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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 2016**

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

Compared to 2015 financial results:

Revenue was approximately RMB14,175 million, representing an increase of approximately 13.4% over the corresponding period of last year.

Gross profit was approximately RMB2,251 million, representing an increase of approximately 2.9% over the corresponding period of last year.

Net profit attributable to owners of the Company was approximately RMB993 million, representing an increase of approximately 1.4% over the corresponding period of last year.

Earnings per share were RMB0.83, representing an increase of approximately 1.2%.

Proposed final dividend per share was RMB0.28 per share (including tax).

The board of directors (the "Board") of Weiqiao Textile Company Limited (the "Company" or "Weiqiao Textile") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016 (the "Year" or "Year under Review"). During the Year under Review, the revenue of the Group was approximately RMB14,175 million, representing an increase of approximately 13.4% over the corresponding period of last year. Net profit attributable to owners of the Company amounted to approximately RMB993 million, with an increase of approximately 1.4% 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 2016

	Notes	2016 RMB'000	2015 RMB'000 (restated)
Revenue	3	<u>14,175,446</u>	<u>12,498,205</u>
Cost of sales		<u>(11,924,087)</u>	<u>(10,310,574)</u>
Gross profit		2,251,359	2,187,631
Other income	5	325,201	232,339
Selling and distribution expenses		(165,379)	(132,683)
Administrative expenses		(304,017)	(327,570)
Other expenses		(12,740)	(27,849)
Finance costs	6	(581,415)	(609,142)
Share of profit of an associate		<u>1,648</u>	<u>4,538</u>
Profit before taxation		1,514,657	1,327,264
Income tax expenses	7	<u>(526,445)</u>	<u>(349,654)</u>
Profit and total comprehensive income for the year	8	<u>988,212</u>	<u>977,610</u>
Attributable to:			
Owners of the Company		992,706	979,347
Non-controlling interests		<u>(4,494)</u>	<u>(1,737)</u>
		<u>988,212</u>	<u>977,610</u>
Earnings per share attributable to the Owners of the Company			
Basic and diluted	10	<u>RMB0.83</u>	<u>RMB0.82</u>

During the years ended 31 December 2016 and 31 December 2015, the Group did not have any other comprehensive income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>Notes</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		12,835,224	10,022,287
Investment properties		22,994	23,770
Prepaid lease payments		348,330	254,871
Other intangible assets		122	739
Investment in an associate		72,000	74,477
Available-for-sale investments		–	1,298,000
Prepayments		–	300,000
Deferred tax assets		148,709	268,030
		<u>13,427,379</u>	<u>12,242,174</u>
Total non-current assets			
Current assets			
Inventories		3,099,067	4,257,635
Trade receivables	<i>11</i>	450,470	254,270
Deposits, prepayments and other receivables		480,494	210,537
Amount due from immediate holding company		2,976,009	–
Pledged deposits		90,985	58,945
Cash and cash equivalents		11,292,430	12,031,910
		<u>18,389,455</u>	<u>16,813,297</u>
Non-current assets classified as held for sale		<u>15,467</u>	<u>25,963</u>
Total current assets		<u>18,404,922</u>	<u>16,839,260</u>
Current liabilities			
Trade payables	<i>12</i>	941,598	904,416
Other payables and accruals		1,231,077	1,115,603
Income tax payable		867,107	710,696
Amount due to immediate holding company		59,060	–
Bank and other borrowings		3,824,500	1,728,850
Deferred income		18,322	38,289
		<u>6,941,664</u>	<u>4,497,854</u>
Total current liabilities			
Net current assets		<u>11,463,258</u>	<u>12,341,406</u>
Total assets less current liabilities		<u>24,890,637</u>	<u>24,583,580</u>

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Equity		
Issued capital	1,194,389	1,194,389
Reserves	<u>16,520,606</u>	<u>15,830,558</u>
	17,714,995	17,024,947
Non-controlling interests	<u>65,743</u>	<u>70,237</u>
Total equity	<u>17,780,738</u>	<u>17,095,184</u>
Non-current liabilities		
Bank and other borrowings	6,926,167	7,286,563
Deferred income	180,457	198,281
Deferred tax liabilities	<u>3,275</u>	<u>3,552</u>
Total non-current liabilities	<u>7,109,899</u>	<u>7,488,396</u>
	<u><u>24,890,637</u></u>	<u><u>24,583,580</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	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 2015	1,194,389	6,664,645	1,471,415	6,807,477	16,137,926	72,552	16,210,478
Profit and total comprehensive income for the year	-	-	-	979,347	979,347	(1,737)	977,610
Final 2014 dividend declared	-	-	-	(92,326)	(92,326)	-	(92,326)
Dividend paid to non-controlling shareholders	-	-	-	-	-	(578)	(578)
Transfer from retained profits	-	-	114,788	(114,788)	-	-	-
At 31 December 2015	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	<u>1,194,389</u>	<u>6,664,645</u>	<u>1,690,526</u>	<u>8,165,435</u>	<u>17,714,995</u>	<u>65,743</u>	<u>17,780,738</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 2016

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (restated)
OPERATING ACTIVITIES		
Profit before taxation	1,514,657	1,327,264
Adjustments for:		
Finance costs	581,415	609,142
Share of profit of an associate	(1,648)	(4,538)
Interest income	(82,298)	(40,518)
Gain on disposal of available-for-sale investments	(86,938)	(49,726)
Recognition of deferred income	(37,791)	(38,611)
Government grant	(869)	–
Rental income from leasing investment properties	–	(875)
Gain on disposal of property, plant and equipment	(6,484)	(11,625)
Impairment loss on property, plant and equipment	–	10,090
Impairment loss on investment properties	–	1,508
Impairment loss on deposits, prepayments and other receivables	–	4,738
Impairment loss on trade receivables	4,793	–
Impairment loss on inventories	26,304	180,185
Reversal of impairment loss on trade receivables	(15,207)	(2,387)
Reversal of allowance for inventories	(196,286)	(191,870)
Depreciation of property, plant and equipment	1,170,405	1,213,273
Depreciation of investment properties	776	776
Amortisation of prepaid lease payments	8,211	6,479
Amortisation of other intangible assets	617	206
	<hr/>	<hr/>
Operating cash flows before movements in working capital	2,879,657	3,013,511
Decrease in inventories	1,328,550	1,210,918
(Increase) decrease in trade receivables	(185,786)	56,338
(Increase) decrease in deposits, prepayments and other receivables	(267,597)	143,956
Increase (decrease) in trade payables	37,182	(222,135)
Increase in other payables and accruals	66,094	241,857
Increase in amount due to immediate holding company	59,060	–
	<hr/>	<hr/>
Cash generated from operations	3,917,160	4,444,445
Income tax paid	(250,990)	(136,306)
	<hr/>	<hr/>
NET CASH GENERATED FROM OPERATING ACTIVITIES	3,666,170	4,308,139

