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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 2017**

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

Compared to 2016 financial results:

Revenue was approximately RMB16,373 million, representing an increase of approximately 15.5% over the corresponding period of last year.

Gross profit was approximately RMB1,821 million, representing a decrease of approximately 19.1% over the corresponding period of last year.

Net profit attributable to owners of the Company was approximately RMB522 million, representing a decrease of approximately 47.4% over the corresponding period of last year.

Earnings per share were RMB0.44, representing a decrease of approximately 47.0%.

Proposed a payment of dividend based on approximately 40.1% of the distributable profit for the year ended 31 December 2017, i.e. a final dividend of RMB0.15 per share (including tax).

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 2017 (the "Year" or "Year under Review"). During the Year under Review, the revenue of the Group was approximately RMB16,373 million, representing an increase of approximately 15.5% over the corresponding period of last year. Net profit attributable to owners of the Company amounted to approximately RMB522 million, with a decrease of approximately 47.4% 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 2017

	<i>Notes</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Revenue	3	<u>16,373,385</u>	<u>14,175,446</u>
Cost of sales		<u>(14,552,182)</u>	<u>(11,924,087)</u>
Gross profit		1,821,203	2,251,359
Other income	5	167,036	340,408
Selling and distribution expenses		(159,160)	(165,379)
Administrative expenses		(308,190)	(319,224)
Other expenses		(55,574)	(12,740)
Finance costs	6	(523,073)	(581,415)
Share of profit of an associate		<u>2,613</u>	<u>1,648</u>
Profit before taxation		944,855	1,514,657
Income tax expenses	7	<u>(423,797)</u>	<u>(526,445)</u>
Profit and total comprehensive income for the year	8	<u>521,058</u>	<u>988,212</u>
Attributable to:			
Owners of the Company		522,249	992,706
Non-controlling interests		<u>(1,191)</u>	<u>(4,494)</u>
		<u>521,058</u>	<u>988,212</u>
Earnings per share attributable to the Owners of the Company			
Basic and diluted	10	<u>RMB0.44</u>	<u>RMB0.83</u>

For the years ended 31 December 2017 and 31 December 2016, the Group had no other comprehensive income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	<i>Notes</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		11,857,128	12,835,224
Investment properties		22,258	22,994
Prepaid lease payments		339,491	348,330
Other intangible assets		106	122
Investment in an associate		74,613	72,000
Deposits paid for acquisition of property, plant and equipment		5,378	–
Deferred tax assets		104,690	148,709
		<u>12,403,664</u>	<u>13,427,379</u>
Total non-current assets			
Current assets			
Inventories		2,624,939	3,099,067
Trade receivables	<i>11</i>	400,918	450,470
Deposits, prepayments and other receivables		298,416	480,494
Amount due from immediate holding company		–	2,976,009
Pledged deposits		33,000	90,985
Bank balances and cash		12,723,317	11,292,430
		16,080,590	18,389,455
Non-current assets classified as held for sale		28,221	15,467
		<u>16,108,811</u>	<u>18,404,922</u>
Total current assets			
Current liabilities			
Trade payables	<i>12</i>	968,220	941,598
Other payables and accruals		1,177,399	1,231,077
Income tax payable		981,515	867,107
Amount due to immediate holding company		–	59,060
Bank and other borrowings		6,262,350	3,824,500
Deferred income		18,321	18,322
		<u>9,407,805</u>	<u>6,941,664</u>
Total current liabilities			
Net current assets			
		<u>6,701,006</u>	<u>11,463,258</u>
Total assets less current liabilities			
		<u>19,104,670</u>	<u>24,890,637</u>

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Equity		
Issued capital	1,194,389	1,194,389
Reserves	<u>16,735,860</u>	<u>16,520,606</u>
	17,930,249	17,714,995
Non-controlling interests	<u>28,862</u>	<u>65,743</u>
Total equity	<u>17,959,111</u>	<u>17,780,738</u>
Non-current liabilities		
Bank and other borrowings	962,755	6,926,167
Deferred income	176,329	180,457
Deferred tax liabilities	<u>6,475</u>	<u>3,275</u>
Total non-current liabilities	<u>1,145,559</u>	<u>7,109,899</u>
	<u><u>19,104,670</u></u>	<u><u>24,890,637</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Issued 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 2016	1,194,389	6,664,645	1,586,203	7,579,710	17,024,947	70,237	17,095,184
Profit and total comprehensive income for the year	-	-	-	992,706	992,706	(4,494)	988,212
Final 2015 dividend declared	-	-	-	(302,658)	(302,658)	-	(302,658)
Transfer from retained profits	-	-	104,323	(104,323)	-	-	-
At 31 December 2016	1,194,389	6,664,645	1,690,526	8,165,435	17,714,995	65,743	17,780,738
Profit and total comprehensive income for the year	-	-	-	522,249	522,249	(1,191)	521,058
Final 2016 dividend declared	-	-	-	(334,429)	(334,429)	-	(334,429)
Acquisition of addition interests in subsidiaries	-	27,434	-	-	27,434	(35,690)	(8,256)
Transfer from retained profits	-	-	75,614	(75,614)	-	-	-
At 31 December 2017	<u>1,194,389</u>	<u>6,692,079</u>	<u>1,766,140</u>	<u>8,277,641</u>	<u>17,930,249</u>	<u>28,862</u>	<u>17,959,111</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 2017

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i> (restated)
OPERATING ACTIVITIES		
Profit before taxation	944,855	1,514,657
Adjustments for:		
Finance costs	523,073	581,415
Share of profit of an associate	(2,613)	(1,648)
Interest income	(52,855)	(82,298)
Gain on disposal of available-for-sale investments	–	(86,938)
Recognition of deferred income	(19,029)	(37,791)
Government grant	(8,497)	(869)
Gain on disposal of property, plant and equipment	(12,550)	(6,484)
Gain on disposal of non-current assets held for sale	(11,008)	–
Impairment loss on trade receivables	103	4,793
Impairment loss on inventories	51,005	26,304
Reversal of impairment loss on trade receivables	–	(15,207)
Reversal of allowance for inventories	(166,837)	(196,286)
Depreciation of property, plant and equipment	1,216,221	1,170,405
Depreciation of investment properties	736	776
Amortisation of prepaid lease payments	8,839	8,211
Amortisation of other intangible assets	16	617
	<hr/>	<hr/>
Operating cash flows before movements in working capital	2,471,459	2,879,657
Decrease in inventories	589,960	1,328,550
Decrease (increase) in trade receivables	49,449	(185,786)
Decrease (increase) in deposits, prepayments and other receivables	182,078	(267,597)
Increase in trade payables	26,622	37,182
Increase in other payables and accruals	18,938	66,094
(Decrease) increase in amount due to immediate holding company	(59,060)	59,060
	<hr/>	<hr/>
Cash generated from operations	3,279,446	3,917,160
Income tax paid	(262,170)	(250,990)
	<hr/>	<hr/>
NET CASH GENERATED FROM OPERATING ACTIVITIES	3,017,276	3,666,170

