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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 2019**

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Compared to 2018 financial results:

Revenue was approximately RMB15,168 million, representing a decrease of approximately 7.8% over the corresponding period of last year.

Gross profit was approximately RMB961 million, representing a decrease of approximately 44.1% over the corresponding period of last year.

Net profit attributable to owners of the Company was approximately RMB218 million, representing a decrease of approximately 66.1% over the corresponding period of last year.

Earnings per share were approximately RMB0.18, representing a decrease of approximately 66.7%.

The Board has proposed a payment of final dividend of RMB0.064 per share (including tax) for the year ended 31 December 2019.

The board of directors (the "Board") 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 2019 (the "Year" or "Year under Review"). During the Year under Review, the revenue of the Group was approximately RMB15,168 million, representing a decrease of approximately 7.8% over the corresponding period of last year. Net profit attributable to owners of the Company amounted to approximately RMB218 million, with a decrease of approximately 66.1% as compared with 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 2019

	<i>Notes</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Revenue	3	15,167,562	16,455,884
Cost of sales		<u>(14,206,648)</u>	<u>(14,736,265)</u>
Gross profit		960,914	1,719,619
Other income	5	172,943	164,981
Selling and distribution expenses		(146,061)	(166,246)
Administrative expenses		(279,758)	(277,490)
Other expenses		(21,084)	(40,143)
Finance costs	6	(145,850)	(376,475)
Share of profit of an associate		<u>1,245</u>	<u>118</u>
Profit before taxation		542,349	1,024,364
Income tax expenses	7	<u>(326,674)</u>	<u>(381,504)</u>
Profit and total comprehensive income for the year	8	<u>215,675</u>	<u>642,860</u>
Attributable to:			
Owners of the Company		218,338	643,906
Non-controlling interests		<u>(2,663)</u>	<u>(1,046)</u>
		<u>215,675</u>	<u>642,860</u>
Earnings per share attributable to owners of the Company			
Basic and diluted (RMB)	10	<u>0.18</u>	<u>0.54</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<i>Notes</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		10,418,785	10,895,451
Right-of-use assets		405,332	–
Investment properties		20,784	21,522
Prepaid lease payments		–	330,652
Other intangible assets		76	91
Interest in an associate		75,976	74,731
Deposits paid for acquisition of property, plant and equipment		16,458	5,457
Prepayments		–	1,892
Deferred tax assets		96,952	85,711
		<hr/>	<hr/>
Total non-current assets		11,034,363	11,415,507
Current assets			
Inventories		2,765,713	3,161,164
Trade receivables	<i>11</i>	402,190	431,654
Deposits, prepayments and other receivables		239,828	202,415
Pledged deposits		107,782	140,388
Bank balances and cash		9,875,342	9,596,558
		<hr/>	<hr/>
		13,390,855	13,532,179
Non-current assets classified as held for sale		1,271	5,084
		<hr/>	<hr/>
Total current assets		13,392,126	13,537,263
Current liabilities			
Trade payables	<i>12</i>	1,371,593	1,228,881
Other payables and accruals		1,069,470	1,118,338
Lease liabilities		13,336	–
Contract liabilities		171,565	132,216
Income tax payable		1,039,214	993,071
Bank and other borrowings		2,109,350	2,888,105
Deferred income		15,609	17,961
		<hr/>	<hr/>
Total current liabilities		5,790,137	6,378,572
		<hr/>	<hr/>
Net current assets		7,601,989	7,158,691
		<hr/>	<hr/>
Total assets less current liabilities		18,636,352	18,574,198
		<hr/> <hr/>	<hr/> <hr/>

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Equity		
Share capital	1,194,389	1,194,389
Reserves	<u>17,220,557</u>	<u>17,200,010</u>
Equity attributable to owners of the Company	18,414,946	18,394,399
Non-controlling interests	<u>11,788</u>	<u>14,451</u>
Total equity	<u>18,426,734</u>	<u>18,408,850</u>
Non-current liabilities		
Lease liabilities	61,259	–
Deferred income	143,129	159,495
Deferred tax liabilities	<u>5,230</u>	<u>5,853</u>
Total non-current liabilities	<u>209,618</u>	<u>165,348</u>
Total equity and non-current liabilities	<u><u>18,636,352</u></u>	<u><u>18,574,198</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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 2018	1,194,389	6,692,079	1,766,140	8,276,728	17,929,336	28,862	17,958,198
Profit and total comprehensive income for the year	-	-	-	643,906	643,906	(1,046)	642,860
Final 2017 dividend declared	-	-	-	(179,158)	(179,158)	-	(179,158)
Acquisition of addition interests in subsidiaries	-	315	-	-	315	(13,365)	(13,050)
Transfer from retained profits	-	-	79,082	(79,082)	-	-	-
At 31 December 2018 and 1 January 2019	1,194,389	6,692,394	1,845,222	8,662,394	18,394,399	14,451	18,408,850
Profit and total comprehensive income for the year	-	-	-	218,338	218,338	(2,663)	215,675
Final 2018 dividend declared	-	-	-	(197,791)	(197,791)	-	(197,791)
At 31 December 2019	<u>1,194,389</u>	<u>6,692,394</u>	<u>1,845,222</u>	<u>8,682,941</u>	<u>18,414,946</u>	<u>11,788</u>	<u>18,426,734</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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
OPERATING ACTIVITIES		
Profit before taxation	542,349	1,024,364
Adjustments for:		
Allowance on inventories	135,367	113,607
Amortisation of other intangible assets	15	15
Amortisation of prepaid lease payments	–	8,839
Depreciation of investment properties	738	736
Depreciation of property, plant and equipment	986,337	1,100,979
Depreciation of right-of-use assets	23,642	–
Finance costs	145,850	376,475
Gain on disposal of non-current assets held for sale	(8,438)	(12,869)
Gain on disposal of property, plant and equipment	(11,809)	(10,177)
Government grant	(8,320)	(2,294)
Interest income for bank deposits	(33,126)	(38,972)
Loss on written-off of property, plant and equipment	–	19,548
Release of deferred income	(18,718)	(19,259)
Reversal of allowance for inventories	(528)	(832)
(Reversal of) loss allowance on trade receivables	(588)	36
Reversal of loss allowance on other receivables	(75)	(139)
Share of profit of an associate	(1,245)	(118)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	1,751,451	2,559,939
Decrease (increase) in inventories	260,612	(649,000)
Decrease (increase) in trade receivables	30,052	(31,484)
(Increase) decrease in deposits, prepayments and other receivables	(46,019)	93,790
Increase in trade payables	142,712	260,661
(Decrease) increase in other payables and accruals	(41,924)	103,148
Increase in contract liabilities	39,349	10,682
	<hr/>	<hr/>
Cash generated from operations	2,136,233	2,347,736
Income tax paid	(292,395)	(351,287)
	<hr/>	<hr/>
NET CASH GENERATED FROM OPERATING ACTIVITIES	1,843,838	1,996,449

