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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 2020**

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Compared to 2019 financial results:

Revenue was approximately RMB12,743 million, representing a decrease of approximately 16.0% over that of the corresponding period of last year.

Gross profit was approximately RMB962 million, which was basically in line with that of the corresponding period of last year.

Net profit attributable to owners of the Company was approximately RMB205 million, representing a decrease of approximately 6.0% over that of the corresponding period of last year.

Earnings per share were approximately RMB0.17, representing a decrease of approximately 5.6% over that of last year.

The Board has proposed a payment of final dividend of RMB0.061 per share (inclusive of tax) for the year ended 31 December 2020.

The board (the “Board”) of directors (the “Directors”) 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 2020 (the “Year” or “Year under Review”). During the Year under Review, the revenue of the Group was approximately RMB12,743 million, representing a decrease of approximately 16.0% over that of the corresponding period of last year. Net profit attributable to owners of the Company amounted to approximately RMB205 million, representing a decrease of approximately 6.0% as compared with that of 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 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	3	12,743,437	15,167,562
Cost of sales		<u>(11,781,282)</u>	<u>(14,206,648)</u>
Gross profit		962,155	960,914
Other income	5	221,409	172,943
Selling and distribution expenses		(150,903)	(146,061)
Administrative expenses		(277,751)	(279,758)
Other expenses		(171,494)	(21,084)
Finance costs	6	(114,769)	(145,850)
Share of (loss) profit of an associate		<u>(2,003)</u>	<u>1,245</u>
Profit before taxation		466,644	542,349
Income tax expenses	7	<u>(264,416)</u>	<u>(326,674)</u>
Profit and total comprehensive income for the year	8	<u><u>202,228</u></u>	<u><u>215,675</u></u>
Attributable to:			
Owners of the Company		204,833	218,338
Non-controlling interests		<u>(2,605)</u>	<u>(2,663)</u>
		<u><u>202,228</u></u>	<u><u>215,675</u></u>
Earnings per share attributable to owners of the Company			
Basic and diluted (RMB)	10	<u><u>0.17</u></u>	<u><u>0.18</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		9,516,424	10,418,785
Right-of-use assets		382,387	405,332
Investment properties		54,901	20,784
Other intangible assets		60	76
Interest in an associate		73,973	75,976
Deposits paid for acquisition of property, plant and equipment		–	16,458
Deferred tax assets		98,804	96,952
		<hr/>	<hr/>
Total non-current assets		10,126,549	11,034,363
Current assets			
Inventories		2,348,173	2,765,713
Trade receivables	<i>11</i>	352,653	402,190
Deposits, prepayments and other receivables		218,883	239,828
Pledged deposits		156,517	107,782
Bank balances and cash		11,258,148	9,875,342
		<hr/>	<hr/>
		14,334,374	13,390,855
Non-current assets classified as held for sale		1,293	1,271
		<hr/>	<hr/>
Total current assets		14,335,667	13,392,126
Current liabilities			
Trade payables	<i>12</i>	1,051,007	1,371,593
Other payables and accruals		1,082,586	1,069,470
Lease liabilities		14,178	13,336
Contract liabilities		242,146	171,565
Income tax payable		1,070,246	1,039,214
Bank borrowings		2,257,000	2,109,350
Deferred income		13,340	15,609
		<hr/>	<hr/>
Total current liabilities		5,730,503	5,790,137
		<hr/>	<hr/>
Net current assets		8,605,164	7,601,989
		<hr/>	<hr/>
Total assets less current liabilities		18,731,713	18,636,352
		<hr/> <hr/>	<hr/> <hr/>