	2017	2016
	RMB'000	RMB'000
		(restated)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(292,802)	(3,790,199)
Prepayment for acquisition of property, plant and equipment	(5,378)	–
Bank interest income received	34,958	32,918
Decrease (increase) in pledged deposits	57,985	(32,040)
Proceeds from disposal of property, plant and equipment	39,006	97,874
Proceed from disposal of non-current asset held for sale	26,475	25,963
Repayment from immediate holding company	2,993,906	1,845,836
Payment to acquire land use right	–	(104,030)
Dividends received from an associate	–	4,125
Proceed from disposal of available-for-sale investments	–	1,384,938
Advance to immediate holding company	–	(4,772,465)
Fund inflow from immediate holding company	–	3,820,000
Fund outflow to immediate holding company	–	(3,820,000)
	<u>–</u>	<u>–</u>
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>2,854,150</u>	<u>(5,307,080)</u>
FINANCING ACTIVITIES		
Repayment of bank borrowings	(4,941,500)	(3,890,850)
Redemption of corporate bonds	(2,037,245)	–
Interest paid	(587,356)	(512,431)
Dividend paid	(334,429)	(302,658)
Acquisition of additional interests in subsidiaries	(8,256)	–
Government grant received	23,397	869
New bank borrowings raised	3,444,850	5,606,500
	<u>–</u>	<u>–</u>
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	<u>(4,440,539)</u>	<u>901,430</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,430,887	(739,480)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>11,292,430</u>	<u>12,031,910</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	<u><u>12,723,317</u></u>	<u><u>11,292,430</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2017

1. GENERAL INFORMATION

The Company is a limited company incorporated in the People's Republic of China (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, denim and generation and sales of electricity and steam.

The consolidated financial statements are presented in Renmibi ("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 subsidiary of the Company operates (the functional currency of the principal subsidiary).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations ("Int(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the above new and revised HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current year and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ³
HK (IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹
HK (IFRIC) Interpretation 23	Uncertainty Over Income Tax Treatments ²
Amendments to HKAS 28	Long-term Interests in Associate and Joint Venture ²
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment features with negative compensation ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective date not yet been determined.

3. REVENUE

Revenue represents revenue arising from sales of cotton yarn, grey fabric, denim and electricity and steam, net of sales allowances for return, discounts and sales related tax, for the year. An analysis of the Group's revenue for the year is as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Cotton yarn	3,836,323	3,505,824
Grey fabric	6,188,351	5,776,725
Denim	712,380	804,931
Electricity and steam	<u>5,636,331</u>	<u>4,087,966</u>
	<u><u>16,373,385</u></u>	<u><u>14,175,446</u></u>

4. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker, 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.

During the year ended 31 December 2016, several subsidiaries were established pursuant to a restructuring which divided the business units of the Company into several legal entities which have to maintain their own books and records respectively, thereby the financial information of electricity and steam is available to chief operating decision maker, who monitors the result of such business as a separate operating segment and makes decisions about resources allocation and performance assessment. This resulted in a change in the composition of the Group's reportable segments such that generation and sale of electricity and steam was identified as a new reportable segment.

No operating segments identified by the chief operating decision maker 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 2017

	Textile products RMB'000	Electricity and steam RMB'000	Total RMB'000
External revenue	10,737,054	5,636,331	16,373,385
Intersegment revenue	–	716,781	716,781
Segment revenue	<u>10,737,054</u>	<u>6,353,112</u>	17,090,166
Eliminations			(716,781)
Group revenue			<u>16,373,385</u>
Segment profit	<u>148,363</u>	<u>1,426,734</u>	1,575,097
Unallocated income			167,036
Unallocated corporate expenses			(276,818)
Unallocated finance costs			(523,073)
Share of results of an associate			<u>2,613</u>
Profit before tax			<u>944,855</u>

For the year ended 31 December 2016

	Textile products <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
External revenue	10,087,480	4,087,966	14,175,446
Intersegment revenue	<u>–</u>	<u>546,765</u>	<u>546,765</u>
Segment revenue	<u>10,087,480</u>	<u>4,634,731</u>	14,722,211
Eliminations			(546,765)
Group revenue			<u>14,175,446</u>
Segment profit	<u>175,629</u>	<u>1,855,158</u>	2,030,787
Unallocated income			340,408
Unallocated corporate expenses			(276,771)
Unallocated finance costs			(581,415)
Share of results of an associate			<u>1,648</u>
Profit before tax			<u>1,514,657</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, other income, finance costs and share of results 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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Textile products	7,765,654	8,881,991
Electricity and steam	<u>7,540,489</u>	<u>7,928,675</u>
Total segment assets	15,306,143	16,810,666
Investment in an associate	74,613	72,000
Corporate and other assets	<u>13,131,719</u>	<u>14,949,635</u>
Total assets	<u><u>28,512,475</u></u>	<u><u>31,832,301</u></u>

Segment liabilities

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Textile products	1,365,869	915,309
Electricity and steam	<u>728,467</u>	<u>830,897</u>
Total segment liabilities	2,094,336	1,746,206
Corporate and other liabilities	<u>8,459,028</u>	<u>12,305,357</u>
Total liabilities	<u><u>10,553,364</u></u>	<u><u>14,051,563</u></u>

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

- All assets are allocated to operating segment, other than other intangible assets, investment in an associate, deferred tax assets, unallocated deposits, prepayments and other receivables, unallocated amount due from immediate holding company, pledged bank deposits, cash and cash equivalent 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, unallocated amount due to immediate holding company, 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 2017

	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>)	284,603	8,199	–	292,802
Depreciation and amortisation	749,484	439,064	37,264	1,225,812
Reversal of allowances for inventories	(166,837)	–	–	(166,837)
Allowances for inventories	51,005	–	–	51,005
Impairment loss on trade receivables	103	–	–	103
Gain on disposal of property, plant and equipment	(12,550)	–	–	(12,550)
Gain on disposal of non-current assets held for sale	(11,008)	–	–	(11,008)
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	–	–	(52,855)	(52,855)
Interest expense	–	–	523,073	523,073
Investment in an associate	–	–	74,613	74,613
Share of profit of an associate	–	–	(2,613)	(2,613)
Income tax expense	–	–	423,797	423,797

For the year ended 31 December 2016

	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>)	271,403	3,922,826	–	4,194,229
Depreciation and amortisation	757,089	323,635	99,285	1,180,009
Reversal of allowances for inventories	(196,286)	–	–	(196,286)
Allowances for inventories	26,304	–	–	26,304
Reversal of impairment loss on trade receivables	(15,207)	–	–	(15,207)
Impairment loss on trade receivables	4,793	–	–	4,793
Gain on disposal of property, plant and equipment	(6,484)	–	–	(6,484)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Gain on disposal of available-for-sale investments	–	–	(86,938)	(86,938)
Interest income	–	–	(82,298)	(82,298)
Interest expense	–	–	581,415	581,415
Investment in an associate	–	–	72,000	72,000
Share of profit of an associate	–	–	(1,648)	(1,648)
Income tax expense	–	–	526,445	526,445

Note: Non-current assets included property, plant and equipment, investment properties, prepaid lease payments and other intangible assets for the years ended 31 December 2017 and 2016.