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(518,800)	(162,018)
Deposit paid for acquisition of property, plant and equipment	(16,458)	(5,457)
Decrease (increase) in pledged deposits	32,606	(107,388)
Bank interest income received	32,583	38,925
Proceeds from disposal of property, plant and equipment	25,124	17,877
Proceeds from disposal of non-current assets held for sale	<u>13,522</u>	<u>36,852</u>
 NET CASH USED IN INVESTING ACTIVITIES	 <u>(431,423)</u>	 <u>(181,209)</u>
FINANCING ACTIVITIES		
Repayment of bank borrowings	(2,299,350)	(3,262,350)
Repayment of corporate bond	(962,755)	(3,000,000)
Dividend paid	(197,791)	(179,158)
Interest paid	(152,794)	(417,150)
Payment of lease liabilities	(12,611)	–
New bank borrowings raised	2,483,350	1,925,350
Government grant received	8,320	4,359
Acquisition of additional interests in subsidiaries	<u>–</u>	<u>(13,050)</u>
 NET CASH USED IN FINANCING ACTIVITIES	 <u>(1,133,631)</u>	 <u>(4,941,999)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 278,784	 (3,126,759)
 CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	 <u>9,596,558</u>	 <u>12,723,317</u>
 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	 <u>9,875,342</u>	 <u>9,596,558</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

Weiqiao Textile Company Limited (the “Company”) is a limited company incorporated in the PRC. The registered office of the Company is located at No. 34, Qidong Road, Weiqiao Town, Zuoping County, 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 its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

The adoption of HKFRS 16 resulted in the changes in the Group’s accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

* For identification purposes only

2.1 Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Group has applied HKFRS 16 *Leases* retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019. Comparative information has not been restated and continued to be reported under HKAS 17 *Leases*.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 *Leases* (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.6%

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group as lessor

The Group leases some of the properties. The accounting policies applicable to the Group as lessor remain substantially unchanged from those under HKAS 17.

The following table summarises the impact of transition to HKFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	<i>Notes</i>	Carrying amount previously reported at 31 December 2018 <i>RMB'000</i>	Impact on adoption of HKFRS 16 <i>RMB'000</i>	Carrying amount as restated at 1 January 2019 <i>RMB'000</i>
Right-of-use assets	<i>(a),(b)</i>	–	425,485	425,485
Prepaid lease payments	<i>(b)</i>	330,652	(330,652)	–
Deposit, prepayment and other receivables	<i>(b)</i>	202,415	(11,116)	191,299
Lease liabilities	<i>(a)</i>	–	83,717	83,717

Notes:

- (a) As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liabilities of approximately RMB83,717,000.
- (b) Prepaid lease payments of approximately RMB339,491,000 (including approximately RMB8,839,000 was classified as deposit, prepayment and other receivables as at 31 December 2018) which represent the upfront payments for leasehold lands in the PRC and the rental prepayment of approximately RMB2,277,000 as at 31 December 2018 were reclassified to right-of-use assets.

Differences between operating lease commitment as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

	<i>RMB'000</i>
Operating lease commitment disclosed as at 31 December 2018	101,431
Less: Short-term leases and other leases with remaining lease term ending on or before 31 December 2019	<u>(552)</u>
	100,879
Discounted using the incremental borrowing rate	<u>(17,162)</u>
Lease liabilities recognised as at 1 January 2019	<u>83,717</u>
Current portion	11,760
Non-current portion	<u>71,957</u>
	<u>83,717</u>

2.2 Practical expedients applied

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease.
- reliance on previous assessments on whether leases are onerous by applying HKAS 37 as an alternative to performing an impairment review.
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective date not yet been determined

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The directors of the Company 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:

	2019 <i>RMB'000</i>	2018 <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	3,807,210	4,183,083
• Grey Fabric	5,397,236	5,523,329
• Denim	697,255	811,050
– Sales of electricity and steam	<u>5,265,861</u>	<u>5,938,422</u>
	<u>15,167,562</u>	<u>16,455,884</u>

Disaggregation of the Group's revenue

For the year ended 31 December 2019	Textile products <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
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Geographical market

Mainland China	6,893,587	5,265,861	12,159,448
Hong Kong, China	934,901	–	934,901
East Asia region	348,207	–	348,207
Southeast Asia region	476,346	–	476,346
South Asia region	941,287	–	941,287
Other regions	<u>307,373</u>	–	<u>307,373</u>
	<u>9,901,701</u>	<u>5,265,861</u>	<u>15,167,562</u>

For the year ended 31 December 2018	Textile products <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
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Geographical market

Mainland China	6,978,518	5,938,422	12,916,940
Hong Kong, China	1,413,689	–	1,413,689
East Asia region	453,912	–	453,912
Southeast Asia region	557,087	–	557,087
South Asia region	636,374	–	636,374
Other regions	<u>477,882</u>	–	<u>477,882</u>
	<u>10,517,462</u>	<u>5,938,422</u>	<u>16,455,884</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 sale 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 Year Ended 31 December 2019

	Textile products RMB’000	Electricity and steam RMB’000	Total RMB’000
External revenue	9,901,701	5,265,861	15,167,562
Intersegment revenue	–	740,714	740,714
Segment revenue	<u>9,901,701</u>	<u>6,006,575</u>	15,908,276
Eliminations			<u>(740,714)</u>
Group revenue			<u>15,167,562</u>
Segment (loss) profit	<u>(522,671)</u>	<u>1,263,023</u>	740,352
Unallocated income			172,943
Unallocated corporate expenses			(230,980)
Unallocated finance costs			(141,211)
Share of profit of an associate			<u>1,245</u>
Profit before tax			<u>542,349</u>

For the year ended 31 December 2018

	Textile products RMB'000	Electricity and steam RMB'000	Total RMB'000
External revenue	10,517,462	5,938,422	16,455,884
Intersegment revenue	<u>–</u>	<u>787,532</u>	<u>787,532</u>
Segment revenue	<u>10,517,462</u>	<u>6,725,954</u>	17,243,416
Eliminations			<u>(787,532)</u>
Group revenue			<u>16,455,884</u>
Segment profit	<u>131,117</u>	<u>1,354,148</u>	1,485,265
Unallocated income			164,981
Unallocated corporate expenses			(249,525)
Unallocated finance costs			(376,475)
Share of profit of an associate			<u>118</u>
Profit before tax			<u>1,024,364</u>

Segment (loss) profit represents the (loss) profit earned of each segment without allocation of central administration costs, directors' emoluments, other income, interest on bank loans and corporate bonds and share of profit of an associate. This is the measure reported to the directors of the Company 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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Textile products	7,552,953	7,600,901
Electricity and steam	6,506,696	7,302,228
Total segment assets	14,059,649	14,903,129
Interest in an associate	75,976	74,731
Corporate and other assets	10,290,864	9,974,910
Total assets	24,426,489	24,952,770

Segment liabilities

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Textile products	1,641,916	1,535,918
Electricity and steam	893,460	807,722
Total segment liabilities	2,535,376	2,343,640
Corporate and other liabilities	3,464,379	4,200,280
Total liabilities	5,999,755	6,543,920

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

- All assets are allocated to operating segment, other than other intangible assets, investment 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 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 and other 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 2019

	Textile products <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Amounts include in the measure of segment profit or segment assets:				
Addition to non-current assets (<i>Note</i>)	269,488	258,258	–	527,746
Depreciation and amortisation	613,360	363,054	38,415	1,014,829
Reversal of allowances for inventories	(528)	–	–	(528)
Allowances for inventories	135,367	–	–	135,367
Reversal of loss allowance on trade and other receivables	(663)	–	–	(663)
Gain on disposal of property, plant and equipment	(11,809)	–	–	(11,809)
Gain on disposal of non-current assets held for sale	(8,438)	–	–	(8,438)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interest income	–	–	(33,126)	(33,126)
Interest expense	4,572	67	141,211	145,850
Investment in an associate	–	–	75,976	75,976
Share of profit of an associate	–	–	(1,245)	(1,245)
Income tax expense	–	–	326,674	326,674