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (restated)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,790,199)	(373,708)
Advance to immediate holding company	(4,772,465)	–
Payment to acquire land use right	(104,030)	–
(Increase) decrease in pledged deposits	(32,040)	22,397
Government grant received	869	–
Dividends received from an associate	4,125	8,387
Bank interest income received	32,918	40,518
Gain on available-for-sale investments	–	49,726
Proceeds from disposal of property, plant and equipment	123,837	54,813
Proceed from disposal (acquisition) of available-for-sale investments	1,384,938	(1,298,000)
Repayment from immediate holding company	1,845,836	–
Fund inflow from immediate holding company	3,820,000	900,000
Fund outflow from immediate holding company	<u>(3,820,000)</u>	<u>(900,000)</u>
 NET CASH USED IN INVESTING ACTIVITIES	 <u>(5,306,211)</u>	 <u>(1,495,867)</u>
FINANCING ACTIVITIES		
Repayment of bank borrowings	(3,890,850)	(2,364,188)
Interest paid	(512,431)	(591,896)
Dividend paid	(302,658)	(92,326)
New bank borrowings raised	5,606,500	1,555,185
Dividend paid to non-controlling shareholders	<u>–</u>	<u>(578)</u>
 NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	 <u>900,561</u>	 <u>(1,493,803)</u>
 NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	 <u>(739,480)</u>	 1,318,469
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>12,031,910</u>	<u>10,713,441</u>
 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	 <u><u>11,292,430</u></u>	 <u><u>12,031,910</u></u>

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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 sales of cotton yarn, grey fabric and denim, and the generation and sales of electricity.

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 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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.

* For identification only

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 ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ⁴
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ²
HK(IFRIC)-Int 23	Uncertainty Over Income Tax Treatments ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycles ³
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKAS 40	Transfer of Investment Property ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture ⁵

¹ Effective for annual period beginning on or after 1 January 2017.

² Effective for annual period beginning on or after 1 January 2018.

³ Effective for annual period beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

⁴ Effective for annual period beginning on or after 1 January 2019.

⁵ 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:

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Cotton yarn	3,505,824	3,322,472
Grey fabric	5,776,725	5,625,137
Denim	804,931	817,869
Electricity and steam	4,087,966	2,732,727
	<u>14,175,446</u>	<u>12,498,205</u>

4. SEGMENT INFORMATION

Information reported to the directors of the Company (the “Directors”), 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 management of the Company, 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 sales of electricity and steam was identified as a new reportable segment. The comparative segment information has been reclassified to conform to these changes.

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 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			325,201
Unallocated corporate expenses			(261,564)
Unallocated finance costs			(581,415)
Share of results of associates			<u>1,648</u>
Profit before tax			<u><u>1,514,657</u></u>

For the year ended 31 December 2015

	Textile products <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
External revenue	9,765,478	2,732,727	12,498,205
Intersegment revenue	-	282,041	282,041
Segment revenue	<u>9,765,478</u>	<u>3,014,768</u>	12,780,246
Eliminations			(282,041)
Group revenue			<u>12,498,205</u>
Segment profit	<u>415,321</u>	<u>1,596,663</u>	2,011,984
Unallocated income			232,339
Unallocated corporate expenses			(312,455)
Unallocated finance costs			(609,142)
Share of results of associates			<u>4,538</u>
Profit before tax			<u><u>1,327,264</u></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 associates. 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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Textile products	8,881,991	10,874,787
Electricity and steam	<u>7,928,675</u>	<u>4,242,133</u>
Total segment assets	16,810,666	15,116,920
Investment in an associate	72,000	74,477
Corporate and other assets	<u>14,949,635</u>	<u>13,890,037</u>
Total assets	<u><u>31,832,301</u></u>	<u><u>29,081,434</u></u>

Segment liabilities

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Textile products	915,309	1,971,420
Electricity and steam	830,897	48,599
Total segment liabilities	1,746,206	2,020,019
Corporate and other liabilities	12,305,357	9,966,231
Total liabilities	14,051,563	11,986,250

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

- All assets are allocated to operating segment, other than investment in an associate, deferred tax assets, available-for-sale investments, unallocated deposits, prepayments and other receivables, unallocated amounts 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, 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 2016

	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)	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

For the year ended 31 December 2015

	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)	36,342	29,100	–	65,442
Depreciation and amortisation	887,522	236,786	96,426	1,220,734
Impairment loss on property, plant and equipment	10,090	–	–	10,090
Impairment loss on investment properties	1,508	–	–	1,508
Reversal of allowances for inventories	(191,870)	–	–	(191,870)
Allowances for inventories	180,185	–	–	180,185
Reversal of impairment loss on trade receivables	(2,387)	–	–	(2,387)
Impairment loss on deposits, prepayments and other receivables	4,738	–	–	4,738
Gain on disposal of property, plant and equipment	(11,625)	–	–	(11,625)
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	–	–	(49,726)	(49,726)
Interest income	–	–	(40,518)	(40,518)
Interest expense	–	–	609,142	609,142
Investment in an associate	–	–	74,477	74,477
Share of profit of an associate	–	–	(4,538)	(4,538)
Income tax expenses	–	–	349,654	349,654

Note: Non-current assets included property, plant and equipment, investment properties, prepaid land lease payments and other intangible assets for the years ended 31 December 2016 and 2015.

Geographical information

During the years ended 31 December 2016 and 2015, 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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
PRC	10,724,306	9,746,106
Hong Kong	1,754,148	1,222,123
Southeast Asia	596,647	549,340
East Asia	578,334	498,965
Others	<u>522,011</u>	<u>481,671</u>
	<u>14,175,446</u>	<u>12,498,205</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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Holding Company and fellow subsidiaries ¹	<u>3,249,856</u>	<u>3,941,334</u>

¹ Revenue from textile products and sales of electricity and steam.