Geographical information

During the years ended 31 December 2017 and 2016, 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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
PRC	12,647,560	10,724,306
Hong Kong	1,715,285	1,754,148
Southeast Asia	831,054	596,647
East Asia	641,717	578,334
Others	<u>537,769</u>	<u>522,011</u>
	<u>16,373,385</u>	<u>14,175,446</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:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Customer A ¹	3,103,200	N/A ³
Holding Company and fellow subsidiaries ²	<u>2,312,800</u>	<u>3,249,856</u>

¹ Revenue from sales of electricity and steam.

² Revenue from sales of textile products and electricity and steam.

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. OTHER INCOME

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Interest income from bank deposits	34,958	32,918
Interest income from immediate holding company	<u>17,897</u>	<u>49,380</u>
Total interest income	<u>52,855</u>	<u>82,298</u>
Release of deferred income	19,029	37,791
Government grants (<i>note</i>)	8,497	869
Compensation from suppliers on the supply of sub-standard goods	22,835	11,894
Gross rental income	770	2,505
Gain on disposal of available-for-sale investments	–	86,938
Exchange gain, net	–	44,473
Reversal of impairment loss on trade receivables	–	15,207
Gain on sale of waste and spare parts	35,122	31,987
Gain on disposal of property, plant and equipment	12,550	6,484
Gain on disposal of non-current assets held for sale	11,008	–
Others	<u>4,370</u>	<u>19,962</u>
	<u><u>167,036</u></u>	<u><u>340,408</u></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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Interest on:		
– bank loans	167,777	186,811
– corporate bonds	<u>355,296</u>	<u>394,604</u>
	<u><u>523,073</u></u>	<u><u>581,415</u></u>

7. INCOME TAX EXPENSES

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Current tax:		
PRC Enterprises Income Tax (“EIT”)	372,952	407,401
Under-provision for previous years:		
PRC EIT	3,626	–
Deferred taxation	<u>47,219</u>	<u>119,044</u>
	<u><u>423,797</u></u>	<u><u>526,445</u></u>

Notes:

- a) During the years ended 31 December 2017 and 2016, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.
- 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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Profit for the year has been arrived at after charging (crediting):		
Directors’, chief executive’s and supervisors’ emoluments	4,915	4,852
Salaries, wages, allowances and other benefits	2,670,751	2,645,019
Contributions to retirement benefits scheme (excluding directors’, chief executive’s and supervisors’ emoluments)	<u>227,946</u>	<u>202,328</u>
Total staff costs	<u>2,903,612</u>	<u>2,852,199</u>
Auditor’s remuneration	9,683	8,230
Depreciation of property, plant and equipment	1,216,221	1,170,405
Depreciation of investment properties	736	776
Amortisation of prepaid lease payments	8,839	8,211
Amortisation of other intangible assets	16	617
Impairment loss on trade receivables	103	4,793
Allowance for inventories (<i>Note *</i>)	51,005	26,304
Reversal of allowance for inventories (<i>Note *</i>)	(166,837)	(196,286)
Amount of inventories recognised as an expense	14,495,883	11,727,801
Operating leases rental relates to office premises	16,905	17,930
Research and development cost	84,405	64,927
Exchange loss, net (<i>Note **</i>)	<u><u>38,693</u></u>	<u><u>–</u></u>

*Note **: Included in cost of sales

*Note ***: Included in other expenses

9. DIVIDENDS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
2017 Final – RMB0.15 (2016 Final – RMB0.28) per share	<u>179,158</u>	<u>334,429</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. 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 the owners of the Company is based on the following:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>522,249</u>	<u>992,706</u>
Number of shares	2017	2016
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 2017 and 2016.

11. TRADE RECEIVABLES

The following is an analysis of trade receivables at the end of each reporting period:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Trade receivables	405,369	454,818
Less: allowance for impairment of trade receivables	<u>(4,451)</u>	<u>(4,348)</u>
	<u>400,918</u>	<u>450,470</u>

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 Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The following is an aged analysis of trade receivables, net of allowance for impairment of trade receivables, presented based on the certified report or invoices which approximates revenue recognition date at the end of each reporting period.

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Within 90 days	397,701	448,651
91 to 180 days	3,088	1,693
181 to 365 days	46	16
Over 365 days	83	110
	<u>400,918</u>	<u>450,470</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:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Within 90 days	873,820	843,699
91 to 180 days	48,411	50,766
181 to 365 days	16,943	14,538
Over 365 days	29,046	32,595
	<u>968,220</u>	<u>941,598</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") the audited consolidated results of the Group for the year ended 31 December 2017.

In 2017, the global economy continued to recover with stronger growth momentum. With further implementation of supply-side structural reforms, growth in the PRC was better than expected, showing stronger signs of a 'new normal' pattern where consumption has become the major driving force for economic growth. On the industry side, the textile industry recorded a stable and positive trend with growth in output and sales volume.

During the Year under Review, and in terms of the export market, export transactions registered growth driven by a recovery in the global economy. According to statistics from the General Administration of Customs of the PRC, the aggregated exports of textile products and apparel from the PRC was approximately US\$268.6 billion in 2017, representing a year-on-year increase of approximately 0.8%, achieving a successful turnaround to register positive growth as compared to last year. Among these, exports of textile products increased by approximately 4.2% year-on-year to approximately US\$110.5 billion, and exports of apparel decreased by approximately 1.4% year-on-year to approximately US\$158.1 billion.

In terms of domestic demand, we witnessed obvious growth in domestic consumption during the Year. According to statistics from the National Bureau of Statistics of the PRC, the total retail sales of consumer goods of the country grew by approximately 10.2% year-on-year to approximately RMB36,626.2 billion in 2017, of which the total 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 RMB1,455.7 billion, representing a year-on-year increase of approximately 7.8%.