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Equity		
Share capital	1,194,389	1,194,389
Reserves	<u>17,348,949</u>	<u>17,220,557</u>
Equity attributable to owners of the Company	18,543,338	18,414,946
Non-controlling interests	<u>9,183</u>	<u>11,788</u>
Total equity	<u>18,552,521</u>	<u>18,426,734</u>
Non-current liabilities		
Lease liabilities	48,415	61,259
Deferred income	129,478	143,129
Deferred tax liabilities	<u>1,299</u>	<u>5,230</u>
Total non-current liabilities	<u>179,192</u>	<u>209,618</u>
Total equity and non-current liabilities	<u>18,731,713</u>	<u>18,636,352</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000 (note)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	1,194,389	6,692,394	1,845,222	8,662,394	18,394,399	14,451	18,408,850
Profit and total comprehensive income for the year	-	-	-	218,338	218,338	(2,663)	215,675
Final 2018 dividend declared (note 9)	-	-	-	(197,791)	(197,791)	-	(197,791)
At 31 December 2019 and 1 January 2020	1,194,389	6,692,394	1,845,222	8,682,941	18,414,946	11,788	18,426,734
Profit and total comprehensive income for the year	-	-	-	204,833	204,833	(2,605)	202,228
Final 2019 dividend declared (note 9)	-	-	-	(76,441)	(76,441)	-	(76,441)
At 31 December 2020	<u>1,194,389</u>	<u>6,692,394</u>	<u>1,845,222</u>	<u>8,811,333</u>	<u>18,543,338</u>	<u>9,183</u>	<u>18,552,521</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 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
OPERATING ACTIVITIES		
Profit before taxation	466,644	542,349
Adjustments for:		
Allowance on inventories	111,500	135,367
Amortisation of other intangible assets	16	15
Depreciation of investment properties	737	738
Depreciation of property, plant and equipment	826,520	986,337
Depreciation of right-of-use assets	24,461	23,642
Finance costs	114,769	145,850
Gain on disposal of non-current assets held for sale	(5,969)	(8,438)
Gain on disposal of property, plant and equipment	(2,300)	(11,809)
Government grant	(25,272)	(8,320)
Interest income for bank deposits	(31,277)	(33,126)
Impairment loss on property, plant and equipment	61,052	–
Loss allowance (reversal of loss allowance) on trade receivables	129	(588)
Loss allowance (reversal of loss allowance) on other receivables	89	(75)
Release of deferred income	(15,920)	(18,718)
Reversal of allowance for inventories	(834)	(528)
Share of loss (profit) of an associate	2,003	(1,245)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	1,526,348	1,751,451
Decrease in inventories	306,874	260,612
Decrease in trade receivables	49,408	30,052
Decrease (increase) in deposits, prepayments and other receivables	20,851	(46,019)
(Decrease) increase in trade payables	(320,586)	142,712
Increase (decrease) in other payables and accruals	13,362	(41,924)
Increase in contract liabilities	70,581	39,349
	<hr/>	<hr/>
Cash generated from operations	1,666,838	2,136,233
Income tax paid	(239,167)	(292,395)
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	1,427,671	1,843,838

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
INVESTING ACTIVITIES		
Withdrawal of pledged deposits	(48,835)	(5,318)
Purchase of property, plant and equipment	(44,459)	(518,800)
Proceeds from disposal of property, plant and equipment	41,859	25,124
Bank interest income received	31,282	32,583
Proceeds from disposal of non-current assets held for sale	7,240	13,522
Placement of pledged deposits	100	37,924
Deposit paid for acquisition of property, plant and equipment	—	(16,458)
NET CASH USED IN INVESTING ACTIVITIES	(12,813)	(431,423)
FINANCING ACTIVITIES		
New bank borrowings raised	2,904,000	2,483,350
Government grant received	25,272	8,320
Repayment of bank borrowings	(2,756,350)	(2,299,350)
Interest paid	(115,015)	(152,794)
Dividend paid	(76,441)	(197,791)
Payment of lease liabilities	(13,518)	(12,611)
Repayment of corporate bond	—	(962,755)
NET CASH USED IN FINANCING ACTIVITIES	(32,052)	(1,133,631)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,382,806	278,784
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	9,875,342	9,596,558
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	<u>11,258,148</u>	<u>9,875,342</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Weiqiao Textile Company Limited (the “Company”) is a limited company incorporated in the PRC. The registered office of the Company is located at No. 34, Qidong Road, Weiqiao Town, Zouping 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* and 山東魏橋投資控股有限公司 Shandong Weiqiao Investment Holdings Company Limited* 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 generation and sales of electricity and steam.

The consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company. RMB is the currency of the primary economic environment in which the principal subsidiaries of the Company operate (the functional currency of the principal subsidiaries).

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for its first time, the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are effective for the Group’s financial year beginning 1 January 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to 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*

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments ⁵
Amendments to HKFRS 3	Reference to Conceptual Framework ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁵
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intend Use ³
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendment to HKFRS 16	COVID-19-Related Rent Concessions ⁴
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle ³

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

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 June 2020

⁵ Effective for annual periods beginning on or after 1 January 2023

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
– Sales of textile products		
• Cotton yarn	3,721,815	3,807,210
• Grey Fabric	4,534,249	5,397,236
• Denim	388,633	697,255
– Sales of electricity and steam	<u>4,098,740</u>	<u>5,265,861</u>
	<u>12,743,437</u>	<u>15,167,562</u>

Disaggregation of the Group's revenue

	Textile products <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2020			
Geographical market			
Mainland China	5,898,868	4,098,740	9,997,608
Hong Kong, China	769,358	–	769,358
East Asia region	383,941	–	383,941
Southeast Asia region	398,640	–	398,640
South Asia region	949,434	–	949,434
Others regions	<u>244,456</u>	<u>–</u>	<u>244,456</u>
	<u>8,644,697</u>	<u>4,098,740</u>	<u>12,743,437</u>

