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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 ANNOUNCEMENT

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance.

The Board wishes to inform the Shareholders and potential investors of the Company that it is expected that there would be a significant decrease in the net profit of the Group for the year ended 31 December 2017 as compared to the net profit for the year ended 31 December 2016.

The information contained in this announcement should only be deemed as a preliminary assessment made by the Board based on the information currently available to the Group. The information contained in this announcement is not based on any figures or information that have been audited or reviewed by the auditors of the Company. Shareholders and potential investors are advised to read carefully the annual results announcement of the Company for the year ended 31 December 2017 which will be published in due course pursuant to the requirements of the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by the board of directors (the “**Board**”) of 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 (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The Board wishes to inform the shareholders of the Company (the “**Shareholders**”) and the potential investors that as the prices of production factors such as cotton and coal kept high, the production cost of Group continued to increase. Meanwhile, as the demand in the cotton textile market remained weak, the increase in the sale prices of the Group’s products was less than the increase in the raw material costs and the sales volume of products has also decreased. It is expected that there would be a significant decrease in the net profit of the Group for the year ended 31 December 2017 as compared to the net profit for the year ended 31 December 2016.

The Board is of the view that the Group’s overall operation remains sound and intact. The Group will further enhance its operational efficiency and strive to reduce its production costs. It will also continue to integrate its internal and external resources in depth and promote its competitiveness in the domestic and overseas markets. Meanwhile, the Group will conduct forward-looking layout, implement green and sustainable development and realize the shift in driving forces. In addition, the Group will also further strengthen the fund management and optimize the debt structure, further reducing the level of liabilities while maintaining the Group’s sustainable operation capacity and sufficient liquidity. During the two years of 2018 and 2019, approximately RMB4 billion of the Group’s corporate bonds will expire, and it is expected that the Company will repay the principal and interest of such bonds on schedule with its cash on hand. After repaying such corporate bonds, the Group’s liabilities are expected to decrease significantly. The Group will also negotiate with various correspondence banks to further optimize the level of liabilities and the cost of liabilities. The Board believes that such measures will further improve capital structure of the Group, reduce funding costs and raise return on equity so as to maximize the Shareholders’ interests. Given that the retained profits of the Company at the current stage have reached a certain scale, the Board will actively consider the possibility and appropriateness of further raising the proportion of dividends in the future and share the achievements of the Company with all Shareholders. Taking into account the long-term development of the Group, the dividend payout ratio is expected not to exceed 50% of the Group’s distributable profits for the year.

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By Order of the Board
Weiqiao Textile Company Limited*
Zhang Jinglei
Executive Director and Company Secretary

12 February 2018
Shandong, the PRC

As at the date of this announcement, the Board comprises nine Directors, namely Ms. Zhang Hongxia, Ms. Zhao Suwen, Ms. Zhang Yanhong and Mr. Zhang Jinglei as executive Directors, Mr. Zhang Shiping and Ms. Zhao Suhua as non-executive Directors and Mr. Wang Naixin, Mr. Chen Shuwen and Mr. George Chan Wing Yau as independent non-executive Directors.

* *For identification purpose only. The Company is registered in Hong Kong as a non-Hong Kong company under the English name “Weiqiao Textile Company Limited” and the Chinese name of the Company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).*