In terms of raw materials, international cotton prices showed a wide range of volatility during the Year under Review. According to the Cotlook A Index, the average global market price for cotton was 83.67 US cents per pound, with the highest price of 94.9 US cents per pound and the lowest price of 77.4 US cents per pound during the Year, representing a volatility range of 22.6%. The performance of domestic cotton price presented a stable trend. According to the Cotton A Index, the average price for cotton in China was RMB16,291 per ton, with the highest price of RMB16,464 per ton and the lowest price of RMB16,051 per ton during the Year. The divergent performance between cotton prices in the domestic and international markets led to intensified volatility, again presenting a general trend of outperformance by the international market over the domestic market as at the end of the Year with narrowing price gap. During the Year, the domestic cotton market maintained a relatively balanced supply-and-demand condition under the orderly implementation of the cotton reserve policy.

During the Year, the Group proactively took measures to seize market opportunities, accelerated the shift in growth drivers, and promoted high quality development. During the Year, the Group recorded revenue of approximately RMB16,373 million, representing an increase of approximately 15.5% as compared with the corresponding period of 2016. Net profit attributable to owners of the Company was approximately RMB522 million, representing a decrease of approximately 47.4% as compared with the corresponding period of 2016. Earnings per share was RMB0.44. The Group's gross profit margin was approximately 11.1% for the Year, representing a decrease of approximately 4.8 percentage points over the same period last year.

2017 was a crucial year for traditional industries in Shandong Province in their efforts to accelerate transformation and their shift and upgrade of growth drivers. During the Year, in an active response to the shift in growth drivers, the Group adopted the strategic adjustments of deleveraging to reduce debts, cost cutting and efficiency enhancements, and pushing for high quality development. In addition, the Group put forward a market-oriented operation strategy to promote differentiated development and explore new application fields.

In terms of the textile business, the Group took proactive measures to seize opportunities arising from industrial upgrades and transformed its over 300 sets of yarn ring-spinning units into high-density spinning equipment, driving the sustainable development of the Group in the future. Upholding its innovation-driven strategy and sticking to its plan of developing mid to high-end products, the Group pushed forward the transition from “made by Weiqiao (魏橋製造)” to “created by Weiqiao (魏橋創造)”, achieving remarkable effects with improvements in product quality and optimization of the product portfolio. The Group continued to create additional product categories that cater to market and consumer demands, and achieved remarkable results in the development of new textile products during the Year, making category innovations, customer demand-oriented product innovations and breakthroughs in technology research. The brand influence of the Group also continued to grow, and the grey cotton yarn, grey cotton fabric and cotton denim under the “Weiqiao” brand were re-accredited as the “Most Influential Brand Product” by the China Cotton Textile Association.

In terms of the Group's electricity and steam business, the thermal power assets of the Group performed well. The Group strove to improve management efficiency and reduce wastage and consumption by adopting a refined and modular management approach, further optimizing the productivity of its power plants. However, the increase in coal price put pressure on the production cost and profitability of the Group's electricity business. To combat this, during the Year, the Group set and achieved its target in reducing coal consumption by various means, such as energy conservation initiatives.

In terms of green development, the Group fully implemented ultra-low emissions by installing flue gas dedusting facilities and desulphurization and denitrification facilities for all of the Group's power generating units, and successfully completed transformation work on the coal sheds, so as to realize the goal of “invisible coal combustion (燃煤不見煤)”. During the Year, Weiqiao Textile was accredited as the “Innovative Cotton Textile Enterprise for Energy Conservation and Emission Reduction” by the China Cotton Textile Association, and some of the Group's green technologies were selected and listed in the Directory of Technology and Innovative Application on Energy Conservation and Emission Reduction (fifth batch) released by the China Cotton Textile Association.

Looking forward to 2018, it is expected that the global economy will continue to improve, but will still be subject to a number of uncertainties. Benefiting from the stable growth in the domestic economy and the improvement in household income and consumption ability, the Chinese textile industry will have greater market potential and market demand prospects, and is expected to maintain overall steady growth. The Group will continue to accelerate its shift in growth drivers to achieve high-quality development.

In terms of textile business, by seizing the opportunities arising from the transformation and upgrade of the textile industry, Weiqiao Textile will continue to reinforce its production capacity advantage, make continuous efforts in innovating management approaches, conducting technology improvements as well as reducing costs and enhancing efficiency. The Group will also look to improve automation level and productivity, ease the labour intensity of employees and reduce production costs, so as to enhance its operation capabilities and competitive strength. The Group will increase its investments in research and development activities, optimize its product portfolio, extend its business to the high-end of the industrial chain, and continue to launch high-tech textile and fabric products with high added value, striving to lead the transformation of the textile manufacturing industry.

The Group will also continue to optimize the productivity and operation of its own power plants, with an aim to improve the overall profitability of the Group. Furthermore, the Group will continue to fulfill its social responsibilities of energy saving and environmental protection to a high standard. Sticking to the strategy of “Green Development”, the Group will increase investments in environmental protection and implement higher standards for environmental protection, laying a solid foundation for the sustainable and healthy development of the Group.

Moreover, the Group will also further strengthen its fund management and optimize its debt structure, further reducing the level of liabilities and capital costs while maintaining operational capacity and sufficient liquidity, with an aim to improve equity returns and maximize shareholder interests.

On behalf of the management of Weiqiao Textile, I would like to express my gratitude to our shareholders for their unwavering support for the Group. Looking forward, Weiqiao Textile will continue to integrate internal and external resources to enhance its competitive edge in domestic and overseas markets, while planning its future business development by proactively seeking and exploring new business opportunities, so as to create new growth drivers for the Group and bring greater returns for our shareholders, moving towards the strategic goal of developing China into a powerful nation of manufacturing with the national initiative of “Made in China 2025”.

Zhang Hongxia
Chairman

Shandong, the PRC
16 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2017, growth in the global economy picked up significantly with recovery of global trade. The Chinese economy registered high-quality growth, shown most notably by the increasing contribution of consumption to economic development. Under this macro backdrop, the overall performance of the Chinese textile industry showed a stable and positive trend, with continuous advancement of industrial and structural adjustments.

According to the statistics released by the National Commercial Information Center of the PRC, retail sales of the top 100 major large-scaled retail enterprises in China for 2017 increased by approximately 2.8% on a year-on-year basis, representing an increase of approximately 3.3 percentage points as compared with the corresponding period of 2016. In terms of categories of products, the retail sales of apparel for the Year increased by approximately 4.3% on a year-on-year basis, representing an increase of approximately 4.1 percentage points in growth rate as compared with the corresponding period of last year.

During the Year under Review, driven by the increase in overseas demand, the export of textile products and apparel regained its upward momentum after a drop for two consecutive years.