For the year ended 31 December 2018

	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>)	72,665	94,731	–	167,396
Depreciation and amortisation	617,637	461,374	31,558	1,110,569
Reversal of allowances for inventories	(832)	–	–	(832)
Allowances for inventories	113,607	–	–	113,607
Impairment loss on trade receivables	36	–	–	36
Reversal of loss allowance on other receivables	(139)	–	–	(139)
Gain on disposal of property, plant and equipment	(10,177)	–	–	(10,177)
Gain on disposal of non-current assets held for sale	(12,869)	–	–	(12,869)
Loss on written-off on property, plant and equipment	19,548	–	–	19,548
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interest income	–	–	(38,972)	(38,972)
Interest expense	–	–	376,475	376,475
Investment in an associate	–	–	74,731	74,731
Share of profit of an associate	–	–	(118)	(118)
Income tax expense	–	–	381,504	381,504

Note: Non-current assets included property, plant and equipment, investment properties, right-of-use assets and other intangible assets for the year ended 31 December 2019 (2018: property, plant and equipment, investment properties, prepaid lease payments and other intangible assets).

Geographical information

During the years ended 31 December 2019 and 2018, 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 of the operations.

Revenue from external customers

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Mainland China	12,159,448	12,916,940
Hong Kong, the PRC	934,901	1,413,689
East Asia region	348,207	453,912
Southeast Asia region	476,346	557,087
South Asia region	941,287	636,374
Other regions	307,373	477,882
	<u>15,167,562</u>	<u>16,455,884</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:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Customer A ¹	2,585,363	3,265,711
Holding Company ¹	<u>2,343,633</u>	<u>2,431,327</u>

¹ Revenue from sales of electricity and steam.

5. OTHER INCOME

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Interest income from bank deposits	33,126	38,972
Release of deferred income	18,718	19,259
Government grants (<i>note</i>)	8,320	2,294
Compensation from suppliers on the supply of sub-standard goods	26,404	24,169
Exchange gain, net	10,206	6,610
Gain on sale of waste and spare parts	54,144	48,316
Gain on disposal of property, plant and equipment	11,809	10,177
Gain on disposal of non-current assets held for sale	8,438	12,869
Gross rental income	734	770
Reversal of loss allowance for trade and other receivables	663	139
Others	381	1,406
	<u>172,943</u>	<u>164,981</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 year as the Group fulfilled the relevant granting criteria.

6. FINANCE COSTS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Interest on:		
– bank loans	88,259	152,606
– lease liabilities	4,639	–
– corporate bonds	52,952	223,869
	145,850	376,475

7. INCOME TAX EXPENSES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Current tax:		
PRC Enterprises Income Tax (“EIT”)	338,554	362,843
Over-provision in prior years:		
PRC EIT	(16)	–
Deferred taxation	(11,864)	18,661
	326,674	381,504

Notes:

- a) No Hong Kong Profits Tax has been provided for the year ended 31 December 2019 and 2018 as the Group did not have any assessable profits subject to Hong Kong Profits Tax.
- b) Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

8. PROFIT FOR THE YEAR

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Profit for the year has been arrived at after charging (crediting):		
Directors', chief executive's and supervisors' emoluments	5,190	5,249
Salaries, wages, allowances and other benefits	2,893,673	3,046,637
Contributions to retirement benefits scheme (excluding directors', chief executive's and supervisors' emoluments)	<u>251,819</u>	<u>280,099</u>
Total staff costs	<u>3,150,682</u>	<u>3,331,985</u>
Auditor's remuneration	5,917	5,832
Depreciation of property, plant and equipment	986,337	1,100,979
Depreciation of right-of-use assets	23,642	–
Depreciation of investment properties	738	736
Amortisation of prepaid lease payments	–	8,839
Amortisation of other intangible assets	15	15
(Reversal of) loss allowance on trade receivables	(588)	36
(Reversal of) loss allowance on other receivables	(75)	139
Loss on written-off of property, plant and equipment	–	19,548
Allowance for inventories (<i>Note i</i>)	135,367	113,607
Reversal of allowance for inventories (<i>Note ii</i>)	(528)	(832)
Amount of inventories recognised as an expense	14,066,644	14,623,490
Research and development cost (<i>Note iii</i>)	<u>112,909</u>	<u>71,004</u>

Notes:

- (i) Included in cost of sales
- (ii) Included in cost of sales
- (iii) Staff costs of approximately RMB37,534,000 (2018: RMB36,791,000) are included in the research and development cost for the year ended 31 December 2019.

9. DIVIDENDS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
2019 Proposed Final – RMB0.064 (2018: Final – RMB0.1656) per share	<u>76,441</u>	<u>197,791</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of RMB0.064 per share, amounting to a total of RMB76,441,000 (2018: RMB0.1656 per share, amounting to a total of RMB197,791,000) has been proposed by the directors of the Company and is subject to approval by 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. In accordance with the articles of association of the Company, the net profit of the Company for the purpose of profit distribution will be deemed to be the lesser of (i) the net profit determined in accordance with China Accounting Standards for Business Enterprises; and (ii) the net profit determined in accordance with HKFRSs.

10. EARNINGS PER SHARE

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>218,338</u>	<u>643,906</u>

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (<i>'000 shares</i>)	<u>1,194,389</u>	<u>1,194,389</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 2019 and 2018.

11. TRADE RECEIVABLES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Receivables at amortised cost comprise:		
Trade receivables	406,801	436,853
Less: loss allowance for trade receivables	<u>(4,611)</u>	<u>(5,199)</u>
	<u>402,190</u>	<u>431,654</u>

As at 31 December 2019, the gross amount of trade receivables arising from contracts with customers amounted to approximately RMB406,801,000 (2018: RMB436,853,000).

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. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

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.

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	401,604	421,145
91 to 180 days	250	6,388
181 to 365 days	333	3,703
Over 365 days	3	418
	<u>402,190</u>	<u>431,654</u>

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (“ECL”). The ECL 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 past due status is not further distinguished between the Group’s different customer bases.

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

	Weighted average expected loss rate %	Gross carrying amount <i>RMB'000</i>	Loss allowance <i>RMB'000</i>
As at 31 December 2019			
Within 3 months	0.12	402,087	483
3 months to 1 year	1.74	593	10
1 to 2 years	11.51	4	1
2 to 3 years	N/A	–	–
Over 3 years	100.00	4,117	4,117
		<u>406,801</u>	<u>4,611</u>

	Weighted average expected loss rate %	Gross carrying amount <i>RMB'000</i>	Loss allowance <i>RMB'000</i>
As at 31 December 2018			
Within 3 months	0.13	421,694	549
3 months to 1 year	1.98	10,294	203
1 to 2 years	3.19	432	14
2 to 3 years	90.42	2	2
Over 3 years	100.00	<u>4,431</u>	<u>4,431</u>
		<u>436,853</u>	<u>5,199</u>

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
At the beginning of the year	5,199	4,451
Effect on adoption of HKFRS 9	-	712
(Reversal of) loss allowance recognised in profit or loss during the year	<u>(588)</u>	<u>36</u>
At the end of the year	<u>4,611</u>	<u>5,199</u>

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:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Within 90 days	1,263,939	903,072
91 to 180 days	32,317	290,732
181 to 365 days	23,989	8,940
Over 365 days	<u>51,348</u>	<u>26,137</u>
	<u>1,371,593</u>	<u>1,228,881</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 of directors (the "Directors") of the Company the audited consolidated results of the Group for the year ended 31 December 2019.