5. OTHER INCOME

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interest income	82,298	40,518
Release of deferred income	37,791	38,611
Government grants (<i>note</i>)	869	–
Compensation from suppliers on the supply of sub-standard goods	11,894	13,210
Gross rental income	2,505	875
Gain on disposal of available-for-sale investments	86,938	49,726
Exchange gain, net	44,473	29,918
Gain on sale of waste and spare parts	31,987	31,229
Gain on disposal of property, plant and equipment	6,484	11,625
Others	<u>19,962</u>	<u>16,627</u>
	<u>325,201</u>	<u>232,339</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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interest on:		
– bank loans	186,811	214,627
– corporate bonds	<u>394,604</u>	<u>394,515</u>
	<u>581,415</u>	<u>609,142</u>

7. INCOME TAX EXPENSES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Current tax:		
PRC Enterprises Income Tax (“EIT”)	407,401	386,296
Hong Kong Profits Tax	<u>–</u>	<u>164</u>
	407,401	386,460
Deferred taxation	<u>119,044</u>	<u>(36,806)</u>
	<u>526,445</u>	<u>349,654</u>

Notes:

- a) During the years ended 31 December 2016 and 2015, 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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Profit for the year has been arrived at after charging:		
Directors', chief executive's and supervisors' emoluments	4,852	4,795
Salaries, wages, allowances and other benefits	2,645,019	2,378,483
Contributions to retirement benefits scheme (excluding directors', chief executive's and supervisors' emoluments)	<u>202,328</u>	<u>201,909</u>
Total staff costs	<u>2,852,199</u>	<u>2,585,187</u>
Auditor's remuneration	8,230	6,425
Depreciation of property, plant and equipment	1,170,405	1,213,273
Depreciation of investment properties	776	776
Amortisation of prepaid lease payments	8,211	6,479
Amortisation of other intangible assets	617	206
Impairment loss on property, plant and equipment	–	10,090
Impairment loss on investment properties	–	1,508
Impairment loss on deposits, prepayments and other receivables	–	4,738
Impairment loss on trade receivables	4,793	–
Reversal of impairment loss on trade receivables	(15,207)	(2,387)
Allowance for inventories	26,304	180,185
Reversal of allowance for inventories	(196,286)	(191,870)
Amount of inventories recognised as an expense	11,727,801	10,118,704
Operating leases rental relates to office premises	17,930	18,465
Research and development cost	<u>64,927</u>	<u>74,101</u>

9. DIVIDENDS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
2016 Final – RMB0.2800 (2015: 2015 Final – RMB0.2534) per share	<u>334,429</u>	<u>302,658</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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>992,706</u>	<u>979,347</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (<i>'000 shares</i>)	<u>1,194,389</u>	<u>1,194,389</u>

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2016 and 2015.

11. TRADE RECEIVABLES

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade receivables	454,818	270,902
Less: allowance for impairment of trade receivables	<u>(4,348)</u>	<u>(16,632)</u>
	<u>450,470</u>	<u>254,270</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.

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within 90 days	448,651	253,818
91 to 180 days	1,693	369
181 to 365 days	16	83
Over 365 days	110	—
	<u>450,470</u>	<u>254,270</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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within 90 days	843,699	826,565
91 to 180 days	50,766	26,526
181 to 365 days	14,538	2,751
Over 365 days	32,595	48,574
	<u>941,598</u>	<u>904,416</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 time frame.

CHAIRMAN'S STATEMENT

It is my pleasure to present on behalf of the Board the audited consolidated results of the Group for the year ended 31 December 2016.

In 2016, we witnessed sluggish overall growth in the global economy due to lackluster consumption demand, and geopolitical uncertainties led to slowdown in global trade growth. The overall PRC economy showed stable and healthy development momentum, with positive results from its structural transformation. On the industry side, Chinese textile industry strived to adapt to the complex economic environment and maintained steady operational performance.

During the Year under Review, and in terms of the export market, affected by several factors such as sluggish recovery in the major markets, an unstable external environment, rising costs incurred by textile enterprises, intensified international competition and decline in product prices, exports of PRC textile products and apparel remained under pressure. According to statistics from the General Administration of Customs of the PRC, the aggregated exports of textile products and apparel of PRC was US\$267.2 billion in 2016, representing a year-on-year decrease of 5.9%. Among these, exports of textile products decreased by 3.0% year-on-year to US\$106.2 billion, and exports of apparel decreased by 7.7% year-on-year to US\$161.0 billion.

In terms of domestic demand, despite the decelerating trend of growth, the PRC economy maintained stable development, with consumption demand providing overall support for market performance. According to statistics from the National Bureau of Statistics of the PRC, the retail sales of apparel, footwear, headwear and knitwear for 2016 by companies above a designated size in China (with annual revenue of over RMB20 million) amounted to RMB1,443.3 billion, representing a year-on-year increase of approximately 7.0%, 2.8 percentage points lower than the growth rate of last year.

In terms of raw materials, cotton price surged after a decline during the Year, showing a volatile and upward trend for the whole Year. During the middle of the Year, cotton price pulled back as a result of the smooth implementation of the cotton reserve policy. At the end of the Year, affected by the inflation and expected depreciation in the Renminbi, cotton price surged to a new record.

In the face of various adverse factors, the Group adhered to the “Sanpin Strategy (三品戰略)” of “enriching product varieties, improving product quality and building its brand name (增品種, 提品質, 創品牌)” to maintain stable operation by strengthening corporate management, focusing on technology innovation and stepping up efforts in product development and business expansion. In response to the market fluctuations, the Group proactively adjusted its marketing strategies based on market conditions constantly and took initiatives to reduce inventories during the Year. During the Year, the Group recorded revenue of approximately RMB14,175 million, representing an increase of approximately 13.4% over the same period in 2015. Net profit attributable to owners of the Company was approximately RMB993 million, representing an increase of approximately 1.4% over the same period in 2015. Earnings per share was RMB0.83.

During the Year, the Group completed the adjustment in its organizational structure and established four wholly-owned subsidiaries by dividing the business units based on various production bases and business sectors, forming independent operating segments of textile and electricity and steam businesses. We believe the above adjustment will help to further strengthen our business management, improve the operation efficiency and enhance performance assessment.

On the side of the textile business, facing industrial structural adjustment and industrial upgrade, the Group seized development opportunities by accelerating technology improvement and promoting intelligent production. The intelligent compact yarn plant of the Group was completed and put into production in November 2016. The plant is equipped with advanced intelligent yarn production equipment, and the number of the workers per ten thousand spindles is reduced to less than ten, effectively lowering labor costs as well as improving intelligence and automation level. The Group stuck to the strategy of developing middle to high-end products, increasing the number of products catering to the market and consumer needs and improving product quality.

