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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 2018

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

Compared to 2017 financial results:

Revenue was approximately RMB16,456 million, representing an increase of approximately 0.5% over the corresponding period of last year.

Gross profit was approximately RMB1,720 million, representing a decrease of approximately 2.8% over the corresponding period of last year.

Net profit attributable to owners of the Company was approximately RMB644 million, representing an increase of approximately 23.4% over the corresponding period of last year.

Earnings per share were RMB0.54, representing an increase of approximately 22.7%.

Proposed a payment of final dividend of RMB0.1656 per share (including tax) for the year ended 31 December 2018, representing an increase of approximately 10.4%.

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 2018 (the "Year" or "Year under Review"). During the Year under Review, the revenue of the Group was approximately RMB16,456 million, representing an increase of approximately 0.5% over the corresponding period of last year. Net profit attributable to owners of the Company amounted to approximately RMB644 million, with an increase of approximately 23.4% 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 2018

	Notes	**2018**	2017
		RMB'000	*RMB'000*
			(restated)
Revenue	*3*	**16,455,884**	16,373,385
Cost of sales		**(14,736,265)**	(14,603,187)
Gross profit		**1,719,619**	1,770,198
Other income	*5*	**164,981**	167,036
Selling and distribution expenses		**(166,246)**	(159,160)
Administrative expenses		**(277,490)**	(257,185)
Other expenses		**(40,143)**	(55,574)
Finance costs	*6*	**(376,475)**	(523,073)
Share of profit of an associate		**118**	2,613
Profit before taxation		**1,024,364**	944,855
Income tax expenses	*7*	**(381,504)**	(423,797)
Profit and total comprehensive income for the year	*8*	**642,860**	521,058
Attributable to:			
Owners of the Company		**643,906**	522,249
Non-controlling interests		**(1,046)**	(1,191)
		642,860	521,058
Earnings per share attributable to the Owners of the Company			
Basic and diluted (RMB)	*10*	**0.54**	0.44

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**2018**	2017
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**10,895,451**	11,857,128
Investment properties		**21,522**	22,258
Prepaid lease payments		**330,652**	339,491
Other intangible assets		**91**	106
Investment in an associate		**74,731**	74,613
Deposits paid for acquisition of property, plant and equipment		**5,457**	5,378
Prepayments		**1,892**	–
Deferred tax assets		**85,711**	104,690
Total non-current assets		**11,415,507**	12,403,664
Current assets			
Inventories		**3,161,164**	2,624,939
Trade receivables	*11*	**431,654**	400,918
Deposits, prepayments and other receivables		**202,415**	298,416
Pledged deposits		**140,388**	33,000
Bank balances and cash		**9,596,558**	12,723,317
		13,532,179	16,080,590
Non-current assets classified as held for sale		**5,084**	28,221
Total current assets		**13,537,263**	16,108,811
Current liabilities			
Trade payables	*12*	**1,228,881**	968,220
Other payables and accruals		**1,118,338**	1,177,399
Contract liabilities		**132,216**	–
Income tax payable		**993,071**	981,515
Bank and other borrowings		**2,888,105**	6,262,350
Deferred income		**17,961**	18,321
Total current liabilities		**6,378,572**	9,407,805
Net current assets		**7,158,691**	6,701,006
Total assets less current liabilities		**18,574,198**	19,104,670

	2018	2017
	RMB'000	*RMB'000*
Equity		
Issued capital	**1,194,389**	1,194,389
Reserves	**17,200,010**	16,735,860
	18,394,399	17,930,249
Non-controlling interests	**14,451**	28,862
Total equity	**18,408,850**	17,959,111
Non-current liabilities		
Bank and other borrowings	**–**	962,755
Deferred income	**159,495**	176,329
Deferred tax liabilities	**5,853**	6,475
Total non-current liabilities	**165,348**	1,145,559
Total equity add non-current liabilities	**18,574,198**	19,104,670

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company						
	Issued capital *RMB'000*	**Capital reserve** *RMB'000*	**Statutory surplus reserve** *RMB'000* *(note 1)*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2017	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	1,194,389	6,692,079	1,766,140	8,277,641	17,930,249	28,862	17,959,111
Effect of changes in accounting policies *(note 2)*	–	–	–	(913)	(913)	–	(913)
At 1 January 2018 (as restated)	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	**1,194,389**	**6,692,394**	**1,845,222**	**8,662,394**	**18,394,399**	**14,451**	**18,408,850**

Note 1: 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.

Note 2: For details, please refer to Note 2 to the consolidated financial statements set out in the Annual Report.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit before taxation	**1,024,364**	944,855
Adjustments for:		
Finance costs	**376,475**	523,073
Share of profit of an associate	**(118)**	(2,613)
Interest income	**(38,972)**	(52,855)
Recognition of deferred income	**(19,259)**	(19,029)
Government grant	**(2,294)**	(8,497)
Gain on disposal of property, plant and equipment	**(10,177)**	(12,550)
Gain on disposal of non-current assets held for sale	**(12,869)**	(11,008)
Loss on written-off of property, plant and equipment	**19,548**	–
Loss allowance on trade receivables	**36**	–
Reversal of loss allowance on other receivables	**(139)**	–
Impairment loss on trade receivables	**–**	103
Allowance on inventories	**113,607**	51,005
Reversal of allowance for inventories	**(832)**	(166,837)
Depreciation of property, plant and equipment	**1,100,979**	1,216,221
Depreciation of investment properties	**736**	736
Amortisation of prepaid lease payments	**8,839**	8,839
Amortisation of other intangible assets	**15**	16
Operating cash flows before movements in working capital	**2,559,939**	2,471,459
(Increase) decrease in inventories	**(649,000)**	589,960
(Increase) decrease in trade receivables	**(31,484)**	49,449
Decrease in deposits, prepayments and other receivables	**93,790**	182,078
Increase in trade payables	**260,661**	26,622
Increase in other payables and accruals	**103,148**	18,938
Increase in contract liabilities	**10,682**	–
Decrease in amount due to immediate holding company	**–**	(59,060)
Cash generated from operations	**2,347,736**	3,279,446
Income tax paid	**(351,287)**	(262,170)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**1,996,449**	3,017,276