During the Year, exports of textile and apparel products of the PRC to the following countries and regions were summarized as follows:

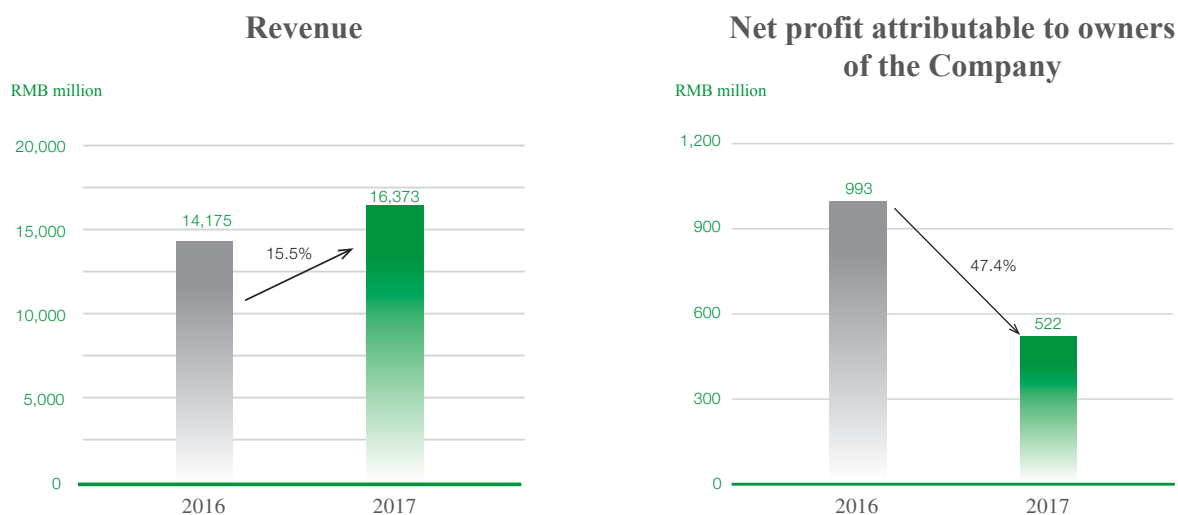
- Exports to the United States: approximately US\$45.4 billion, representing an increase of approximately 1.0% as compared with the corresponding period of last year.
- Exports to the European Union: approximately US\$48.9 billion, representing a decrease of approximately 1.1% as compared with the corresponding period of last year.
- Exports to Japan: approximately US\$20.3 billion, a similar level compared with the corresponding period of last year.
- Exports to Hong Kong: approximately US\$13.1 billion, representing a decrease of approximately 12.6% as compared with the corresponding period of last year.
- Exports to the markets of the Association of Southeast Asian Nations, the Middle East and Africa: approximately US\$34.7 billion, US\$19.0 billion and US\$18.0 billion, respectively, representing an increase of approximately 4.5%, a decrease of approximately 8.5% and an increase of approximately 1.5% respectively as compared with the corresponding period of last year.

In terms of raw materials, cotton prices in the domestic and overseas markets showed divergence in 2017. Affected by various factors including increasing global demand, decrease in inventory levels and higher expectations of cotton output in the year 2017/18, international cotton prices demonstrated a volatile trend. However in China, the sufficient cotton supply in the domestic market prevented the price upsurge in the cotton market to a large extent, showing an overall stable performance with fluctuations within a narrow range throughout the year.

BUSINESS REVIEW

During the Year under Review, as the prices of main raw materials such as cotton and coal remained high, the production cost of Group continued to increase. However, as the demand in the cotton textile market remained relatively weak, the increase in the sale prices of the Group's products was less than the increase in the raw material costs. As a result, there was 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.

For the years ended 31 December 2017 and 2016, the revenue of the Group and net profit attributable to owners of the Company were as follows:

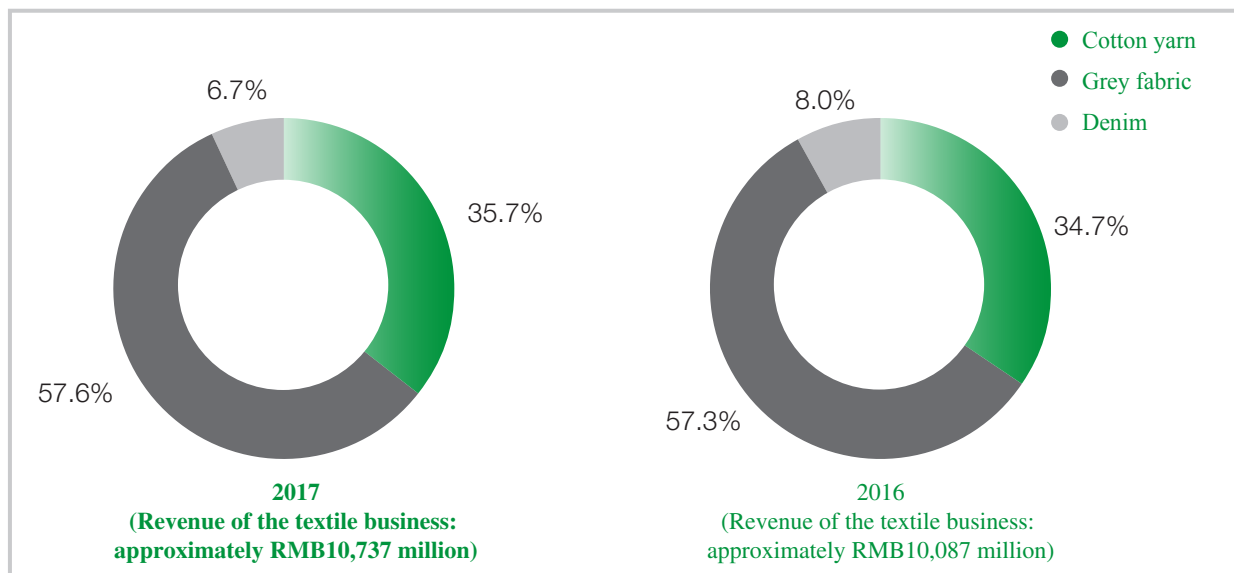


For the year ended 31 December 2017, the Group recorded revenue of approximately RMB16,373 million, representing an increase of approximately 15.5% as compared with the corresponding period of last year, and net profit attributable to owners of the Company of approximately RMB522 million, representing a decrease of approximately 47.4% as compared with last year. The main reasons for the increase in revenue were the increase in product sales volume due to the Group's increased efforts in sales promotion for its textile products, and the increase in sales volume of electricity and steam following completion of the acquisition of thermal power assets by the Group in May 2016. The decrease in the net profit attributable to owners of the Company was primarily due to the narrowing profit margin resulting from the increasing production cost of the Group as the prices of main raw materials such as cotton and coal remained high during the Year.