In 2019, as affected by several adverse factors such as the emergence of trade protectionism, the global economy experienced sluggish growth with weakened market consumption. The PRC economy maintained an overall stable operation with slowdown in growth. Faced with pressure arising from sluggish domestic and overseas market demands and increasing trade risks, the overall profitability of the Chinese textile industry was negatively affected as a result of the general decrease in the sales price of cotton textile products.

In the face of adjustments and changes from the macro economy and the industry, the Group made great efforts in maintaining stable production and operation and sticking to its strategy of business expansion and innovation, so as to continuously improve its competitiveness in the industry and technology innovation capability. During the Year under Review, our electricity business continued to maintain stable operation, while on the textile business front, sales price and gross profit margin of our cotton textile products were under greater pressure, which was due to the persistently sluggish demands for cotton textile products as the downstream customers generally adopted a cautious approach as a result of the impact of various factors including trade frictions. During the Year, the Group recorded revenue of approximately RMB15,168 million, representing a decrease of approximately 7.8% as compared with that of 2018. Net profit attributable to owners of the Company was approximately RMB218 million, representing a decrease of approximately 66.1% as compared with that of 2018. Earnings per share were approximately RMB0.18.

In terms of the textile business, the Group continued to push forward business transformation and upgrading, made great efforts to improve its intelligent operation, and meanwhile optimized its product portfolio in an active manner. During the Year, in order to enhance the production efficiency, the Group built a green and intelligent integrated production line, which was put into production in December 2019, thereby realizing the integration of yarn spinning and weaving as well as the intelligent control over the entire process. The Group continued to focus on the research and development of new products, and has successfully developed and produced a series of new products which received wide recognition from the industry and markets. In particular, the "one-time weaved, duvet-filled 3D graphene seamless comforter (一次織造成型石墨烯立體無縫羽絨被)" was granted "2019 Top Ten Innovative Textile Products (二零一九年度十大類紡織創新產品)" by China National Textile and Apparel Council; two types of fabrics were awarded major single awards in China Eco-friendly Fabric Design Competition and China Fashion Fabrics Design Competition, respectively and selected for the permanent collection by China Silk Museum; ten-odd types of fabrics were granted awards in China International Fabrics Design Competition and other competitions, respectively; and the Company was also granted the honorary title of "2019 China National Textile and Apparel Council Product Development Contribution Award (二零一九年度中國紡織工業聯合會產品開發貢獻獎)".

In terms of the electricity and steam business, the Group continuously improved management efficiency and reduced relevant wastage by adopting refined and modular management. In 2019, the coal price decreased, which, to a certain extent, reduced the costs of the Group's electricity business.

Looking forward to 2020, it is expected that growth in the global economy will remain sluggish. Given the severe impact on domestic industrial production, investment and consumption as well as the transformative impact on global supply chain system brought by the epidemic caused by COVID-19 at the beginning of 2020, the textile industry is expected to be faced with greater challenges and opportunities.

The Group will keep a close watch on developments in the domestic and international arena and the industry. The Group will continue to refine its management, and will make timely adjustment to its operation and sales strategies. Leveraging on the implementation of green and intelligent textile projects, the textile business will promote industrial transformation and upgrading, in an effort to realize the automation and informatization over the entire process, so as to reduce production costs and improve profitability. The Group will stick to the path of developing middle-to-high-end products. As to product upgrade, the Group will continue to strengthen long-term cooperation with various scientific research institutes, increase investments in technology research and development and enhance the synergetic development of industry-university-research projects. As to technology improvement, the Group will uphold the craftsmanship spirit, give full play to the collective wisdom of all employees and constantly improve its reward mechanism. At the same time, the Group will continue to optimize the productivity and operation of its power plants, with an aim to improve its overall profitability. The Group will also further improve its standards for environmental protection, laying a solid foundation for the sustainable and healthy development of the Group.

The management of Weiqiao Textile and I would like to express our gratitude to the shareholders for their unwavering support towards the Group. Amidst the great downward economic pressure, we will uphold the corporate motto of "ambition, pragmatism and innovation", and lead the transformation and upgrading of the industry by leveraging on our role as an industry leader. While continuous efforts will be made to increase its intrinsic value and create maximum returns for its shareholders, the Group is committed to contributing to the sustainable development of society.

Ms. Zhang Hongxia

Chairman

Shandong, the PRC

13 March 2020

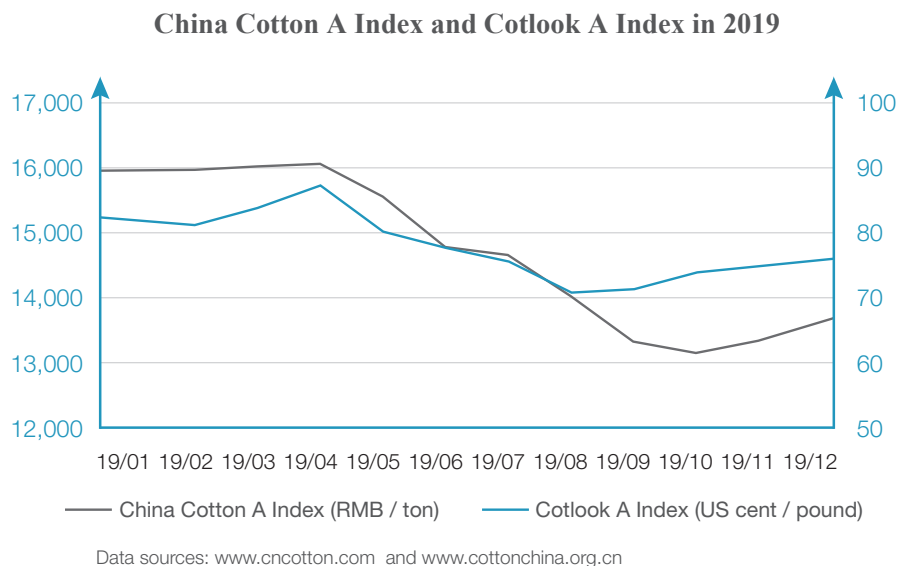
MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