	2018	2017
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(162,018)**	(292,802)
(Increase) decrease in pledged deposits	**(107,388)**	57,985
Prepayment for acquisition of property, plant and equipment	**(5,457)**	(5,378)
Bank interest income received	**38,925**	34,958
Proceeds from disposal of non-current assets held for sale	**36,852**	26,475
Proceeds from disposal of property, plant and equipment	**17,877**	39,006
Repayment from immediate holding company	**–**	2,993,906
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	**(181,209)**	2,854,150
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(3,262,350)**	(4,941,500)
Repayment of corporate bond	**(3,000,000)**	–
Interest paid	**(417,150)**	(587,356)
Dividend paid	**(179,158)**	(334,429)
Acquisition of additional interests in subsidiaries	**(13,050)**	(8,256)
Redemption of corporate bonds	**–**	(2,037,245)
Government grant received	**4,359**	23,397
New bank borrowings raised	**1,925,350**	3,444,850
NET CASH USED IN FINANCING ACTIVITIES	**(4,941,999)**	(4,440,539)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(3,126,759)**	1,430,887
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**12,723,317**	11,292,430
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**9,596,558**	12,723,317

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

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 City, 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 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 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").

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK (IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 1 and HKAS 28	Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers of Investment Property

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised below. The application of other new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

* *For identification purposes only*

2.1 HKFRS 9 Financial Instruments

HKFRS 9 replaced the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings and other components of equity as at 1 January 2018.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets will be disclosed in detail in Note 3 to the consolidated financial statements set out in the Annual Report.

2.1.1 Classification and measurements of financial instruments

The directors of the Company have reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at the date and concluded that all initial application of HKFRS 9 has had the following impact on the Group's financial assets and liabilities as regards their classification and measurement:

Debt investments previously classified as loan and receivables carried at amortised cost:

Some of the debt instruments (including trade receivables and other receivables) amounting to approximately RMB441,758,000 are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these instruments continue to be subsequently measured at amortised cost and were reclassified to financial assets at amortised cost upon application of HKFRS 9.

2.1.2 Loss allowance for expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking expected credit loss ("ECL") model. As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and other items subject to ECL for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement HKFRS 9.

As at 1 January 2018, an additional allowance on the Group's trade receivables and other receivables of approximately RMB712,000 and RMB505,000, respectively, have been recognised, thereby reducing the opening retained earnings of approximately RMB913,000, net of their related deferred tax impact of approximately RMB304,000.

2.1.3 *Summary of effects arising from initial application of HKFRS 9*

The table below summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets and financial liabilities and reconciles the carrying amounts of financial assets and financial liabilities under HKAS 39 to the carrying amounts under HKFRS 9 on 1 January 2018.

	Carrying amount at 31 December 2017 (HKAS 39)	**Adoption of HKFRS 9 – Reclassification**	**Adoption of HKFRS 9 – Remeasurement**	**Carrying amount at 1 January 2018 (HKFRS 9)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loan and receivables				
– Trade receivables	400,918	(400,918)	–	–
– Other receivables	5,850	(5,850)	–	–
– Pledged bank deposits	33,000	(33,000)	–	–
– Bank balances and cash	12,723,317	(12,723,317)	–	–
At amortised cost				
– Trade receivables	–	400,918	(712)	400,206
– Other receivables	–	5,850	(505)	5,345
– Pledged bank deposits	–	33,000	–	33,000
– Bank balances and cash	–	12,723,317	–	12,723,317

The table below summarises the impact of transition to HKFRS 9 on retained earnings at 1 January 2018.

	Retained earnings
	RMB'000
Balance at 31 December 2017 as originally stated	8,277,641
Recognition of additional expected credit losses	(1,217)
Deferred tax effect	304
Balance at 1 January 2018 as restated	8,276,728

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under HKAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of HKFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVTPL at the date of initial application of HKFRS 9.

2.2 HKFRS 15 Revenue from contracts with customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings or other components of equity, as appropriate and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue. Details are described below.

The Group's accounting policies for its revenue streams will be disclosed in Note 3 to the consolidated financial statements set out in the Annual Report.

The impact of transition to HKFRS 15 was insignificant on the retained earnings at 1 January 2018.

As required for the consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of the revenue and cash flows are affected by economic factors. Enhanced disclosures are set out in note 3.

The Group is principally engaged in the manufacture and sale of cotton yarn, grey fabric, denim and generation and sale of electricity and steam. Fabrics, electricity and steam are sold both on their own in separately identified contracts with customers.

2.2.1 Sale of goods

The Group concluded that revenue from sale of goods should be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods, which is consistent with the previous accounting policy. Therefore, the adoption of HKFRS 15 has no impact on the timing of revenue recognition in this regard.

2.2.2 Advances received from customers

The Group receives advanced payments from customers related to the sale of fabrics, electricity and steam. Prior to the adoption of HKFRS 15, the Group presented these advances in other payables and accruals in the consolidated statement of financial position. Upon adoption of HKFRS 15, the Group assessed whether there is a significant financing component for the contracts where the length of time between the customer's advance payment and the transfer of goods to the customer is more than one year, taking into account the prevailing interest rate, and where appropriate adjusted the transaction price at contract inception. However, the Group applies the practical expedient not to adjust the transaction price for any significant financing component as the period between payment and transfer of the associated services is generally less than one year. The Group recognised contract liabilities for the advances from customers for sale of fabrics, electricity and steam yet to be rendered or delivered.

Other than the abovementioned, the directors of the Company considered that the application of HKFRS 15 has had no material impact on i) the amount or timing of revenue recognition in the respective periods; and ii) the Group's presentation in the consolidated financial statements.