With respect to the electricity and steam business, following the acquisition of thermal power assets with an installed capacity of 1,320 MW by the Group during the Year, the total installed capacity reached 2,820 MW and the electricity business expanded significantly. The Group sold excess electricity to the parent group and independent third party clients in the surrounding areas, increasing its revenue streams and achieving a relatively stable profit, which helped to improve the profitability of the Group.

Looking forward into 2017, while the global economy is expected to improve, the external environment will remain challenging and complex with many uncertainties. The growth-stabilizing policies, especially the advancement of supply-side structural reform, will lend support for the PRC economy to maintain growth within a reasonable range. The general trend of consumption upgrades will also provide important market support for development of the textile industry. The further penetration of the “One Belt and One Road” initiative will bring more new trade opportunities for the domestic textile industry. The implementation of the “Made in China 2025” strategy will also promote further transformation and upgrade of Chinese textile industry.

Facing the challenges and opportunities amidst this shifting environment, Weiqiao Textile will make full use of its own characteristics and strengths and continue to focus on innovating management approaches, reducing costs and enhancing efficiency, investing more on research and development and promoting green manufacturing.

The Group will advocate entrepreneurship and craftsmanship, and make proactive efforts to introduce high-end talents and teams in research and development and management, so as to improve the corporate management and innovation capability. The Group will also stick to equal emphasis on domestic and export sales and adopt a flexible sales and procurement strategy, in an effort to reduce the impact of volatility in raw material costs on the production and operation of the Group. At the same time, the Group will also continue to optimize the productivity and operations of its own power assets, with an aim to improve its overall profitability and create greater return for its shareholders. The Group will stick to the strategy of refined development by extending its business to the high-end of the industrial chain to improve its development quality and profitability, and meanwhile increase investments in research and development activities and strengthen cooperation in industry-university-research projects to tap into new business fields such as differential and functional textiles, high-tech textiles and composite materials, striving to establish its leading position in product standards, innovation as well as research and development. The Group will continue to fulfill its social responsibilities of energy saving and environmental protection to high standards and strict requirements, promoting energy conservation and consumption reduction, discharge reduction and pollution treatment, clean production and recycled utilization, so as to lay a solid foundation for the sustainable and healthy development of the Group.

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. The macroeconomic adjustments in recent years have presented unprecedented challenges to the textile industry. However, we believe that the critical position of the textile industry in the national economy as a traditional pillar and livelihood industry will remain unchanged. Weiqiao Textile will continue to integrate internal and external resources to enhance its competitive edge in domestic and overseas markets, while proactively seeking and exploring new business opportunities, so as to create new growth drivers for the Group. While continuous efforts will be made to increase our intrinsic value and create maximum returns for our shareholders, we are committed to contributing to the sustainable development of society.

Zhang Hongxia
Chairman

Shandong, the PRC
11 August 2017

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2016, we witnessed a complex global economic situation with sluggish overall growth and weakened demand in all major markets. The Chinese economy remained stable, achieving continuous progress in the supply-side structural reform. Under this macro backdrop, the Chinese textile industry showed a trend of slow but steady and positive growth, with stable profitability and continuous advancement of industrial and structural adjustment.

According to the statistics released by the National Commercial Information Center of the PRC, retail sales by the top 100 major large-scaled retail enterprises in China throughout 2016 decreased by 0.5% on a year-on-year basis, representing a further decrease of 0.4 percentage point as compared with last year. In terms of category of products, the retail sales of apparels for the Year increased by 0.2% on a year-on-year basis, representing an increase of 0.5 percentage point in growth rate as compared with the corresponding period of last year, while the retail sales volume increased by 0.9% on a year-on-year basis, representing a decrease of 5.5 percentage points in growth rate as compared with the corresponding period of last year.

During the Year under Review, due to the challenging and complex foreign trade environment, the export of the Chinese textile products and apparel faced great downward pressure. According to statistics released by the General Administration of Customs of the PRC, exports of textile and apparel products of the PRC in 2016 amounted to approximately US\$267.2 billion, representing a decrease of approximately 5.9% as compared with last year, of which the export of textile and apparel products decreased by 3.0% and 7.7%, respectively. During the Year, exports of textile and apparel products of the PRC to the following countries and regions were summarized as follows:

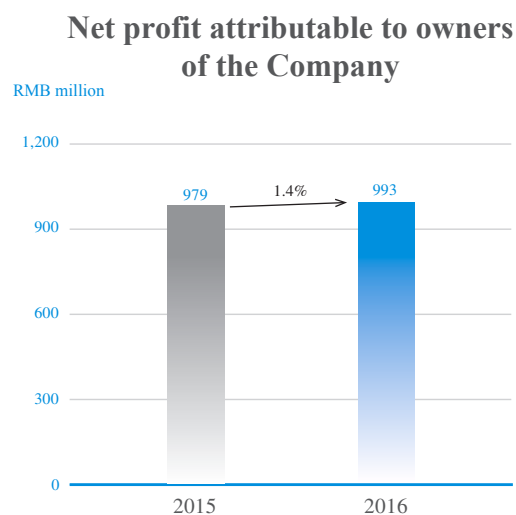
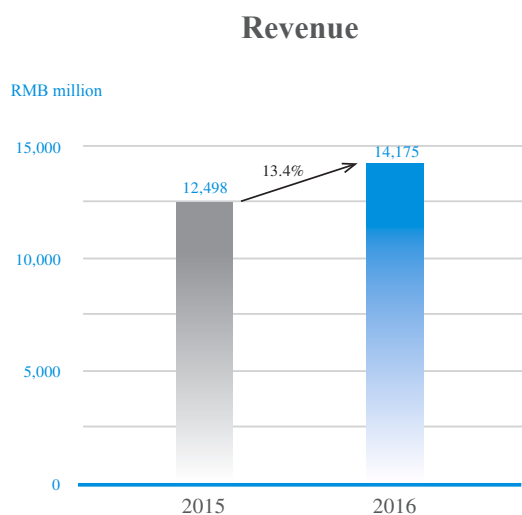
- Exports to the United States: approximately US\$45.0 billion, representing a decrease of approximately 5.7% as compared with the corresponding period of last year.
- Exports to the European Union: approximately US\$49.5 billion, representing a decrease of approximately 6.8% as compared with the corresponding period of last year.
- Exports to Japan: approximately US\$20.3 billion, representing a decrease of approximately 6.1% as compared with the corresponding period of last year.
- Exports to Hong Kong: approximately US\$15.0 billion, representing an increase of approximately 8.4% 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\$33.4 billion, US\$20.8 billion and US\$17.8 billion, respectively, decreased by approximately 6.9%, 11.2% and 12.8%, respectively, as compared with the corresponding period of last year.