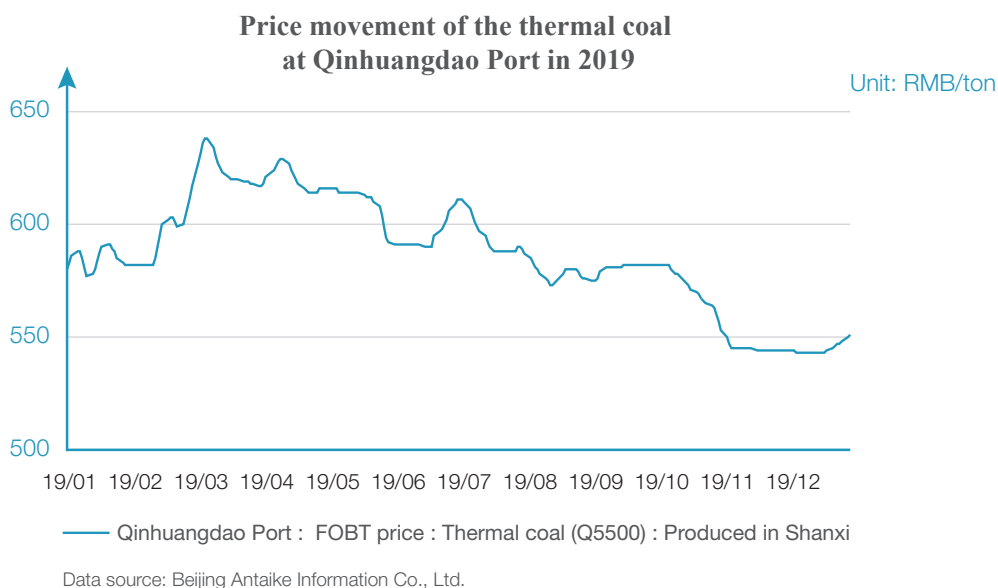
In 2019, we witnessed a slowdown in economic growth due to a complex and changing global political and economic environment and the negative impact from trade frictions. The PRC economy maintained an overall stable operation with increasing downward pressure, and the GDP growth showed a trend of high rate growth followed by a slackening pace of growth. Faced with increasing pressure at both the domestic and overseas markets, the Chinese textile industry continued to push forward the supply-side reform and accelerated business transformation and upgrading, in an effort to achieve steady development.

In 2019, the textile enterprises in China recorded an overall decrease in demand and their gross profit margin was under certain pressure. In terms of overseas demands for textile products, the industry was confronted with sluggish consumption demand. 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\$271.9 billion in 2019, representing a year-on-year decrease of approximately 1.9%. During the same period, the domestic demand potential continued to be released, with slowdown in growth rate. According to the statistics from the National Bureau of Statistics of the PRC, the total retail sales of consumer goods of the country was approximately RMB41,164.9 billion in 2019, representing a year-on-year growth of approximately 8.0%, where the retail sales of apparel, footwear, headwear and knitwear by companies above a designated size in China (with annual revenue of over RMB20 million) amounted to approximately RMB1,351.7 billion, representing a year-on-year growth of approximately 2.9%, which was approximately 5.1 percentage points lower than that of the previous year.

In terms of textile raw materials, as affected by the export constraint due to trade frictions and the sluggish domestic demands, the domestic cotton price showed a trend of overall decrease during this year and bottomed out in October. With the release of newly harvested cotton and the announcement of the national cotton reserve policy in November, the domestic cotton price gradually picked up. In 2019, while the overall cotton output showed an increasing trend all over the world, cotton consumption maintained substantially stable as compared with that of last year, giving rise to certain inventory pressure in the international cotton market. The cotton price in the US recorded an overall decrease throughout the year, but rallied up at the end of the year following the signing of the Phase One Economic and Trade Agreement between China and the US. The movement of China Cotton A Index and Cotlook A Index during 2019 were as follows:

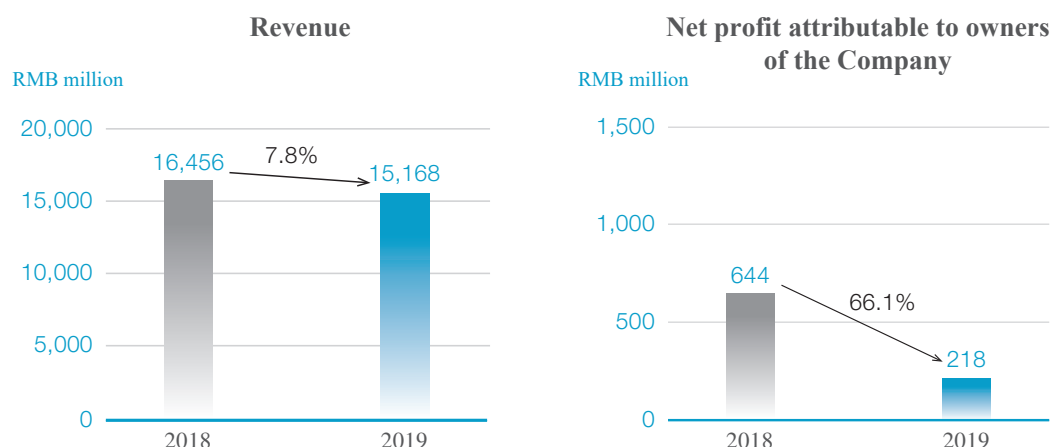


In terms of raw materials for electricity, the coal price showed an overall trend of decrease throughout the year as a result of weakened demands from the domestic industry, gradual increase in domestic coal supply and substantial increase in coal import. The price movement of the thermal coal at Qinhuangdao Port during 2019 was as follows:



BUSINESS REVIEW

For the years ended 31 December 2019 and 2018, the revenue of the Group and net profit attributable to owners of the Company were as follows:



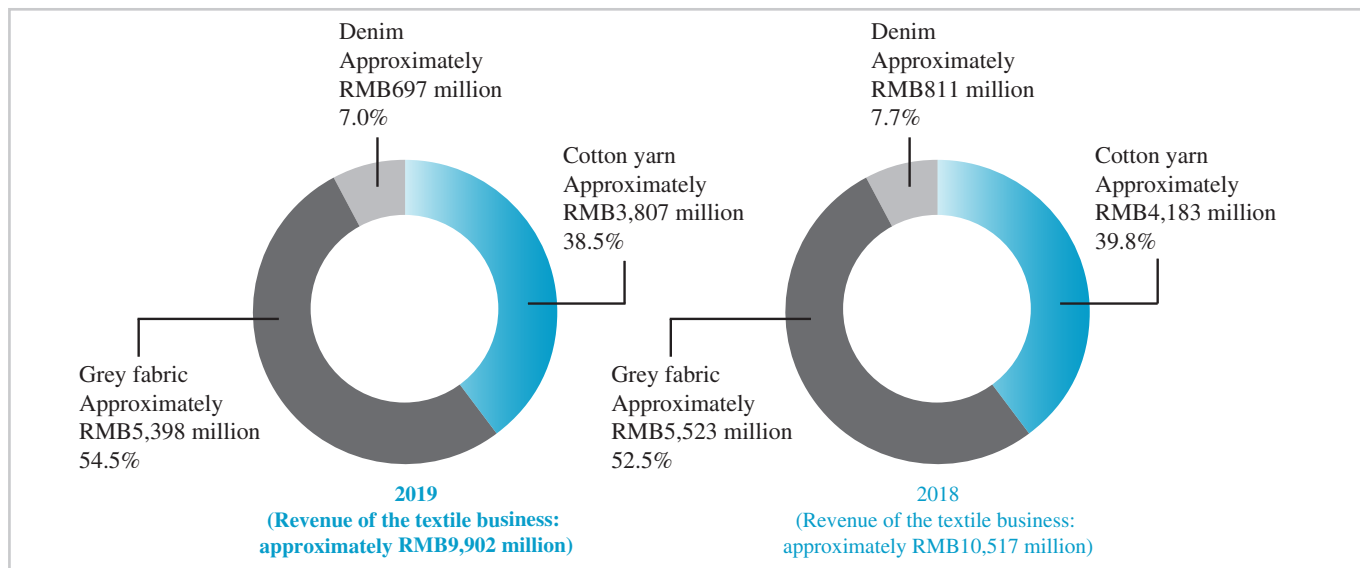
For the year ended 31 December 2019, the Group recorded revenue of approximately RMB15,168 million, representing a decrease of approximately 7.8% as compared with the corresponding period of last year, where the revenue of cotton textile products was approximately RMB9,902 million, representing a decrease of approximately 5.8% over the corresponding period of last year, which was mainly due to the sluggish demand for cotton textile products as the downstream customers generally adopted a cautious approach as a result of impact of various factors including trade frictions, resulting in a decrease in the export orders and sales volume of our cotton textile products.