2.2.3 Summary of effects arising from initial application of HKFRS 15

The amount of adjustment for each financial statement line item of the consolidated statement of financial position at 1 January 2018 affected by the application of HKFRS 15 is illustrated below. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 December 2017	Impact on adoption of HKFRS 15 – Reclassification	Impact on adoption of HKFRS 15 – Measurement	**Carrying amount as restated at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Other payables and accruals	1,177,399	(121,534)	–	1,055,865
Contract liabilities	–	121,534	–	121,534

2.2.4 *Disclosure of the estimated on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018*

The following tables summarise the estimated impact of applying HKFRS 15 on the consolidated statement of financial position at 31 December 2018, by comparing the amounts reported under HKAS 11, HKAS 18 and related interpretations that were in effect before the change. Line items that were not affected by the adjustments have not been included. The adoption of HKFRS 15 did not have material impact on the Group's operating, investing and financing cash flows.

Impact on the consolidated statement of financial position at 31 December 2018

	As reported	Impact of adopting HKFRS 15	Amount excluding impacts of adopting HKFRS 15
	RMB'000	*RMB'000*	*RMB'000*
Other payables and accruals	1,118,338	132,216	1,250,554
Contract liabilities	132,216	(132,216)	–

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 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK (IFRIC) Interpretation 23	Uncertainty Over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associate and Joint Venture[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of other new and amendments HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related Interpretations when it becomes effective. HKFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately RMB101,431,000. Out of this balance, an amount of RMB85,026,000 represents operating leases with original lease terms of over one year in which the Group will recognise right-of-use assets and corresponding lease liabilities unless they are exempt from the reporting obligations under HKFRS 16. The directors of the Company expect that, apart from the changes in the measurement, presentation and disclosure as indicated above, the adoption of HKFRS 16 will not have other material impact on amounts in the Group's consolidated financial statements.

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:

	2018	2017*
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of textile products		
• Cotton yarn	**4,183,083**	3,836,323
• Grey Fabric	**5,523,329**	6,188,351
• Denim	**811,050**	712,380
– Sales of electricity and steam	**5,938,422**	5,636,331
	16,455,884	16,373,385

* The amounts for the year ended 31 December 2017 were recognised in HKAS 18.

Disaggregation of the Group's revenue

For the year ended 31 December 2018	Textile products *RMB'000*	Electricity and steam *RMB'000*	Total *RMB'000*
Geographical market			
Mainland China	**6,978,518**	**5,938,422**	**12,916,940**
China, Hong Kong	**1,413,689**	**–**	**1,413,689**
Southeast Asia	**864,839**	**–**	**864,839**
East Asia	**453,912**	**–**	**453,912**
Others	**806,504**	**–**	**806,504**
	10,517,462	**5,938,422**	**16,455,884**

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, 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 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 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	**–**	**787,532**	**787,532**
Segment revenue	**10,517,462**	**6,725,954**	**17,243,416**
Eliminations			**(787,532)**
Group revenue			**16,455,884**
Segment profit	**131,117**	**1,354,148**	**1,485,265**
Unallocated income			**164,981**
Unallocated corporate expenses			**(249,525)**
Unallocated finance costs			**(376,475)**
Share of results of an associate			**118**
Profit before tax			**1,024,364**

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	10,737,054	6,353,112	17,090,166
Eliminations			(716,781)
Group revenue			16,373,385
Segment profit	148,363	1,426,734	1,575,097
Unallocated income			167,036
Unallocated corporate expenses			(276,818)
Unallocated finance costs			(523,073)
Share of results of an associate			2,613
Profit before tax			944,855

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

	2018	2017
	RMB'000	*RMB'000*
Textile products	**7,600,901**	7,765,654
Electricity and steam	**7,302,228**	7,540,489
Total segment assets	**14,903,129**	15,306,143
Investment in an associate	**74,731**	74,613
Corporate and other assets	**9,974,910**	13,131,719
Total assets	**24,952,770**	28,512,475

Segment liabilities

	2018	2017
	RMB'000	*RMB'000*
Textile products	**1,535,918**	1,255,866
Electricity and steam	**807,722**	726,185
Total segment liabilities	**2,343,640**	1,982,051
Corporate and other liabilities	**4,200,280**	8,571,313
Total liabilities	**6,543,920**	10,553,364

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 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 *(Note)*	**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**
Loss allowance 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**

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 *(Note)*	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

Note: Non-current assets included property, plant and equipment, investment properties, prepaid lease payments and other intangible assets for the years ended 31 December 2018 and 2017.

Geographical information

During the years ended 31 December 2018 and 2017, 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

	2018	2017
	RMB'000	*RMB'000*
Mainland China	**12,916,940**	12,647,560
China, Hong Kong	**1,413,689**	1,715,285
Southeast Asia	**864,839**	831,054
East Asia	**453,912**	641,717
Others	**806,504**	537,769
	16,455,884	16,373,385

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:

	2018	2017
	RMB'000	*RMB'000*
Customer A[1]	**3,265,711**	3,103,200
Holding Company[1]	**2,431,327**	2,312,810

1 Revenue from sales of electricity and steam.

5. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Interest income from bank deposits	**38,972**	34,958
Interest income from immediate holding company	**–**	17,897
Total interest income	**38,972**	52,855
Release of deferred income	**19,259**	19,029
Government grants *(note)*	**2,294**	8,497
Compensation from suppliers on the supply of sub-standard goods	**24,169**	22,835
Gross rental income	**770**	770
Exchange gain, net	**6,610**	–
Gain on sale of waste and spare parts	**48,316**	35,122
Gain on disposal of property, plant and equipment	**10,177**	12,550
Gain on disposal of non-current assets held for sale	**12,869**	11,008
Reversal of loss allowance on other receivables	**139**	–
Others	**1,406**	4,370
	164,981	167,036

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

	2018	2017
	RMB'000	*RMB'000*
Interest on:		
– bank loans	**152,606**	167,777
– corporate bonds	**223,869**	355,296
	376,475	523,073

7. INCOME TAX EXPENSES

	2018	2017
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**362,843**	372,952
Under-provision for previous years:		
PRC EIT	**–**	3,626
Deferred taxation	**18,661**	47,219
	381,504	423,797