In terms of the raw materials, the cotton price showed an upward trend in general with greater fluctuations in 2016. According to the Cotton A Index, the average price for cotton in China during the Year was approximately RMB14,056 per ton, representing a year-on-year increase of approximately 2.1%. The average global market price for cotton, according to the Cotlook A Index, was approximately 74.22 US cents per pound, representing a year-on-year increase of approximately 5.4%. Domestic and overseas cotton prices showed similar momentum. In the meantime, the gap between the domestic and overseas cotton prices was further narrowed. In the long run, the narrowing gap between the domestic and overseas cotton prices will help improve the overall export competitiveness of the textile manufacturing industry of the PRC.

BUSINESS REVIEW

During the Year under Review, in order to further strengthen business management, improve operation efficiency and enhance performance assessment, the Company completed the adjustment in its organizational structure and established four wholly-owned subsidiaries by dividing the business units of the Company based on various production bases and business sectors, of which three subsidiaries are engaged in production and sales of textile products, while the last controls the operation of the Group's own power assets. Due to the changes in the composition of reportable segments of the Group for the current period as a result of the above-mentioned changes in management structure, reporting process and assessment system, the power generation and electricity sale business became a new reportable segment. The Directors believe that the continuous improvement of internal management mechanism and operation efficiency will lay a solid foundation for the long-term development and help boost the operating results of the Group.

For the years ended 31 December 2016 and 2015, the revenue of the Group and net profit attributable to owners of the Company were as follows:

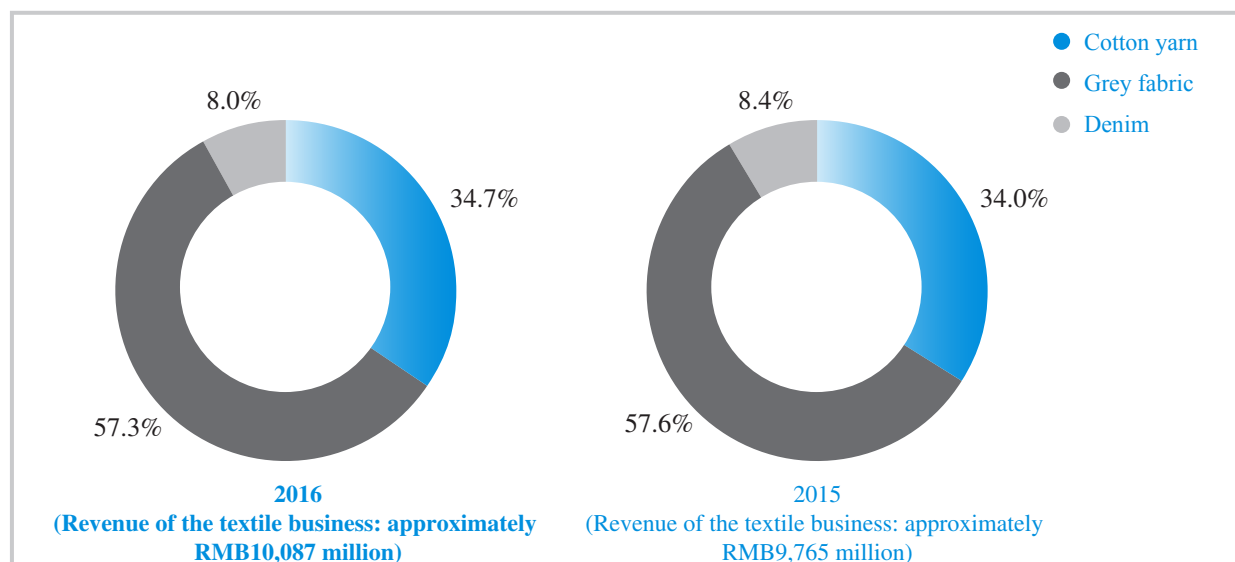


For the year ended 31 December 2016, the Group recorded revenue of approximately RMB14,175 million, representing an increase of approximately 13.4% as compared with the corresponding period of last year, and net profit attributable to owners of the Company of approximately RMB993 million, representing an increase of approximately 1.4% as compared with last year. The main reasons for the increase in revenue are the increase in sales volume and increase in sales of electricity due to the Group's timely efforts to adjust its sales strategy and increased efforts in sales promotion. The increase in the net profit attributable to owners of the Company was primarily due to the significant increase in profit from electricity generated from the increase in sales volume of electricity to external customers due to an increase in electricity generation volume as a result of the Group's own thermal power assets.