For the year ended 31 December 2019	Textile products RMB'000	Electricity and steam RMB'000	Total RMB'000
Geographical market			
Mainland China	6,893,587	5,265,861	12,159,448
Hong Kong, China	934,901	–	934,901
East Asia region	348,207	–	348,207
Southeast Asia region	476,346	–	476,346
South Asia region	941,287	–	941,287
Others regions	<u>307,373</u>	<u>–</u>	<u>307,373</u>
	<u>9,901,701</u>	<u>5,265,861</u>	<u>15,167,562</u>

The timing of revenue recognition of all revenue from contracts with customers is at a point in time.

4. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker (“CODM”), for the purpose of resource allocation and assessment of segment performance focuses on types of services provided.

Specifically, the Group’s reportable segments are as follows:

- The textile products segment produces and sells cotton yarn, grey fabric and denim; and
- The electricity and steam segment generates electricity and steam for internal use in the production of textile products and sale to external customers.

No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Segment revenue 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 2020

	Textile products RMB'000	Electricity and steam RMB'000	Total RMB'000
External revenue	8,644,697	4,098,740	12,743,437
Intersegment revenue	<u>–</u>	<u>701,609</u>	<u>701,609</u>
Segment revenue	<u>8,644,697</u>	<u>4,800,349</u>	13,445,046
Eliminations			<u>(701,609)</u>
Group revenue			<u>12,743,437</u>
Segment (loss) profit	<u>(271,304)</u>	<u>924,501</u>	653,197
Unallocated income			221,409
Unallocated corporate expenses			(295,214)
Unallocated finance costs			(110,745)
Share of loss of an associate			<u>(2,003)</u>
Profit before tax			<u>466,644</u>

For the year ended 31 December 2019

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit of each segment without allocation of central administration costs, directors' emoluments, other income, interest on bank loans and corporate bonds and share of results of an associate. This is the measure reported to the directors of the Company with respect to the resource allocation and performance assessment.

Inter-segment sales are conducted with terms mutually agreed by both contract parties.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Textile products	6,105,331	7,552,953
Electricity and steam	<u>6,610,359</u>	<u>6,506,696</u>
Total segment assets	12,715,690	14,059,649
Interest in an associate	73,973	75,976
Corporate and other assets	<u>11,672,553</u>	<u>10,290,864</u>
Total assets	<u><u>24,462,216</u></u>	<u><u>24,426,489</u></u>

Segment liabilities

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Textile products	2,040,471	1,641,916
Electricity and steam	<u>235,128</u>	<u>893,460</u>
Total segment liabilities	2,275,599	2,535,376
Corporate and other liabilities	<u>3,634,096</u>	<u>3,464,379</u>
Total liabilities	<u><u>5,909,695</u></u>	<u><u>5,999,755</u></u>

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

- All assets are allocated to operating segment, other than other intangible assets, interest 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 revenue earned by individual reportable segments; and
- All liabilities are allocated to operating segments, other than unallocated other payables and accruals, income tax payable, bank 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 2020

	Textile products <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Amounts include in the measure of segment profit or segment assets:				
Addition to non-current assets (<i>Note</i>)	29,233	33,200	–	62,433
Depreciation and amortisation	408,320	393,103	50,311	851,734
Impairment losses on property, plant and equipment	61,052	–	–	61,052
Reversal of allowances for inventories	(834)	–	–	(834)
Allowances for inventories	11,500	–	–	11,500
Loss allowance on trade receivables	129	–	–	129
Loss allowance on other receivables	89	–	–	89
Gain on disposal of property, plant and equipment	(2,300)	–	–	(2,300)
Gain on disposal of non-current assets classified as held for sale	(5,969)	–	–	(5,969)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Interest income	–	–	(31,277)	(31,277)
Finance costs	3,972	52	110,745	114,769
Interest in an associate	–	–	73,973	73,973
Share of loss of an associate	–	–	2,003	2,003
Income tax expenses	–	–	264,416	264,416

For the year ended 31 December 2019

	Textile products RMB'000	Electricity and steam RMB'000	Unallocated RMB'000	Total RMB'000
Amounts include in the measure of segment profit or segment assets:				
Addition to non-current assets (<i>Note</i>)	269,488	258,258	–	527,746
Depreciation and amortisation	613,360	363,054	38,415	1,014,829
Reversal of allowances for inventories	(528)	–	–	(528)
Allowances for inventories	135,367	–	–	135,367
Reversal of loss allowance on trade receivables	(588)	–	–	(588)
Reversal of loss allowance on other receivables	(75)	–	–	(75)
Gain on disposal of property, plant and equipment	(11,809)	–	–	(11,809)
Gain on disposal of non-current assets held for sale	(8,438)	–	–	(8,438)
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Interest income	–	–	(33,126)	(33,126)
Finance costs	4,572	67	141,211	145,850
Interest in an associate	–	–	75,976	75,976
Share of profit of an associate	–	–	(1,245)	(1,245)
Income tax expense	–	–	326,674	326,674

Note: Non-current assets included property, plant and equipment, investment properties, right-of-use assets and other intangible assets.