Notes:

a) No Hong Kong Profits Tax has been provided for the years ended 31 December 2018 and 2017 as the Company 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

	2018 *RMB'000*	2017 *RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors', chief executive's and supervisors' emoluments	**5,249**	4,915
Salaries, wages, allowances and other benefits	**2,833,548**	2,694,034
Contributions to retirement benefits scheme (excluding directors', chief executive's and supervisors' emoluments)	**279,944**	227,946
Total staff costs	**3,118,741**	2,926,895
Auditor's remuneration	**5,832**	9,683
Depreciation of property, plant and equipment	**1,100,979**	1,216,221
Depreciation of investment properties	**736**	736
Amortisation of prepaid lease payments	**8,839**	8,839
Amortisation of other intangible assets	**15**	16
Impairment loss on trade receivables	**–**	103
Loss allowance on trade receivables	**36**	–
Loss on written-off of property, plant and equipment	**19,548**	–
Allowance for inventories *(Note i)*	**113,607**	51,005
Reversal of allowance for inventories *(Note ii)*	**(832)**	–
Amount of inventories recognised as an expense	**14,623,490**	14,495,883
Operating leases rental relates to office premises	**17,966**	16,905
Research and development cost *(Note iii)*	**71,004**	84,405
Exchange loss, net *(Note iv)*	**–**	38,693

Notes:

(i) Included in cost of sales

(ii) Included in cost of sales

(iii) Staff costs of approximately RMB36,791,000 (2017: RMB36,172,000) are included in the research and development cost for the year ended 31 December 2018.

(iv) Included in other expenses

9. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
2018 Final – RMB0.1656 (2017 Final – RMB0.15) per share	**197,791**	179,158

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:

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**643,906**	522,249

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share *('000 shares)*	**1,194,389**	1,194,389

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 2018 and 2017.

11. TRADE RECEIVABLES

	2018 *RMB'000*	2017 *RMB'000*
Receivables at amortised cost comprise:		
Trade receivables	**436,853**	405,369
Less: loss allowance for trade receivables	**(5,199)**	(4,451)
	431,654	400,918

As at 31 December 2018, the gross amount of trade receivables arising from contracts with customers amounted to approximately RMB436,853,000 (2017: RMB405,369,000).

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.

	2018 *RMB'000*	2017 *RMB'000*
Within 90 days	**421,145**	397,701
91 to 180 days	**6,388**	3,088
181 to 365 days	**3,703**	46
Over 365 days	**418**	83
	431,654	400,918

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:

	2018	2017
	RMB'000	*RMB'000*
Within 90 days	**903,072**	873,820
91 to 180 days	**290,732**	48,411
181 to 365 days	**8,940**	16,943
Over 365 days	**26,137**	29,046
	1,228,881	968,220

The average credit period granted to the Group 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 2018.

Overview

In 2018, the effect of the supply-side structural reform of the PRC textile industry has gradually emerged and the supply structure has been adjusted and optimised. The profit growth has improved significantly and the adaptability and flexibility of the industry to the change in demands have shown a continuous enhancement as well. The stable performance in both domestic and overseas markets stimulated the investment and efficiency indicators to improve steadily. Overall, the industry continued to maintain stable operation performance. However, the textile industry faced significant change in the outer environment, where the PRC economy transformed from high growth to high quality development. Meanwhile, the PRC textile industry also faced risks and pressure associated with issues such as the China-US trade friction and unstable trade environment.

In terms of domestic sales, the growth rate of the textile and apparel product industry of the PRC in domestic sales has been better since 2018 as compared with the past two years. The industry demonstrated a positive effect in strengthening the efficiency in demand and supply. According to the statistics from the National Bureau of Statistics of the PRC, the total retail sales of consumer goods of the country grew by approximately 9.0% year-on-year to approximately RMB38,098.7 billion in 2018, 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 RMB1,370.7 billion, representing a year-on-year increase of approximately 8.0%, which was 0.2 percentage point higher than that of the previous year. Online retail continued to grow rapidly with online retail sales of wearing products recording a year-on-year increase of approximately 22.0% in 2018, which was 1.7 percentage points higher than that of the previous year.

In terms of export sales, the PRC textile and apparel products remained competitive in the international market. In 2018, the export market of the industry continued to improve. According to the statistics from the General Administration of Customs of the PRC, the aggregated exports of textile products and apparel from the PRC for 2018 was approximately US$276.7 billion, representing a year-on-year increase of approximately 3.5% and approximately 2.0 percentage points higher than that of the corresponding period of last year. Among these, exports of textile products reached approximately US$119.1 billion, representing a year-on-year increase of approximately 8.1%, which was approximately 3.6 percentage points higher than that of the corresponding period of last year, and exports of apparel amounted to approximately US$157.6 billion, representing a year-on-year increase of approximately 0.3%, which was approximately 0.7 percentage point higher than that of the corresponding period of last year.

In terms of textile raw materials, the market witnessed greater fluctuations in cotton price in 2018. During the first half of the year, driven by several factors including strong global demand and the lower-than expected cotton output by the United States and India, the cotton price increased significantly. Affected by the trade friction, the cotton price began to drop from the high level during the second half of the year. The Group paid close attention to the market development and took reasonable actions to source cotton globally, so as to reduce the impact of cotton price fluctuations on its operating results.

Business

During the Year, against the situation of the slowdown in the global economic development, the escalation of trade friction and the continuously intensified competition, the Group actively promoted business transformation and upgrading and the shift in growth drivers, stepped up efforts in the research and development of new products and market exploration, and further improved the quality of its products under the management philosophy of prudent and steady development, so as to achieve high quality development. The Group recorded revenue of approximately RMB16,456 million, representing an increase of approximately 0.5% as compared with 2017. The net profit attributable to owners of the Company was approximately RMB644 million, representing an increase of approximately 23.4% as compared with that of 2017, while earnings per share was RMB0.54.