Textile Business

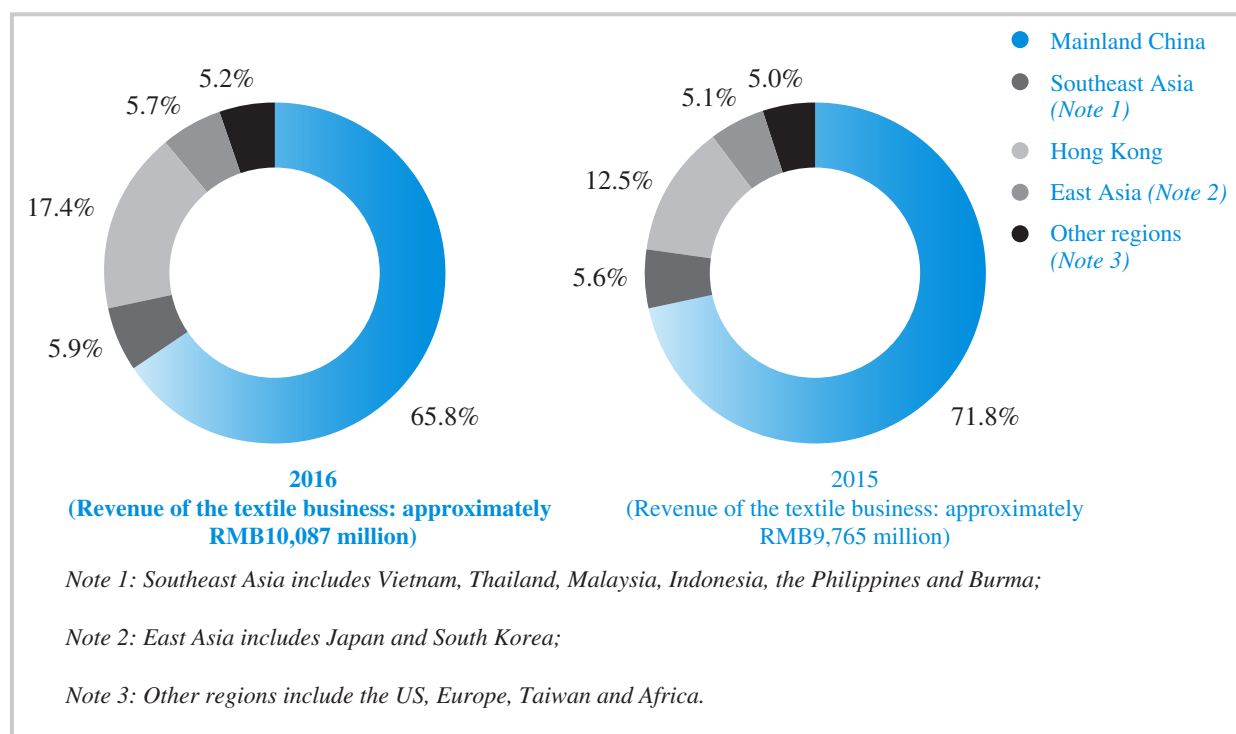
In 2016, as the sales price of China's textile products was at a low level due to the weak recovery of the global economy and persistently sluggish textile demand, the Group proactively adjusted its sales strategy and reduced some of its inventory products during the Year, resulting in a decrease in gross profit of 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 2016 and 2015:



For the year ended 31 December 2016, 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 2016 and 2015:



For the year ended 31 December 2016, the respective proportion of the domestic and overseas revenue of the Group's textile business remained relatively stable, with the proportion of overseas revenue being approximately 34.2% and the proportion of domestic revenue being approximately 65.8% 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 365,000 tons, representing an increase of approximately 9.9% as compared with the corresponding period of last year; grey fabric output was approximately 868,000,000 meters, representing a decrease of approximately 5.5% as compared with the corresponding period of last year; denim output was approximately 74,000,000 meters, representing a decrease of approximately 8.6% as compared with the corresponding period of last year.

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

Electricity and Steam Business

The profits from the sales of electricity recorded an increase due to the increase in power generation volume, the corresponding increase in the external sales of electricity resulting from the Group's own thermal power assets and the acquisition of thermal power assets completed in May 2016.

In 2016, several subsidiaries were established pursuant to the restructuring arrangement which divided the business units of the Company into several independent legal entities which have to maintain their own books and records, respectively. Thereby, the financial information of the generation and sales of electricity business is available to the management of the Company, who monitors the result of such business as a separate operating segment and makes decisions on the resources allocation and performance assessment. This resulted in a change in the composition of the Group's reportable segments such that generation and sales of electricity was identified as a new reportable segment. The information on the electricity segment is as follows:

As at 31 December 2016, the installed capacity of the Group's thermal power assets amounted to 2,820 MW, representing an increase of approximately 1,320 MW as compared with the corresponding period of last year. In 2016, the power generation of the Group was approximately 12,456 million kWh, representing an increase of approximately 41.6% as compared with the corresponding period of last year; while its electricity sold amounted to approximately 9,789 million kWh, representing an increase of approximately 53.5% over the corresponding period of last year.

During the Year under Review, the average utilization hours of the power generating units of the Group amounted to approximately 6,684 hours, representing an increase of 187 hours from approximately 6,497 hours recorded for the corresponding period last year.

During the Year under Review, the average unit cost of the Group's electricity business was approximately RMB215.5 per MWh, representing an increase of approximately 22.7% from RMB176.2 per MWh as recorded in the corresponding period last year, which was mainly due to the increase in coal price during the Year. The Group will continue to enhance management of the coal price, make appropriate adjustment to the coal inventory level in light of market changes and explore new coal supply channels to enhance its bargaining power and lower the procurement costs.

Pursuant to the requirements of the national environmental protection policies, 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.

Sales of Electricity and Steam

For the year ended 31 December 2016, the revenue of the Group's sales of electricity amounted to approximately RMB4,088 million, representing an increase of approximately 49.6% as compared with the corresponding period of last year. Gross profit thereof was approximately RMB1,911 million, representing an increase of approximately 17.3% as compared to the corresponding period of last year. The increase in revenue and gross profit of the sales of electricity as compared with the corresponding period of last year was mainly attributable to the increase in external sales volume and the increase in gains from sales of electricity as a result of the increase in the electricity generation volume of the Group's own thermal power assets during the Year.

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 2016 and 2015, respectively:

Product categories	For the year ended 31 December					
	2016			2015		
	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	3,505,824	219,031	6.2	3,322,472	270,005	8.1
Grey fabric	5,776,725	16,027	0.3	5,625,137	90,024	1.6
Denim	804,931	104,840	13.0	817,869	198,284	24.2
Electricity and steam	<u>4,087,966</u>	<u>1,911,461</u>	<u>46.8</u>	<u>2,732,727</u>	<u>1,629,318</u>	<u>59.6</u>
Total	<u>14,175,446</u>	<u>2,251,359</u>	<u>15.9</u>	<u>12,498,205</u>	<u>2,187,631</u>	<u>17.5</u>

For the year ended 31 December 2016, the gross profit of the sales of textile products decreased by approximately 39.1% as compared with the corresponding period of last year to approximately RMB340 million. The decrease was primarily due to the fact that the weak recovery of the global economy, the sluggish demand for textile products, the weak market of China's textile products and the sales price of the textile products of the PRC remained low. In the meantime, the Group proactively reduced its inventory by adopting a flexible sales strategy during the Year. As a result, the gross profit of textile products of the Group decreased significantly. The gross profit margin of the Group's textile business was approximately 3.4%, representing a decrease of approximately 2.3 percentage points as compared with the corresponding period of last year. The decrease in gross profit margin was mainly due to the decrease in the sales prices of the Group's products which was affected by the market demand during the Year and resulted in the narrowed gross profit space.