The revenue of the electricity and steam was approximately RMB5,266 million, representing a decrease of approximately 11.3% over the corresponding period of last year, which was mainly due to the reason that the demand for electricity from the downstream customers decreased as a result of the economic downturn, resulting in a decrease in the Group's sales volume of electricity.

Net profit attributable to owners of the Company amounted to approximately RMB218 million, representing a decrease of approximately 66.1% as compared with the corresponding period of last year, which was mainly due to the sluggish market demands for cotton textile products and the intensified domestic market competition, as being affected by various factors including trade frictions, resulting in the decrease in the unit selling price of the Group's cotton textile products higher than the decrease in the price of major raw materials, leading to a significant decrease in the gross profit of cotton textile products.

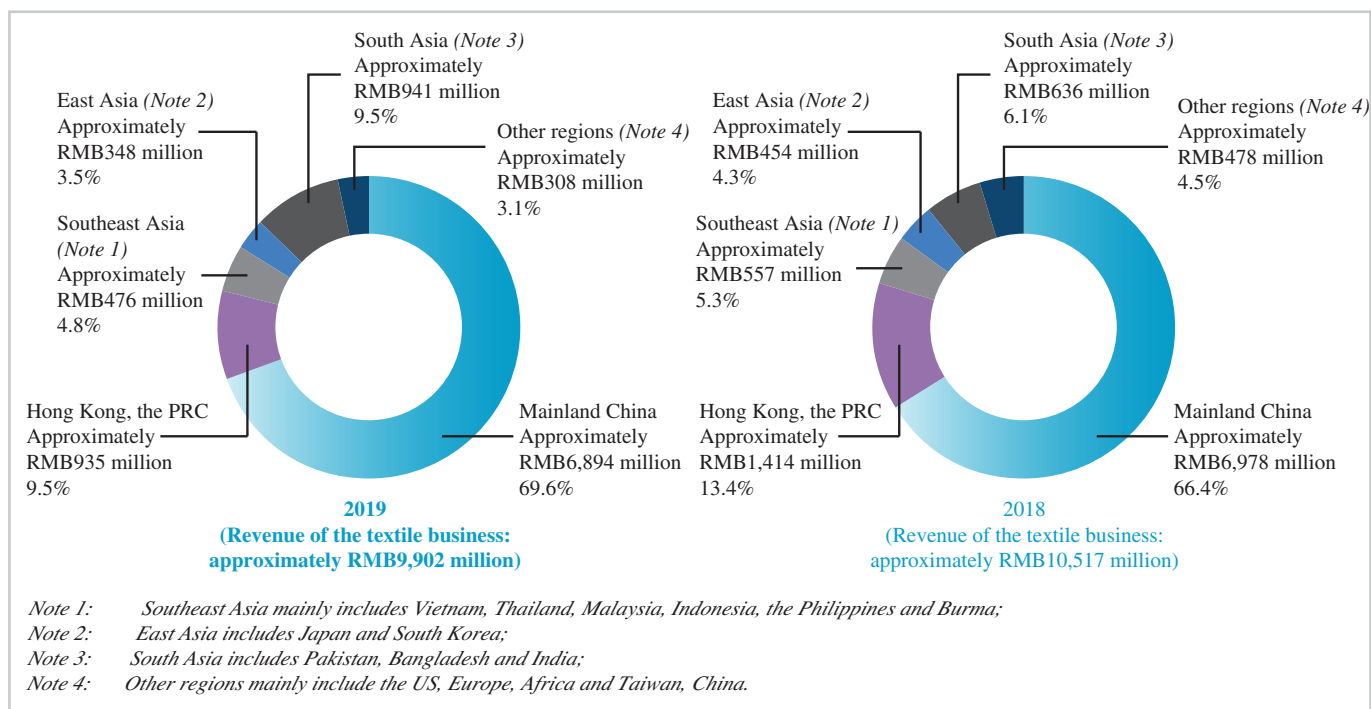
Textile Business

The charts below are the comparison of the breakdown of revenue of the textile business categorized by products for the years ended 31 December 2019 and 2018, respectively:



For the year ended 31 December 2019, each of the revenue of the Group's cotton yarn, grey fabric and denim recorded a decrease over the corresponding period of last year, which was mainly due to the sluggish demand for textile products from the downstream as the downstream customers generally adopted a cautious approach as a result of the impact of various factors including trade frictions and decreasing cotton price, resulting in a decrease in each of the sales volume and unit selling price.

The charts below are the comparison of the breakdown of revenue of the textile business categorized by geographical location for the years ended 31 December 2019 and 2018, respectively:



For the year ended 31 December 2019, the Group continued to implement a sales strategy of placing equal emphasis on domestic sales and overseas sales, generating revenue from the overseas sales and domestic sales of approximately 30.4% and approximately 69.6% of the Group's revenue of textile products, respectively. The decrease of 3.2 percentage points in the proportion of overseas sales as compared with the corresponding period of last year was mainly attributable to the decrease in export orders of the Group due to the impact of various factors including trade frictions, resulting in a decrease in the sales volume. During the Year, the Group proactively explored new markets by stepping up its sales efforts in South Asian markets, the sales in which contributed approximately 9.5% to the revenue of textile business, representing a year-on-year increase of approximately 48.0%.

During the Year under Review, the Group's cotton yarn output was approximately 403,000 tons, representing a decrease of approximately 4.3% as compared with the corresponding period of last year; grey fabric output was approximately 832 million meters, representing a decrease of approximately 7.2% as compared with the corresponding period of last year; denim output was approximately 62 million meters, representing a decrease of approximately 11.4% as compared with the corresponding period of last year.

All production bases of the Group are located in Shandong Province, the PRC. The production and operation of the Group remained steady and all facilities were functioning in good conditions during the Year under Review.

Electricity and Steam Business

As at 31 December 2019, 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 2019, the power generation of the Group was approximately 16,970 million kWh, representing a decrease of approximately 8.5% as compared with the corresponding period of last year; while its electricity sales volume amounted to approximately 14,492 million kWh, representing a decrease of approximately 10.0% over the corresponding period of last year, which was mainly due to the decrease in demand for electricity from downstream customers as being affected by the slowdown in economy growth, resulting in the decrease in the sales volume of electricity accordingly.