In terms of the textile business, the Group adhered to the new development concept and kept focusing on improving development quality and efficiency. The Group accelerated structural adjustment and business transformation and upgrading, making new milestones in promoting high quality development and realizing the transformation and upgrading of the traditional manufacturing industry. The Group developed 1,912 new products throughout the year, and a series of new products have won a number of awards. Our cotton fabric products were awarded the "Champion Single Products in Manufacturing Industry" by the Ministry of Industry and Information Technology. Weiqiao Textile also passed the on-site inspection of the quality award by China National Textile and Apparel Council and was selected as one of first pilot demonstration enterprises on intelligent manufacturing of the textile industry, and was honored as the Nationwide Equipment Management Outstanding Unit.

In terms of the electricity and steam business, the Group improved its management efficiency and reduced its wastage and consumption, thereby further optimizing the productivity of its captive power plants. The Group proactively promoted green development, and 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. Meanwhile, the Group accelerated the process of the technical improvement project of desulphurization wastewater zero discharge and the technical improvement project of recycled-water defluoridation.

In terms of capital operation, the Group further reduced the level of liabilities and optimized its debt structure. The Group redeemed domestic corporate bonds with a principal amount of RMB3 billion upon maturity and repaid some interest-bearing bank loans, which reduced the finance costs correspondingly.

Outlook

Looking forward to 2019, it is expected that the global macro-economic environment will be gradually improved. However, the growth momentum is expected to weaken. With the complexity and volatility of the economic and trade environment and the increase in uncertainties including the trade friction, the export environment of the PRC textile products will become more complicated, while the transformation and upgrading of the domestic market is expected to provide continuous support for the development of the textile industry.

In terms of the textile business, by seizing the opportunities arising from the transformation and upgrading of the textile industry, the Group will continue to reinforce its production capacity advantage, make continuous efforts in promoting management innovation, technology improvements as well cost reduction and efficiency. The Group will also look to improve automation level and productivity, reduce labour intensity and 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 value-added and high-tech textile and fabric products, striving to lead the transformation of the textile manufacturing industry.

The Group will also continue to optimize the productivity and operation of its captive power plants, with an aim to improve the overall profitability of the Group. Furthermore, the Group will continue to fulfill its social responsibilities such as energy saving and environmental protection to a high standard. Adhering 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.

In addition, the Group will also further strengthen its fund management and optimize its debt structure. Under the premise of maintaining the Group's sustainable operation capacity and sufficient liquidity, the Group will further reduce its level of liabilities and capital costs, thereby improving shareholder returns and maximizing shareholder interests.

The management of the Group and I would like to express our gratitude to our shareholders for their unwavering support towards the Group. Looking forward, the Group will focus more on its major tasks such as innovation development, intelligent manufacturing and green development, promote high quality development, make great efforts to reduce costs and enhance efficiency, and strive to build a high-quality team, so as to create greater returns for our shareholders.

Ms. Zhang Hongxia
Chairman

Shandong, the PRC
15 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2018, the global economy was on a recovery track, and the PRC economy showed an overall stable and positive momentum. However, the economic growth was under pressure in the second half of the year due to the trade friction. Under this macro context, the PRC textile industry witnessed an overall steady performance, with stable growth in the domestic market and improvement in the export business.

During the Year, consumption upgrade boosted domestic sales. According to the statistics from the National Bureau of Statistics of the PRC, the total retail sales of consumer goods of the country grew by approximately 9.0% year-on-year to approximately RMB38,098.7 billion in 2018, of which the total retail sales of apparel, footwear, headwear and knitwear by companies above a designated size in China amounted to approximately RMB1,370.7 billion, representing a year-on-year increase of approximately 8.0%.

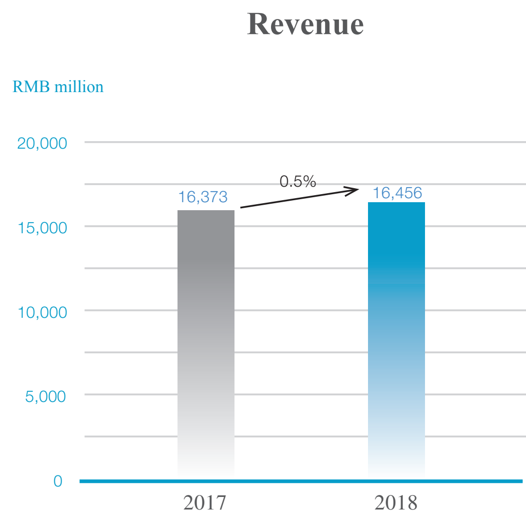
The rebound in exports has boosted the growth of the export of textile products and apparel. According to the statistics from the General Administration of Customs of the PRC, the aggregated exports of textile products and apparel from the PRC were approximately US$276.7 billion in 2018, representing a year-on-year increase of approximately 3.5%.

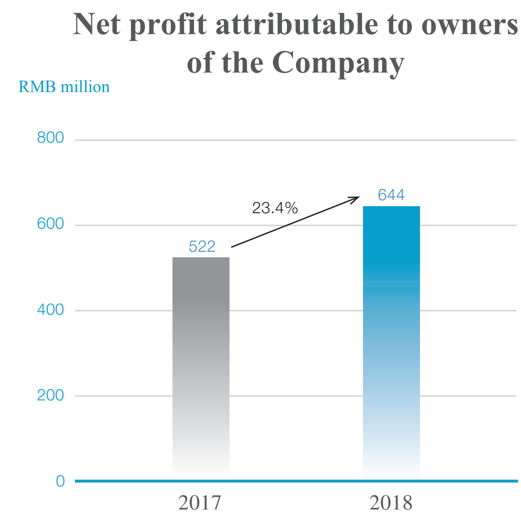
In terms of textile raw materials, the market witnessed greater fluctuations in cotton price during 2018. In May, domestic cotton price staged a strong rally following a period of significant sideways fluctuations. In the second half of the year, due to the combined effect of various factors such as the substantial increase in cotton output across the globe and the China-US trade friction, the cotton price continued to decrease.