Selling and Distribution Expenses

For the year ended 31 December 2016, the Group's selling and distribution expenses increased by approximately 24.1% to approximately RMB165 million from approximately RMB133 million for the corresponding period of last year. Among these expenses, transportation costs increased by approximately 9.4% to approximately RMB93 million from approximately RMB85 million for the same period of last year, which was mainly due to the increase in the fees for transportation resulting from the increase of the sales volume of textile products of the Group during the Year. Salary of the sales staff was approximately RMB38 million, representing an increase of approximately 40.7% from approximately RMB27 million for the same period of last year. Sales commission was approximately

RMB15 million, representing an increase of approximately 114.3% from approximately RMB7 million for the same period of last year, which was primarily due to the increase in commission customers due to the Group's efforts in exploring the emerging markets of textile products.

Administrative Expenses

For the year ended 31 December 2016, the administrative expenses of the Group were approximately RMB304 million, representing a decrease of approximately 7.3% from approximately RMB328 million for the corresponding period of last year, which was basically in line with that of last year.

Finance Costs

For the year ended 31 December 2016, finance costs of the Group were approximately RMB581 million, representing a decrease of approximately 4.6% from approximately RMB609 million for the corresponding period of last year, which was mainly attributable to the decrease in the borrowing interest rate of the Group.

Liquidity and Financial Resources

As at 31 December 2016, cash and cash equivalents of the Group were approximately RMB11,292 million, representing a decrease of approximately 6.2% as compared with the cash and cash equivalents of approximately RMB12,032 million of the corresponding period of last year, which was mainly attributable to the increase in the capital expenditures due to the Group's acquisition of power assets and the establishment of the new intelligent production workshops during the Year.

The working capital of the Group is mainly financed by the cash inflow from operating activities. For the year ended 31 December 2016, the Group recorded a net cash inflow from operating activities of approximately RMB3,666 million. Net cash outflow for investing activities was approximately RMB5,306 million, and net cash inflow for financing activities was approximately RMB901 million. As at the end of the Year, cash and cash equivalents were approximately RMB11,292 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 2016, the inventory turnover days of the Group were 113 days, representing a decrease of 38 days from 151 days for the same period of last year, which was mainly due to the adjustment of its sales strategy and the proactive initiatives taken to reduce the inventory of textile products by the Group during the Year.

For the year ended 31 December 2016, the average turnover days of the Group's receivables were 9 days, representing an increase of 2 days from 7 days for the year 2015, which was basically in line with that of the corresponding period last year.

For the years ended 31 December 2016 and 2015, 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 2016, net profit attributable to owners of the Company was approximately RMB993 million, representing an increase of approximately 1.4% from approximately RMB979 million for the corresponding period of last year.

For the year ended 31 December 2016, earnings per share of the Company were RMB0.83, representing an increase of approximately 1.2% from RMB0.82 for the corresponding period of last year.

Capital Structure

The major objective of the Group's capital management is to ensure the 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 2016, the debts of the Group were mainly bank borrowings amounting to approximately RMB4,759 million (31 December 2015: approximately RMB3,043 million) and corporate bonds amounting to approximately RMB5,992 million (31 December 2015: approximately RMB5,972 million). The Group had cash and cash equivalents of approximately RMB11,292 million (31 December 2015: approximately RMB12,032 million). As at 31 December 2016, 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 3.0% (31 December 2015: approximately 17.6%).

The Group manages its interest expenses through a fixed rate and floating rate debt portfolio. As at 31 December 2016, approximately 82.9% of the Group's bank loans were subject to fixed interest rates, while the remaining of approximately 17.1% were subject to floating interest rates.

The Group maintains a balance between the continuity and flexibility of funds through bank loans and corporate bonds. At any time, the borrowings due within the upcoming 12-month period of the Group shall not exceed 50.0% of the total borrowings. As at 31 December 2016, approximately 35.6% of the Group's borrowings will mature within one year.

As at 31 December 2016, 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 3.1% of the total amount.

Employees and Remuneration Policies

As at 31 December 2016, the Group had a total of approximately 63,000 employees, representing a decrease of approximately 6,000 employees as compared with that of last year. Such decrease in the number of the staff was mainly normal employee turnover during the Year. Total staff costs of the Group during the Year amounted to approximately RMB2,852 million, representing an increase of approximately 10.3% from approximately RMB2,585 million as recorded for the corresponding period of last year, which was mainly attributable to the increase of salary for the 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 trainings, such as safety training and skills training, to staff based on the technical requirements of different positions.

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 and bank borrowings are denominated in US dollars. For the year ended 31 December 2016, approximately 24.3% of the Group's revenue and approximately 13.1% of the costs of the purchase of cotton were denominated in US dollars. For the year ended 31 December 2016, the Group recorded a net exchange gain of approximately RMB44 million due to the depreciation 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 2016 and 2015, the Group did not have any significant contingent liabilities.

Taxation

For the year ended 31 December 2016, the tax of the Group increased from approximately RMB350 million in 2015 to approximately RMB526 million in 2016, representing an increase of approximately 50.3%. Such increase in tax was mainly attributable to the derecognition of deferred tax assets recognised during the previous year as it became due during the Year, as well as the recognition of deferred income tax assets in respect of tax losses of certain subsidiaries by the Group at the end of the Year after careful consideration.

Wealth Management Products

On 22 April 2015, the Company as the assets trustor entered into an asset management agreement with CITIC-CP Asset Management Co., Ltd. (中信信誠資產管理有限公司) as the assets manager and China CITIC Bank Corporation Limited, Shanghai Branch (中信銀行股份有限公司上海分行) as the assets trustee in relation to the management of the entrusted assets. In accordance with the asset management agreement, the Company made the initial investment of RMB499 million and the further investment of RMB799 million on 22 April 2015 and 29 June 2015, respectively. The expected annual rates of return of the initial investment and the further investment are both 7%. The management period of the entrusted assets was from 23 April 2015 to 29 December 2016. During the Year, the profit received by the Company amounted to approximately RMB87 million. The entrusted assets were invested in cash assets, bonds financial assets and other financial assets with fixed income. Please refer to the announcements of the Company dated 22 April 2015 and 29 June 2015 for details on the wealth management products.