Textile Business

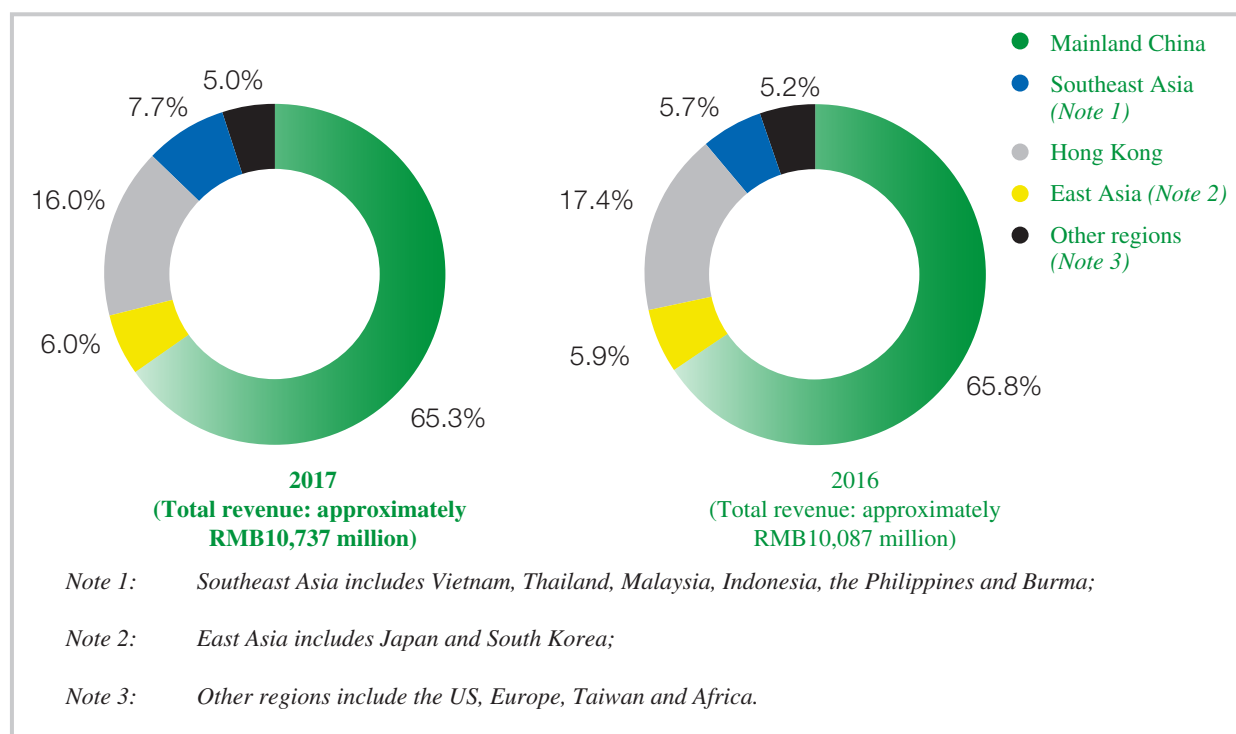
In 2017, affected by the fact that the prices of main raw materials such as cotton remained high, the production cost of the Group continued to increase. Meanwhile, as the demand in the cotton textile market remained relatively weak, the increase in the sale prices of the Group's products was less than the increase in the raw material costs, resulting in a decrease in gross profit margin of the textile products of the Group.

The charts below are the respective proportion of revenue of the textile business categorized by products for the years ended 31 December 2017 and 2016:



For the year ended 31 December 2017, the proportion of revenue contributed by the Group's cotton yarn, grey fabric and denim remained in line with that as recorded in the corresponding period of last year.

The chart below is the respective proportion of revenue of the textile business categorized by geographical location for the years ended 31 December 2017 and 2016:



For the year ended 31 December 2017, the respective proportion of the domestic and overseas revenue of the Group remained relatively stable, with the proportion of overseas revenue being approximately 34.7% and the proportion of domestic revenue being approximately 65.3% for the Year.

During the Year under Review, the Group adjusted its production plans in a timely manner according to the market conditions. The Group's cotton yarn output was approximately 394,000 tons, representing an increase of approximately 7.9% as compared with the corresponding period of last year; grey fabric output was approximately 921,000,000 meters, representing an increase of approximately 6.1% as compared with the corresponding period of last year; denim output was approximately 74,000,000 meters, in line with that recorded for last year.

All production bases of the Group are located in Shandong Province, the PRC. The production and operations 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 2017, the installed capacity of the Group's thermal power assets amounted to 2,760 MW. During the Year under Review, the average utilization hours of the power generating units of the Group amounted to approximately 6,319 hours, and the power generation of the Group was approximately 17,442 million kWh, representing an increase of approximately 40.0% as compared with the corresponding period of last year; while its electricity sold amounted to approximately 15,122 million kWh, representing an increase of approximately 54.5% over the corresponding period of last year.

For the year ended 31 December 2017, the revenue of the Group's sales of electricity and steam amounted to approximately RMB5,636 million, representing an increase of approximately 37.9% as compared with the corresponding period of last year. The increase in power generation of the Group was mainly attributable to the increase in total installed capacity as the Group completed the acquisition of thermal power assets in May 2016. The increase in revenue from sale of electricity and steam was mainly attributable to the increase in sales volume of electricity as a result of increase in power generation of the Group. Gross profit thereof was approximately RMB1,475 million, representing a decrease of approximately 22.8% as compared to the corresponding period of last year. The decrease in gross profit from sales of electricity and steam as compared with the corresponding period of last year was mainly attributable to the rising production cost of the electricity and steam segment as the prices of main raw materials such as coal remained high. In addition, due to the adjustments to the pricing mechanism for external sales of electricity by the Group, unit selling price decreased, resulting in a decrease in gross profit from sales of electricity and steam of the Group.

During the Year under Review, the average unit cost of the Group's electricity business was approximately RMB274.8 per MWh, representing an increase of approximately 27.5% from RMB215.5 per MWh as recorded in the corresponding period last year, which was mainly due to the increase in coal price on a year-on-year basis during the Year. The Group will continue to carefully monitor the coal price, make appropriate adjustments to coal inventory levels in light of market changes and strive to explore new coal supply channels to enhance its bargaining power and lower procurement costs.