BUSINESS REVIEW

During the Year under Review, the production costs of the Group increased as the raw material costs and labour costs remained at a high level, but the finance costs of the Group were significantly decreased due to the further decrease in the level of liabilities and optimization of the debt structure. Net profit attributable to owners of the Company increased as compared to the same period last year.

For the years ended 31 December 2018 and 2017, the revenue of the Group and net profit attributable to owners of the Company were as follows:

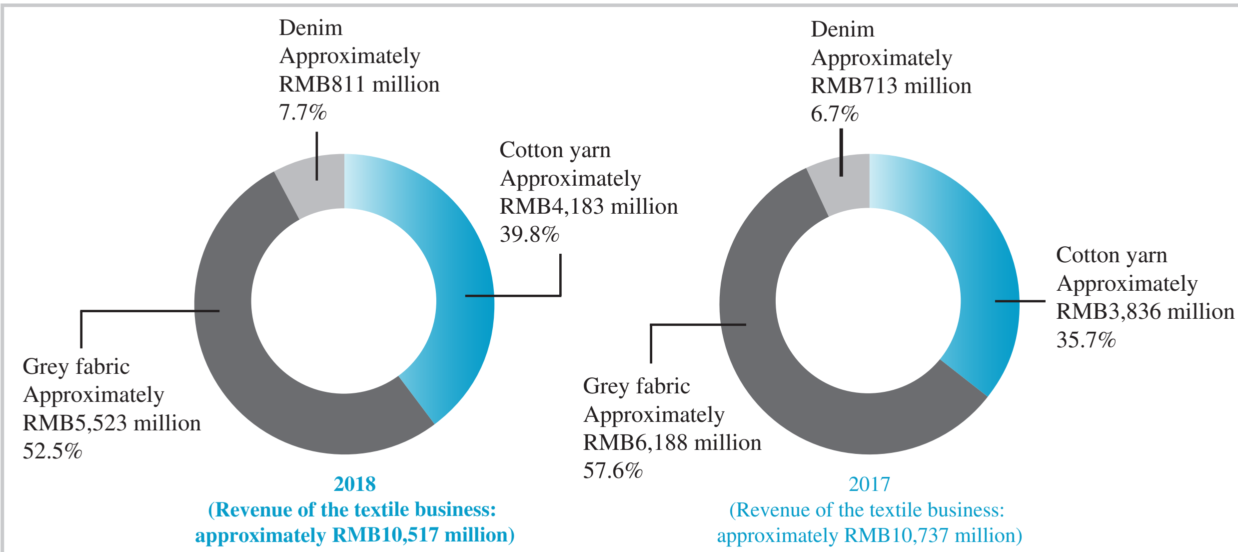




For the year ended 31 December 2018, the Group recorded revenue of approximately RMB16,456 million, remaining basically stable with the corresponding period of last year, where the revenue of textile products was approximately RMB10,517 million, representing a decrease of approximately 2.0% over the corresponding period of last year. This was mainly due to the sluggish demand of textile products from downstream due to the effect of various factors including the increase in the necessary production cost and the trade friction, resulting in a year-on-year decrease of approximately 10.7% in the Group's revenue from the sales of grey fabric. The revenue of the electricity and steam was approximately RMB5,938 million, representing an increase of approximately 5.4% over the corresponding period of last year, which was mainly due to the increase in the amount of electricity generated by the Group according to the market demand, resulting in the increase in the sales volume of electricity. Net profit attributable to owners of the Company amounted to approximately RMB644 million, representing an increase of approximately 23.4% as compared with the corresponding period of last year.

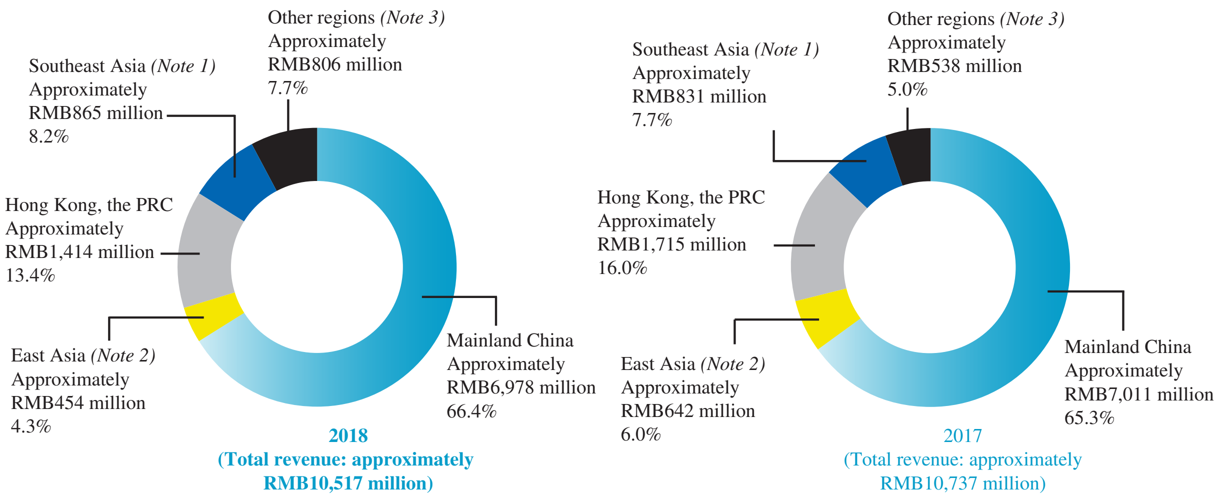
Textile Business

The charts below are the comparison of the breakdown of revenue of the textile business categorized by products for the years ended 31 December 2018 and 2017, respectively:



For the year ended 31 December 2018, the revenue of the Group's cotton yarn recorded an increase over the corresponding period of last year, which was mainly because the Group adjusted its production plan to increase the sales volume of cotton yarn in accordance with the market conditions. The revenue of grey fabric recorded a decrease, which was mainly due to the sluggish demand of textile products from downstream caused by the effect of various factors including the increase in the necessary production cost and the trade friction, resulting in a year-on-year decrease in the sales volume. The revenue of denim recorded a year-on-year increase, which was mainly due to the increase in the sales of denim as the Group proactively adjusted its production structure in accordance with the market demands and sold out part of the grey fabric inventory.