SUBSEQUENT EVENTS

Suspension of Trading

On 10 March 2017, the former auditor of the Company (the “Former Auditor”) issued letters (the “Letters”) to the Board and the audit committee of the Company, respectively, on certain matters which they believed may affect the accuracy of the Company’s financial statements (the “Audit Findings”). Given the date of receipt of the Letters was close to 31 March 2017, which was the deadline of the Company’s release of the 2016 annual results, the Company was unable to sort out and address the Audit Findings through verification under the assistance of relevant professional institutions or the Former Auditor according to the advice from the Former Auditor. Therefore, the Company was not able to publish the 2016 annual results on or before 31 March 2017. Please refer to the Company’s announcement dated 31 March 2017 for further details. Trading in the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has been suspended with effect from 9:00 a.m. on Wednesday, 22 March 2017.

On 20 June 2017, the Board received a letter from the Stock Exchange, in which the Stock Exchange stated the following conditions (the “Resumption Conditions”) for the resumption of trading in the shares of the Company on the Stock Exchange: (a) to address the Audit Findings; (b) to publish all outstanding financial results and address any audit qualifications; (c) to demonstrate that the Company has put in place adequate internal control systems to meet the obligations under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”); and (d) to inform the market of all material information. The Company has taken appropriate measures to fulfill the Resumption Conditions and the shareholders and potential investors of the Company should refer to the announcement of the Company titled “Fulfilment of all Resumption Conditions and Resumption of Trading” published on 11 August 2017 for details.

OUTLOOK

In 2017, under the backdrop of interest hike in the U.S., intensified geopolitical risks and rising protectionism, the global economy is expected to maintain a slow recovery pace. The overall domestic economy is expected to maintain stable and positive development momentum and the “One Belt and One Road” and “Made in China 2025” strategies will become the important engines for economic development.

On the side of the textile business, with the narrowing gap between domestic and overseas cotton prices, it is expected that the export competitiveness of Chinese textile enterprises will be enhanced. The textile industry of the PRC is expected to be able to maintain stable development momentum, with the higher demand from domestic residents for textile and apparel product quality. Adhering to its strategy of placing equal emphasis on domestic sales and overseas exports, the Group will optimize its trade structure. On the export front, the Group will focus on stabilizing market share and optimizing export product mix, while domestic efforts will be made to explore further in middle to high-end markets and optimize the product mix by focusing on market demands.

In terms of overall strategy, adhering to a market-oriented approach, the Group will deepen structural adjustments, promote intelligent manufacturing and pursue “green development”. With respect to daily operations, the Group will continue to improve the overall management and operation efficiency, with an aim to make better use of all kinds of available resources. The Group will source cotton globally and improve cost controls in line with changes in the market for raw textile materials, so as to reduce the impact of cotton price fluctuations on operating results. Leveraging on the Group’s consistently high quality products and scale advantages, the Group will improve its order delivery capability and bargaining power. Efforts will be stepped up to promote equipment and technology upgrade and transformation, increase labor efficiency and reduce labor costs. The Group will strictly comply with the requirements of energy conservation and environmental protection, in an effort to promote “green manufacturing”.

By leveraging its positive brand image, extensive operational experience, sufficient cash flow and healthy financial position, the Group is confident that it can improve its core competitiveness, seize strategic opportunities arising from industry adjustment and upgrading, advance the “Sanpin Strategy (三品戰略)” of enriching product varieties, improving product quality and building brand name (“增品種、提品質、創品牌”), and maintain the healthy, steady and sustainable development.

On the side of electricity business, with the deeper national reform of the electricity industry and gradually open regulatory policies of supply of electricity, it is expected that the electricity business will bring the Group additional revenue and profit. By keeping abreast with and conducting in-depth study on the latest development of the market condition and national policy, the Group will develop more large-scale and stable clients. The Group will further adopt a market-oriented approach and implement flexible pricing policy, striving to maximize commercial benefits for the Company and its shareholders as a whole.

Substantial Shareholders

As at 31 December 2016, 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, or were deemed or taken to have 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, were directly or indirectly interested in 10% or above of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital:

Interests in the domestic shares of the Company:

Name of Shareholder	Number of domestic shares (Note 1)	Approximate percentage of total issued domestic share capital as at 31 December 2016 (%)	Approximate percentage of total issued share capital as at 31 December 2016 (%)
		Holding Company	757,869,600
Weiqiao Investment	757,869,600 (Note 2)	97.07	63.45

Interests in the H Shares of the Company:

Name of Shareholder	Type of interest	Number of H Shares (Note 3)	Approximate percentage of total issued H share capital as at 31 December 2016 (%)	Approximate percentage of total issued share capital as at 31 December 2016 (%)
			Brandes Investment Partners, L.P.	Investment manager
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 74,267,862 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 2016, 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 SENIOR MANAGEMENT'S INTERESTS IN SHARES

As at 31 December 2016, the interests of the Directors, supervisors or 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:

Long positions in the domestic shares of the Company:

		Number of domestic shares (Note 1)	Approximate percentage of total issued domestic share capital as at 31 December 2016 (%)	Approximate percentage of total issued share capital as at 31 December 2016 (%)
	Type of interest			
Zhang Hongxia (Executive Director/Chairman)	Beneficial	17,700,400	2.27	1.48
Zhang Shiping (Non-executive Director)	Beneficial	5,200,000	0.67	0.44

Note 1: Unlisted shares

Long positions 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 2016 (%)
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: These 112,000,000 shares of the Holding Company will be beneficially owned by Ms. Zhang Hongxia, who is deemed to be interested in the 43,676,000 shares directly held by her husband, Mr. Yang Congsen, under the SFO.

Note 2: Ms. Zhao Suhua is deemed to be interested in the 78,922,000 shares directly held by her husband, Mr. Wei Yingzhao, under the SFO.

Save as disclosed above, as at 31 December 2016, 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 RMB0.28 (inclusive of tax) per share (the “2016 Final Dividend”) to shareholders of the Company whose names appear on the register of members of the Company as at close of business on 10 November 2017 (Friday), and the dividend will be paid on or before 15 December 2017 (Friday). The 2016 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 10 November 2017 (Friday)).

Closure of Register of Members

The Company’s register of members will be closed from 5 September 2017 (Tuesday) to 4 October 2017 (Wednesday) (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 4 September 2017 (Monday).

The Company's register of members will be closed from 2 November 2017 (Thursday) to 10 November 2017 (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, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 1 November 2017 (Wednesday).

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 2016, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 31 December 2016.

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 11 August 2017 to review the Group's annual report 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 2016, 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.

Code on Corporate Governance

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 2016.

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 18 August 2017 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
11 August 2017

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 "Weiqiao Textile Company Limited" and the Chinese name of the Company under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).*