For the year ended 31 December 2019, the revenue of the Group's sales of electricity and steam amounted to approximately RMB5,266 million, representing a decrease of approximately 11.3% as compared with the corresponding period of last year. The gross profit thereof was approximately RMB1,303 million, representing a decrease of approximately 9.5% as compared to the corresponding period of last year. The decrease in gross profit from the sales of electricity and steam as compared with the corresponding period of last year was mainly attributable to the decrease in demand for electricity from downstream customers as being affected by the slowdown in economy growth during the Year, resulting in the decrease in the sales volume of electricity accordingly.

The Group fully achieved ultra-low emission by installing flue gas dedusting facilities and desulphurization 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 2019 and 2018, respectively:

Product categories	For the year ended 31 December					
	2019			2018		
	Revenue <i>RMB'000</i>	Gross profit <i>RMB'000</i>	Gross profit margin %	Revenue <i>RMB'000</i>	Gross profit <i>RMB'000</i>	Gross profit margin %
Cotton yarn	3,807,210	(10,006)	(0.3)	4,183,083	168,050	4.0
Grey fabric	5,397,236	(367,873)	(6.8)	5,523,329	6,136	0.1
Denim	697,255	35,480	5.1	811,050	106,546	13.1
Electricity and steam	<u>5,265,861</u>	<u>1,303,313</u>	<u>24.8</u>	<u>5,938,422</u>	<u>1,438,887</u>	<u>24.2</u>
Total	<u>15,167,562</u>	<u>960,914</u>	<u>6.3</u>	<u>16,455,884</u>	<u>1,719,619</u>	<u>10.5</u>

For the year ended 31 December 2019, the gross profit of the sales of textile products of the Group decreased to approximately RMB-342 million as compared with the corresponding period of last year, and the gross profit margin was approximately -3.5%, down by approximately 6.2 percentage points from that of the same period of last year, which was primarily due to the sluggish demand for cotton textile products from downstream and the intensified domestic market competition, as being affected by various factors including trade frictions, resulting in the decrease in the sales price of cotton textile products higher than the decrease in the price of major raw materials, leading to a significant decrease in the gross profit and gross profit margin of cotton textile products. The gross profit from the sales of electricity and steam decreased by approximately 9.5% from the corresponding period of last year to approximately RMB1,303 million, and the gross profit margin was approximately 24.8%, up by approximately 0.6 percentage point from that of the same period of last year, which was primarily due to the decrease in the coal price during the Year.

Selling and Distribution Expenses

For the year ended 31 December 2019, the Group's selling and distribution expenses were approximately RMB146 million, representing a decrease of approximately 12.0% from approximately RMB166 million for the same period of last year. Among these expenses, transportation costs decreased by approximately 16.8% from approximately RMB101 million for the same period of last year to approximately RMB84 million, which was primarily attributable to the decrease in the domestic transportation fee for textile products due to the decrease in the unit transportation fee of the Group during the Year. Salary of the sales staff decreased by approximately 13.2% from approximately RMB38 million for the same period of last year to approximately RMB33 million, which was primarily due to the decrease in the salesmen's salaries as a result of the Company's adjustments to the salesmen's commission policy according to the changes in the textile product market during the Year. Sales commission was approximately RMB14 million, representing a decrease of approximately 12.5% from approximately RMB16 million for the same period of last year, which was primarily due to the decrease in the revenue from overseas sales, resulting in a decrease in commissions paid accordingly.

Administrative Expenses

For the year ended 31 December 2019, the administrative expenses of the Group were approximately RMB280 million, representing an increase of approximately 1.1% from approximately RMB277 million for the corresponding period of last year, which was primarily attributable to the increased investments in research and development activities.

Finance Costs

For the year ended 31 December 2019, the finance costs of the Group were approximately RMB146 million, representing a decrease of approximately 61.2% from approximately RMB376 million for the corresponding period of last year, which was mainly attributable to the redemption of the corporate bonds in the amount of approximately RMB3,000 million and approximately RMB963 million in October 2018 and November 2019, respectively upon maturity by the Company according to the bond terms. The Group will continue to keep an appropriate liability level and further optimize its debt structure according to the market conditions, so as to ensure stable production and operation.

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 2019, the Group recorded a net cash inflow from operating activities of approximately RMB1,844 million, a net cash outflow for investing activities of approximately RMB431 million, and a net cash outflow for financing activities of approximately RMB1,134 million.

As at 31 December 2019, the cash and cash equivalents of the Group were approximately RMB9,875 million, representing an increase of approximately 2.9% as compared with the cash and cash equivalents of approximately RMB9,597 million as at 31 December 2018, which was mainly attributable to the net cash inflow generated from operating activities of the Group during the Year. The Group will continue to take effective measures to ensure adequate liquidity and financial resources to satisfy business needs, and maintain a stable and healthy financial position.

For the year ended 31 December 2019, the average turnover days of the Group's receivables were 10 days, which was basically in line with that of the corresponding period of last year.

For the year ended 31 December 2019, the inventory turnover days of the Group were 76 days, representing an increase of 4 days as compared to 72 days of the corresponding period of last year, which was mainly due to the decrease in the sales of textile products as a result of the effect of several adverse factors such as the emerging trade protectionism during the Year.

For the year ended 31 December 2019 and the corresponding period of last year, the Group did not use derivative financial instruments.

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

For the year ended 31 December 2019, the net profit attributable to owners of the Company was approximately RMB218 million, representing a decrease of approximately 66.1% from approximately RMB644 million for the corresponding period of last year.

For the year ended 31 December 2019, the earnings per share of the Company were RMB0.18, representing a decrease of approximately 66.7% from approximately RMB0.54 for the corresponding period of last year.

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 operation and maximize shareholders' interests. The Group continued to focus on its equity and debt mix to ensure the best capital structure that reduces capital costs.

As at 31 December 2019, the debts of the Group were mainly bank borrowings amounting to approximately RMB2,109 million (31 December 2018: approximately RMB1,925 million). As at 31 December 2019, the Group's gearing ratio (is calculated based on net debt (after deducting the interest-bearing bank and other borrowings of cash and cash equivalent) divided by total equity) was approximately -42.1% (31 December 2018: approximately -36.4%).

The Group manages its interest expenses through a fixed rate and floating rate debt portfolio. As at 31 December 2019, approximately 71.3% of the Group's bank loans were subject to fixed interest rates, while the remaining of approximately 28.7% were subject to floating interest rates.

During the Year, the Group redeemed corporate bonds of approximately RMB963 million upon maturity. In the future, 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.

As at 31 December 2019, the Group's loans 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 3.2% of the total amount.

Employees and Remuneration Policies

As at 31 December 2019, the Group had a total of approximately 50,000 employees, representing a decrease of approximately 2,000 employees as compared with that of last year. This decrease in the number of employees was mainly due to the normal employee turnover during the Year. Total staff costs of the Group for the Year amounted to approximately RMB3,151 million, representing a decrease of approximately 5.4% from approximately RMB3,332 million as recorded for the corresponding period of last year, which was mainly attributable to the decrease in the number of employees of the Group during the Year.

The remuneration of the Group's employees is determined based on their performance, experience and the prevailing industry practice. The remuneration policies and packages of the Group will be periodically 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 training, such as safety training and skills training, to staff 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 2019, approximately 30.4% of the Group's revenue and approximately 27.5% of the purchase costs of cotton were denominated in US dollars. The Group recorded an exchange gain of approximately RMB10 million for the year ended 31 December 2019 due to the depreciation of Renminbi. 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 2019 and 2018, the Group did not have any significant contingent liabilities.