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 2018 and 2017, respectively:



Note 1: *Southeast Asia mainly includes Vietnam, Thailand, Malaysia, Indonesia, the Philippines and Burma;*

Note 2: *East Asia includes Japan and South Korea;*

Note 3: *Other regions mainly include the US, Europe, Africa and Taiwan, China.*

For the year ended 31 December 2018, the Group continued to implement a sales strategy of placing equal emphasis on domestic sales and overseas exports, generating revenue from the sales of textile products in the overseas and in the domestic markets of approximately 33.6% and approximately 66.4% of the Group's total revenue respectively, which were basically stable with not much change as compared with last year.

During the Year under Review, the Group's cotton yarn output was approximately 421,000 tons, representing an increase of approximately 6.9% as compared with the corresponding period of last year; grey fabric output was approximately 897 million meters, representing a decrease of approximately 2.6% as compared with the corresponding period of last year; denim output was approximately 70 million meters, which was basically stable 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 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 2018, 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 2018, the power generation of the Group was approximately 18,548 million kWh, representing an increase of approximately 6.3% as compared with the corresponding period of last year; while its electricity sold amounted to approximately 16,102 million kWh, representing an increase of approximately 6.5% over the corresponding period of last year, which was mainly due to the increase in the amount of electricity generated by the Group according to the market demand, resulting in the increase in the sales volume of electricity.

For the year ended 31 December 2018, the revenue of the Group's sales of electricity and steam amounted to approximately RMB5,938 million, representing an increase of approximately 5.4% as compared with the corresponding period of last year. The gross profit thereof was approximately RMB1,439 million, representing a decrease of approximately 2.4% 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 rising raw material costs during the Year.

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 2018 and 2017, respectively:

	For the year ended 31 December					
	2018			2017		
Product categories	**Revenue**	**Gross profit**	**Gross profit margin**	Revenue	Gross profit	Gross profit margin
	RMB'000	*RMB'000*	%	*RMB'000*	*RMB'000*	%
Cotton yarn	**4,183,083**	**168,050**	**4.0**	3,836,323	158,926	4.1
Grey fabric	**5,523,329**	**6,136**	**0.1**	6,188,351	3,445	0.1
Denim	**811,050**	**106,546**	**13.1**	712,380	132,533	18.6
Electricity and steam	**5,938,422**	**1,438,887**	**24.2**	5,636,331	1,475,294	26.2
Total	**16,455,884**	**1,719,619**	**10.5**	16,373,385	1,770,198	10.8

For the year ended 31 December 2018, the gross profit of the sales of textile products decreased by approximately 4.7% as compared with the corresponding period of last year to approximately RMB281 million, which was primarily due to several factors including the rising raw material costs and the increasing staff costs of the Group during the Year. The gross profit from the sales of electricity and steam decreased by approximately 2.4% from the corresponding period of last year to approximately RMB1,439 million, and the gross profit margin was approximately 24.2%, down by approximately 2.0 percentage points from that of the same period of last year, which was primarily due to the rising raw material costs.

Selling and Distribution Expenses

For the year ended 31 December 2018, the Group's selling and distribution expenses increased from approximately RMB159 million to approximately RMB166 million, representing an increase of approximately 4.4% compared with the corresponding period of last year. Among these expenses, transportation costs decreased from approximately RMB104 million to approximately RMB101 million, representing a decrease of approximately 2.9% compared with the same period of last year. Salary of the sales staff was approximately RMB38 million, representing an increase of approximately 11.8% from approximately RMB34 million for the same period of last year, which was mainly due to the increase in the salary and welfare of the sales staff. Sales commission was approximately RMB16 million, representing an increase of approximately 23.1% from approximately RMB13 million for the same period of last year, which was primarily due to the increase in the export sales of the Group through brokers, resulting in an increase in commissions.

Administrative Expenses

For the year ended 31 December 2018, the administrative expenses of the Group were approximately RMB277 million, representing an increase of approximately 7.8% from approximately RMB257 million for the corresponding period of last year. The increase was primarily attributable to the increase in the salary and welfare of the administrative staff.

Finance Costs

For the year ended 31 December 2018, finance costs of the Group were approximately RMB376 million, representing a decrease of approximately 28.1% from approximately RMB523 million for the corresponding period of last year, which was mainly attributable to the further decrease in the level of liabilities, optimization of the debt structure and the repayment of a portion of the interest-bearing bank loans and corporate bonds by the Group during the Year.

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 2018, the Group recorded a net cash inflow from operating activities of approximately RMB1,996 million. Net cash outflow from investing activities was approximately RMB181 million, and net cash outflow for financing activities was approximately RMB4,942 million.

As at 31 December 2018, cash and cash equivalents of the Group were approximately RMB9,597 million, representing a decrease of approximately 24.6% as compared with the cash and cash equivalents of approximately RMB12,723 million as at 31 December 2017, which was mainly attributable to the repayment of a portion of the interest-bearing bank loans and corporate bonds by 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 2018, the inventory turnover days of the Group were 72 days, which was in line with that of the corresponding period of last year.

For the year ended 31 December 2018, the average turnover days of the Group's receivables were 9 days, which was in line with that of the corresponding period of last year.

For the year ended 31 December 2018 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 2018, net profit attributable to owners of the Company was approximately RMB644 million, representing an increase of approximately 23.4% from approximately RMB522 million for the corresponding period of last year.

For the year ended 31 December 2018, earnings per share of the Company were RMB0.54, representing an increase of approximately 22.7% from approximately RMB0.44 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 2018, the debts of the Group were mainly bank borrowings amounting to approximately RMB1,925 million (31 December 2017: approximately RMB3,262 million) and corporate bonds amounting to approximately RMB963 million (31 December 2017: approximately RMB3,963 million). The Group had cash and cash equivalents of approximately RMB9,597 million (31 December 2017: approximately RMB12,723 million). As at 31 December 2018, 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 -36.4% (31 December 2017: approximately -30.6%).