The Group fully implemented the ultra-low emission ahead of schedule 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 2017 and 2016, respectively:

Product categories	For the year ended 31 December					
	2017			2016		
	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	3,836,324	202,709	5.3	3,505,824	219,031	6.2
Grey fabric	6,188,351	9,217	0.1	5,776,725	16,027	0.3
Denim	712,379	133,983	18.8	804,931	104,840	13.0
Electricity and steam	<u>5,636,331</u>	<u>1,475,294</u>	<u>26.2</u>	<u>4,087,966</u>	<u>1,911,461</u>	<u>46.8</u>
Total	<u>16,373,385</u>	<u>1,821,203</u>	<u>11.1</u>	<u>14,175,446</u>	<u>2,251,359</u>	<u>15.9</u>

For the year ended 31 December 2017, the gross profit of the sales of textile products increased by approximately 1.8% as compared with the corresponding period of last year to approximately RMB346 million. The gross profit margin of the Group was approximately 11.1%, representing a decrease of approximately 4.8 percentage points as compared with the corresponding period of last year. The decrease in gross profit margin was mainly due to the narrowing profit margin resulting from increasing production costs as the prices of main raw materials such as cotton and coal remained high.

Selling and Distribution Expenses

For the year ended 31 December 2017, the Group's selling and distribution expenses decreased by approximately 3.6% to approximately RMB159 million from approximately RMB165 million for the corresponding period of last year. Among these expenses, transportation costs increased by approximately 11.8% to approximately RMB104 million from approximately RMB93 million for the same period of last year, which was mainly due to the increase in the fees for transportation resulting from the increase in the sales volume of textile products of the Group during the Year. Salary of the sales staff was approximately RMB34 million, representing a decrease of approximately 10.5% from approximately RMB38 million for the same period of last year. Sales commission was approximately RMB13 million, representing a decrease of approximately 13.3% from approximately RMB15 million for the same period of last year, which was primarily due to the decrease in the export sales of the Group through brokers, resulting in a decrease in commissions.

Administrative Expenses

For the year ended 31 December 2017, the administrative expenses of the Group were approximately RMB308 million, which was mostly in line with such expenses of approximately RMB319 million for the corresponding period of last year.

Finance Costs

For the year ended 31 December 2017, finance costs of the Group were approximately RMB523 million, representing a decrease of approximately 10.0% from approximately RMB581 million for the corresponding period of last year, which was mainly attributable to the repayment of a portion of the interest-bearing bank borrowings and corporate bonds by the Group during the Year.

Liquidity and Financial Resources

As at 31 December 2017, cash and cash equivalents of the Group were approximately RMB12,723 million, representing an increase of approximately 12.7% as compared with the cash and cash equivalents of approximately RMB11,292 million as at 31 December 2016, which was mainly attributable to the net cash inflow generated from operating activities and the repayment of short term borrowings by the parent company during the Year.

The working capital of the Group is mainly financed with the cash inflow from operating activities. For the year ended 31 December 2017, the Group recorded a net cash inflow from operating activities of approximately RMB3,017 million. Net cash inflow from investing activities was approximately RMB2,854 million, and net cash outflow for financing activities was approximately RMB4,440 million. As at the end of the Year, cash and cash equivalents were approximately RMB12,723 million. 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 2017, the inventory turnover days of the Group were 72 days, representing a decrease of 41 days from 113 days for the same period of last year, which was mainly due to the decrease in the inventory of textile products resulting from the adjustment of sales strategy by the Group during the Year.

For the year ended 31 December 2017, the average turnover days of the Group's receivables were 9 days, basically in line with that of the corresponding period of last year.

For the years ended 31 December 2017 and 2016, 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 2017, net profit attributable to owners of the Company was approximately RMB522 million, representing a decrease of approximately 47.4% from approximately RMB993 million for the corresponding period of last year.

For the year ended 31 December 2017, earnings per share of the Company were RMB0.44, representing a decrease of approximately 47.0% from approximately RMB0.83 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 2017, the debts of the Group were mainly bank borrowings amounting to approximately RMB3,262 million (31 December 2016: approximately RMB4,759 million) and corporate bonds amounting to approximately RMB3,963 million (31 December 2016: approximately RMB5,992 million). The Group had cash and cash equivalents of approximately RMB12,723 million (31 December 2016: approximately RMB11,292 million). As at 31 December 2017, the Group's gearing ratio (net debt (after deducting the interest-bearing bank and other borrowings of cash and cash equivalents) divided by total equity) was approximately -30.6% (31 December 2016: approximately -3.0%).

The Group manages its interest expenses through a fixed rate and floating rate debt portfolio. As at 31 December 2017, approximately 77.2% of the Group's bank loans were subject to fixed interest rates, while the remaining of approximately 22.8% were subject to floating interest rates.

During the Year, the Group repaid net bank borrowings of approximately RMB1,497 million, and redeemed corporate bonds of approximately RMB2,037 million. In the future, the Group will also further strengthen the fund management and optimize the debt structure, further reduce 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.

As at 31 December 2017, the Group's bank loans were mainly denominated in Renminbi. Cash and cash equivalents were denominated in Renminbi and US dollars, of which cash and cash equivalents denominated in US dollars represented approximately 1.3% of the total amount.

Employees and Remuneration Policies

As at 31 December 2017, the Group had a total of approximately 55,000 employees, representing a decrease of approximately 8,000 employees as compared with that of last year. This decrease in the number of the staff was mainly due to the increased use of automaton as a result of the industrial upgrades implemented by the Group, leading to a decrease in the number of employees required for production. Total staff costs of the Group for the Year amounted to approximately RMB2,904 million, representing an increase of approximately 1.8% from approximately RMB2,852 million as recorded for the corresponding period of last year, which was mainly attributable to the increase of salary for staff by the Group.

The remuneration of the Group's employees is determined based on their performance, experience and the prevailing industry practice. The management of the Group will also periodically review the 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 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 2017, approximately 22.8% of the Group's revenue and approximately 22.1% of the purchase costs of cotton were denominated in US dollars. For the year ended 31 December 2017, the Group recorded an exchange loss of approximately RMB39 million due to the appreciation of RMB. 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 will have sufficient foreign currency to meet its demands.

Contingent Liabilities

As at 31 December 2017 and 2016, the Group did not have any significant contingent liabilities.

Taxation

For the year ended 31 December 2017, the tax of the Group decreased from approximately RMB526 million in 2016 to approximately RMB424 million, representing a decrease of approximately 19.4%. Such decrease in tax was mainly attributable to the decrease in the Group's profit before tax for the Year.

OUTLOOK

In 2018, the global economy is expected to continue to improve. The International Monetary Fund forecasts that world GDP growth will stand at approximately 3.8% in 2018, while the World Bank estimates an around 3.7% growth rate, which is 0.2 percentage point higher than that of 2017. On the domestic side, the PRC economy has entered into a ‘new normal’ pattern, with an accelerated shift in growth drivers. Supply-side structural reforms will continue to drive improvement in the quality of economic growth.

