2023 was passed.

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE CODE

The Company has applied the principles as set out in the CG Code, and has complied with the code provisions as set out in the CG Code for the six months ended 30 June 2023.

DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding Directors' and supervisors' securities transactions on terms no less exacting than the required standards as set out in the Model Code. Having made specific enquiry of all the Directors and supervisors of the Company, the Company confirmed that for the six months ended 30 June 2023, each of the Directors and supervisors of the Company has complied with the required standards set out in the Model Code and the Company's code of conduct regarding Directors' and supervisors' securities transactions.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this announcement will be published on the websites of both the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.wqfz.com>) which contains all the applicable information required by Appendix 16 to the Listing Rules. The printed version of the interim report will be despatched to the shareholders on or before 11 September 2023.

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

Hong Kong, the PRC
11 August 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).*