The Group manages its interest expenses through a fixed rate and floating rate debt portfolio. As at 31 December 2018, approximately 86.8% of the Group's bank loans were subject to fixed interest rates, while the remaining of approximately 13.2% were subject to floating interest rates.

During the Year, the Group repaid net bank borrowings of approximately RMB1,337 million, and redeemed corporate bonds of approximately RMB3,000 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 year of 2019, approximately RMB963 million 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 record a further decrease. The Group will also negotiate with various correspondence banks to further optimize the debt structure and reduce the level of liabilities.

As at 31 December 2018, the Group's bank loans were mainly 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 3.3% of the total amount.

Employees and Remuneration Policies

As at 31 December 2018, the Group had a total of approximately 52,000 employees, representing a decrease of approximately 3,000 employees as compared with that of the corresponding period of last year. This decrease in the number of the staff was mainly due to the normal employee turnover during the Year. Total staff costs of the Group for the Year amounted to approximately RMB3,332 million, representing an increase of approximately 14.7% from approximately RMB2,904 million as recorded for the corresponding period of last year, which was mainly attributable to the improvement of employees' benefits and the increase in employee remuneration by 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 management of the Group will 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 2018, approximately 33.6% of the Group's revenue and approximately 15.2% of the purchase costs of cotton were denominated in US dollars. The Group recorded an exchange gain of approximately RMB7 million for the Year due to the depreciation of RMB. 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 2018 and the corresponding period of last year, the Group did not have any significant contingent liabilities.

Taxation

For the year ended 31 December 2018, the tax of the Group decreased from approximately RMB424 million in 2017 to approximately RMB382 million, representing a decrease of approximately 9.9%. Such decrease in tax was mainly attributable to the decrease in the deferred income tax recognized in respect of provisions for asset impairment by the Group for the Year.

OUTLOOK

Looking forward to 2019, we expect to witness a more complex macro environment both at home and overseas with increasing risk factors. The textile industry is expected to maintain stable performance driven by domestic demands and industry transformation. However, due to a series of external challenges such as costs and environmental protection and trade friction that need to be properly addressed, the industry is under greater pressure to promote high-quality development and enhance risk resilience.

To face the challenging international and domestic market conditions, the Group will continue to implement further structural adjustment and promote innovation-driven and high quality development. In terms of production, the Group will proactively introduce advanced equipment and technologies to achieve intelligent and automatic operations, with an aim to reduce labour input and improve production efficiency. In terms of products, the Group will keep abreast of the industry development trend, take proactive measures to adjust its product portfolio, promote the development of high-end products, step up its efforts to develop new materials and new techniques and launch new and advanced products. In terms of sales, the Group will continue to focus on both domestic sales and overseas exports, give full play to its advantages in the domestic market while further enlarging its international market share, with an aim to promote simultaneous growth of domestic and oversea businesses and gain more market shares.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, 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") 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 *(Note 1)*	Approximate percentage of total issued domestic share capital as at 31 December 2018 *(%)*	Approximate percentage of total issued share capital as at 31 December 2018 *(%)*
Holding Company	757,869,600	97.07	63.45
Weiqiao Investment	757,869,600 *(Note 2)*	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 2018 *(%)*	Approximate percentage of total issued share capital as at 31 December 2018 *(%)*
Brandes Investment Partners, L.P.	Investment manager	65,939,020 (Long position) *(Note 4)*	15.94	5.52
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 Holding Company.

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

Note 4: These 65,939,020 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 2018, 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 EXECUTIVES' INTERESTS IN THE COMPANY

As at 31 December 2018, 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** *(Note 1)*	**Approximate percentage of total issued domestic share capital as at 31 December 2018** *(%)*	**Approximate percentage of total issued share capital as at 31 December 2018** *(%)*
Ms. Zhang Hongxia *(Executive Director/Chairman)*	Beneficial interest	17,700,400	2.27	1.48
Mr. Zhang Shiping *(Non-executive Director)*	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 2018 *(%)*
Mr. Zhang Shiping *(Non-executive Director)*	Holding Company	Beneficial	31.59
Ms. Zhang Hongxia *(Executive Director)*	Holding Company	Beneficial and spouse *(Note 1)*	9.73 *(Note 1)*
Ms. Zhang Yanhong *(Executive Director)*	Holding Company	Beneficial	5.63
Ms. Zhao Suwen *(Executive Director)*	Holding Company	Beneficial	0.38
Ms. Zhao Suhua *(Non-executive Director)*	Holding Company	Spouse *(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. 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 2018, 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 RMB0.1656 (inclusive of tax) per share (the "2018 Final Dividend") to shareholders of the Company whose names appear on the register of members of the Company as at close of business on 14 June 2019 (Friday), and the dividend will be paid on 28 June 2019. The 2018 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 the 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 14 June 2019 (Friday)).

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from 30 April 2019 (Tuesday) to 30 May 2019 (Thursday) (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 29 April 2019 (Monday).

The Company's register of members will be closed from 9 June 2019 (Sunday) to 14 June 2019 (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 6 June 2019 (Thursday).

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 2018.

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 15 March 2019 to review the Group's annual report, annual 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 2018, 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. The Company has been in compliance with all provisions of the CG Code for the year ended 31 December 2018.

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 ended 31 December 2018 will be despatched to shareholders on or before 15 April 2019 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
Weiqiao Textile Company Limited*
Zhang Hongxia
Chairman

Hong Kong, the PRC
15 March 2019

As at the date of this announcement, the Board comprises nine directors, namely Ms. Zhang Hongxia, Ms. Zhang Yanhong, Ms. Zhao Suwen and Mr. Zhang Jinglei as executive directors, Mr. Zhang Shiping and Ms. Zhao Suhua as non-executive directors and Mr. Chen Shuwen, Mr. George Chan Wing Yau 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 "Weiqiao Textile Company Limited" and the Chinese name of the Company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).*