Under this backdrop of steady growth in domestic demand and resumption of demand from overseas markets, the Directors believe that the textile industry of the PRC will maintain stable development momentum, with expected growth in total revenue and profit. Adhering to its strategy of placing equal emphasis on domestic sales and overseas exports, the Group will further optimize its trade structure. On the export front, the Group will focus on stabilizing market share, while on the domestic front, efforts will be made to explore further into mid to high-end markets and develop new products by focusing on market demands.

In terms of overall strategy, the Group will continue to implement structural adjustments, promote high quality development, accelerate the shift in growth drivers and promote intelligent manufacturing to improve the Group’s development trajectory and profitability. With respect to daily operations, the Group will continue to improve overall management and operation efficiency and strengthen internal control management. The Group will source cotton globally in line with changes in the market for raw textile materials, so as to reduce the impact of cotton price fluctuations on operating results. Efforts will be made to promote equipment and technology upgrades alongside improvement in labor efficiency and reduction of labor costs. The Group will also strictly comply with the requirements of energy conservation and environmental protection, in an effort to promote “green manufacturing”.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, so far as known to any Directors, supervisors and chief executives of the Company, the following persons (other than a Director, supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (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 2017 <i>(%)</i>	Approximate percentage of total issued share capital as at 31 December 2017 <i>(%)</i>
Holding Company	757,869,600	97.07	63.45
Weiqiao Investment	757,869,600 <i>(Note 2)</i>	97.07	63.45

Interests in the H shares:

Name of Shareholder	Type of interest	Number of H shares <i>(Note 3)</i>	Approximate percentage of total issued H share capital as at 31 December 2017 <i>(%)</i>	Approximate percentage of total issued share capital as at 31 December 2017 <i>(%)</i>
Brandes Investment Partners, L.P.	Investment manager	69,693,852 (Long position) <i>(Note 4)</i>	16.85	5.84
Mellon Financial Corporation	Interest of a controlled corporation	41,073,100 (Long position) <i>(Note 5)</i>	9.93	3.44

Note 1: Unlisted shares.

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

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

Note 4: These 69,693,852 H shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.

Note 5: 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 executives of the Company, as at 31 December 2017, 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.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN THE COMPANY

As at 31 December 2017, the interests of the Directors, supervisors and chief executives 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 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 for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Interests in the domestic shares:

	Type of interest	Number of domestic shares <i>(Note 1)</i>	Approximate percentage of total issued domestic share capital as at 31 December 2017 <i>(%)</i>	Approximate percentage of total issued share capital as at 31 December 2017 <i>(%)</i>
Zhang Hongxia <i>(Executive Director/Chairman)</i>	Beneficial interest	17,700,400	2.27	1.48
Zhang Shiping <i>(Non-executive Director)</i>	Beneficial interest	5,200,000	0.67	0.44

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 2017 <i>(%)</i>
Zhang Shiping <i>(Non-executive Director)</i>	Holding Company	Beneficial	31.59
Zhang Hongxia <i>(Executive Director)</i>	Holding Company	Beneficial and spouse <i>(Note 1)</i>	9.73 <i>(Note 1)</i>
Zhang Yanhong <i>(Executive Director)</i>	Holding Company	Beneficial	5.63
Zhao Suwen <i>(Executive Director)</i>	Holding Company	Beneficial	0.38
Zhao Suhua <i>(Non-executive Director)</i>	Holding Company	Spouse <i>(Note 2)</i>	4.93 <i>(Note 2)</i>

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. The remaining 2.73% 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 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 2017, none of the Directors, supervisors or chief executives of the Company and their associates 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 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 DIVIDENDS

The Directors recommended the payment of a final dividend of RMB0.15 (inclusive of tax) per share (the “2017 Final Dividend”) to shareholders of the Company whose names appear on the register of members of the Company as at close of business on 8 June 2018 (Friday), and the dividend will be paid on or before 29 June 2018. The 2017 Final Dividend is subject to the approval at the coming annual general meeting of the Company. According to the relevant regulations in the PRC and as disclosed in the Company’s prospectus, the Group’s net profit after tax can only be distributed as dividends after making up prior years’ cumulative losses, if any, and making allowance for the statutory surplus reserve, general reserve fund, employee’s bonus, welfare fund and enterprise expansion fund.

According to the Enterprise Income Tax Law of the People’s Republic of China (中華人民共和國企業所得稅法), which took effect on 1 January 2008, its implementation rules and the relevant interpretation by tax authorities in the PRC, when a company distributes the final dividends to non-resident enterprise shareholders and natural person shareholders whose names appear on the H-share register of a company, such company is required to withhold and pay on behalf of such shareholders an enterprise income tax at the rate of 10% in general (except as required otherwise by the laws, regulations and tax treaties regarding the tax revenue). Any shares registered in the name of a non-person shareholder, including Hong Kong Securities Clearing Company Nominees Limited, other nominee or trustee, or other organisation and group, are deemed as shares held by non-resident enterprise shareholders. As such, the dividends that he or she is entitled to are subject to the enterprise income tax.

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 8 June 2018 (Friday)).

CLOSURE OF REGISTER OF MEMBERS

The Company’s register of members will be closed from 28 April 2018 (Saturday) to 28 May 2018 (Monday) (both dates inclusive), during which no transfer of shares will be registered. 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 27 April 2018 (Friday).

The Company’s register of members will be closed from 2 June 2018 (Saturday) to 8 June 2018 (Friday) (both dates inclusive), during which no transfer of shares will be registered. In order to qualify for the proposed 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 1 June 2018 (Friday).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company has redeemed, purchased or sold any of its own listed securities during the year ended 31 December 2017, nor any of its subsidiaries purchased or sold any of the Company’s listed securities during the year ended 31 December 2017.

AUDIT COMMITTEE

The Company has established an audit committee (“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. The Audit Committee meeting was held on 16 March 2018 to review the Group’s annual report, results announcement and financial statements.

SECURITIES TRANSACTIONS BY DIRECTORS

On 26 August 2005, the Company adopted the securities transaction provisions as set out in the Model Code contained in Appendix 10 to the Listing Rules.

Having made specific enquiry of all Directors, the Directors have confirmed that for the year ended 31 December 2017, they have complied with the required standards set out in the Model Code and the Company's code of conduct regarding securities transactions by the Directors.

CG CODE

The Company has applied the principles of the CG Code and has been in compliance with all provisions of the CG Code for the year ended 31 December 2017.

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 10 April 2018 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

Hong Kong, the PRC
16 March 2018

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.

* *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).*