Taxation

For the year ended 31 December 2019, the income tax expense of the Group decreased from approximately RMB382 million in 2018 to approximately RMB327 million, representing a decrease of approximately 14.4%, which was mainly attributable to the decrease in the Group's profit before tax for the Year.

Events after the Reporting Period

Subsequent to 31 December 2019 and up to the date of this announcement, no important event affecting the Group has occurred.

OUTLOOK

Looking forward to 2020, as the complex and uncertain development environment of the Chinese textile industry is expected to continue and the global economic growth may further slow down, the overall export prospect of the textile industry is still challenging. The epidemic caused by COVID-19 at the beginning of 2020 has imposed certain impact on the operation of the textile manufacturing industry and the retail of the downstream apparel and home textile industry in China. However, with the conclusion of the Phase One Economic and Trade Agreement between China and the US, we expect improvement in export demands, and the industry is expected to gradually recover after the end of the epidemic.

In the face of increasingly complicated international and domestic environment, it is essential and urgent for the textile industry to continuously improve its development resilience and tap the potential of the domestic market. Weiqiao Textile will make active response to the government policy, step up efforts to promote industrial upgrading and innovation, so as to achieve high-quality growth. On the production front, the Group will continue to maintain in good condition of existing equipment and actively promote technology improvement and industrial upgrading, so as to implement strict control over the production costs and improve product quality. On the product front, the Group will increase the proportion of mid-to-high-end products based on market demands, and give full play to its advantages in research and development covering the whole industry chain, optimize its product mix based on the target market positioning, and develop new technologies and new products catering to market demands and development trends. On the sales front, while continuing to consolidate its existing market shares in both the domestic and overseas markets, the Group will make greater efforts to explore new markets and adhere to the strategy of placing equal emphasis on domestic sales and overseas sales, with an aim to steadily expand its market share.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, so far as known to any Directors, supervisors and chief executive of the Company, the following persons (other than a Director, supervisor or chief executive of the Company) had interests and 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 (the “SFO”) or recorded in the register required to be kept under Section 336 of the SFO:

Interests in the domestic shares:

Name of Shareholder	Number of domestic shares <i>(Note 1)</i>	Approximate percentage of total issued domestic share capital as at 31 December 2019 <i>(%)</i>	Approximate percentage of total issued share capital as at 31 December 2019 <i>(%)</i>
Holding Company	757,869,600 (Long position)	97.07	63.45
Weiqiao Investment	757,869,600 (Long position) <i>(Note 2)</i>	97.07	63.45

Interests in the H shares:

Name of Shareholder	Type of interest	Number of H shares (Note 3)	Approximate percentage of total issued H share capital as at 31 December 2019 (%)	Approximate percentage of total issued share capital as at 31 December 2019 (%)
Brandes Investment Partners, L.P.	Investment manager	49,524,500 (Long position) (Note 4)	11.97	4.15
Mellon Financial Corporation	Interest of a controlled corporation	41,073,100 (Long position) (Note 5)	9.93	3.44

Note 1: Unlisted shares.

Note 2: Weiqiao Investment holds 39% equity interests in the Holding Company.

Note 3: Shares listed on the Main Board of the Stock Exchange.

Note 4: According to the disclosure of interest published on the website of the Stock Exchange by Brandes Investment Partners, L.P., these 49,524,500 H shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.

Note 5: According to the disclosure of interest 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 best knowledge of the Directors, supervisors and the chief executive of the Company, as at 31 December 2019, there was no other person (not being a Director, supervisor 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 under Section 336 of the SFO.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE COMPANY

As at 31 December 2019, 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 interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; and (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (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:

		Number of domestic shares (<i>Note 1</i>)	Approximate percentage of total issued domestic share capital as at 31 December 2019 (%)	Approximate percentage of total issued share capital as at 31 December 2019 (%)
	Type of interest			
Ms. Zhang Hongxia (<i>Executive Director/Chairman</i>)	Beneficial interest	<u>17,700,400</u>	<u>2.27</u>	<u>1.48</u>

Note 1: 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 2019 (%)
Ms. Zhang Hongxia (Executive Director/Chairman)	Holding Company	Beneficial interest and spouse interest (Note 1)	9.73 (Note 1)
Ms. Zhang Yanhong (Executive Director/Vice Chairman)	Holding Company	Beneficial interest	5.63
Ms. Zhao Suwen (Executive Director)	Holding Company	Beneficial interest	0.38
Ms. Zhao Suhua (Non-executive Director)	Holding Company	Spouse interest (Note 2)	4.93 (Note 2)

Note 1: Ms. Zhang Hongxia holds an aggregate of 9.73% equity interests of the Holding Company, of which 7.00% are directly held by Ms. Zhang Hongxia. The remaining 2.73% 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.

Note 2: Ms. Zhao Suhua is deemed to be interested in the 4.93% equity interests of the Holding Company held by her husband, Mr. Wei Yingzhao, under the SFO.

Save as disclosed above, as at 31 December 2019, none of the Directors, supervisors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or 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 Division 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) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of RMB0.064 (inclusive of tax) per share (the “2019 Final Dividend”) to shareholders of the Company whose names appear on the register of members of the Company as at close of business on 12 June 2020 (Friday), and the dividend will be paid on 26 June 2020. The 2019 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, which stipulates that “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”, and 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 after tax recorded for 2019.

Under the relevant tax rules and regulations of the PRC (collectively the “PRC Tax Law”), the Company is required to withhold 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 H shares register of members of the Company.

In accordance with the PRC Tax Law, the Company is also required to withhold individual income tax when distributing final dividends to individual shareholders whose names appear on the H shares register of members 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 H shares register of members of the Company on the record date with details as follows:

For individual H shareholders who are Hong Kong and Macau residents 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 of 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 in relation to 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 H-share register 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.

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 12 June 2020 (Friday)).

CLOSURE OF REGISTER OF MEMBERS

The Company’s register of members will be closed from 29 April 2020 (Wednesday) to 29 May 2020 (Friday) (both dates inclusive), during which no transfer of shares will be registered. Shareholders of the Company whose names appear on the register of members of the Company on 29 April 2020 (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 Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 28 April 2020 (Tuesday).

The Company’s register of members will be closed from 8 June 2020 (Monday) to 12 June 2020 (Friday) (both dates inclusive), during which no transfer of shares will be registered. Shareholders of the Company whose names appear on the register of members of the Company on 12 June 2020 (Friday) are entitled to the 2019 Final Dividend. In order to qualify for the 2019 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 Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 5 June 2020 (Friday).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has redeemed, purchased or sold any of the Company’s listed securities during the year ended 31 December 2019.

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 13 March 2020 and has reviewed the Group’s annual results and financial statements.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors’ 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, the Company confirmed that for the year ended 31 December 2019, the Directors have complied with the required standards set out in the Model Code and the Company’s code of conduct regarding directors’ securities transactions.

CG CODE

The Company has applied the principles in the CG Code and has been in compliance with all code provisions as set out in the CG Code for the year ended 31 December 2019.

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 shareholders on or before 13 April 2020 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*
Zhang Hongxia
Chairman

Shandong, the PRC
13 March 2020

As at the date of this announcement, the Board comprises eight Directors, namely Ms. Zhang Hongxia, Ms. Zhang Yanhong, 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.

* *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).*