Geographical information

During the years ended 31 December 2020 and 2019, the Group's operations were 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

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	9,997,608	12,159,448
Hong Kong, China	769,358	934,901
East Asia region	383,941	348,207
Southeast Asia region	398,640	476,346
South Asia region	949,434	941,287
Other regions	244,456	307,373
	<u>12,743,437</u>	<u>15,167,562</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:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A ¹	1,984,854	2,585,363
Holding Company ¹	1,702,005	2,343,633

¹ Revenue from sales of electricity and steam.

5. OTHER INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income from bank deposits	31,277	33,126
Release of deferred income	15,920	18,718
Government grants (<i>note i</i>)	25,272	8,320
Compensation from suppliers on the supply of sub-standard goods	15,084	26,404
Exchange gain, net	–	10,206
Gain on sale of waste and spare parts	117,716	54,144
Gain on disposal of property, plant and equipment	2,300	11,809
Gain on disposal of non-current assets classified as held for sale	5,969	8,438
Rental income (<i>note ii</i>)	7,384	734
Reversal of loss allowance for trade and other receivables	–	663
Others	487	381
	<u>221,409</u>	<u>172,943</u>

Note: (i) The government grants are the income received from local government authorities for development scheme and salaries subsidies which were immediately recognised as other income for the year. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

(ii) The related direct operating expenses of RMB664,000 (2019: RMB66,000) were incurred during the year ended 31 December 2020.

6. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on:		
– bank loans	110,745	88,259
– lease liabilities	4,024	4,639
– corporate bonds	–	52,952
	<u>114,769</u>	<u>145,850</u>

7. INCOME TAX EXPENSES

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
PRC Enterprises Income Tax (“EIT”)	270,199	338,554
Over-provision in prior years:		
PRC EIT	–	(16)
Deferred taxation	<u>(5,783)</u>	<u>(11,864)</u>
	<u>264,416</u>	<u>326,674</u>

Notes:

- a) No Hong Kong Profits Tax has been provided for the years ended 31 December 2020 and 2019 as the Company did not have any assessable profits subject to Hong Kong Profits Tax.
- b) Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.
- c) Pursuant to the relevant laws and regulations in the PRC, during the year, the Company received the high and new technology enterprise accreditation and was entitled to the preferential income tax rate of 15% from 2020 (2019: 25%).

8. PROFIT FOR THE YEAR

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit for the year has been arrived at after charging (crediting):		
Directors' chief executive's and supervisors' emoluments	5,147	5,190
Salaries, wages, allowances and other benefits	2,693,228	2,893,673
Contributions to retirement benefits scheme (excluding directors', chief executive's and supervisors' emoluments)	<u>189,692</u>	<u>251,819</u>
Total staff costs	<u>2,888,067</u>	<u>3,150,682</u>
Auditor's remuneration	5,808	5,917
Depreciation of property, plant and equipment	826,520	986,337
Depreciation of right-of-use assets	24,261	23,642
Depreciation of investment properties	737	738
Exchange loss, net (included in other expenses)	68,505	–
Research and development expenses (<i>note</i>)	377,411	112,909
Impairment losses on property, plant and equipment (included in other expenses)	61,052	–
Amortisation of other intangible assets	16	15
Loss allowance (reversal of loss allowance) on trade receivables	129	(588)
Loss allowance (reversal of loss allowance) on other receivables	89	(75)
Allowance for inventories (included in cost of sales)	111,500	135,367
Reversal of allowance for inventories (included in cost of sales)	(834)	(528)
Amount of inventories recognised as an expense	<u>11,769,782</u>	<u>14,066,444</u>

Note:

Staff costs of approximately RMB112,206,000 (2019: RMB37,534,000) are included in the research and development expense for the year ended 31 December 2020.

9. DIVIDENDS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
2020 Proposed Final – RMB0.061 (2019 Final – RMB0.064) per share	<u>72,858</u>	<u>76,441</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of RMB0.061 per share, amounting to a total of approximately RMB72,858,000 (2019: RMB0.064 per share, amounting to a total of approximately RMB76,441,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting. The final dividends proposed after the end of reporting period has not been recognised as a liability at the end of reporting period.

10. EARNINGS PER SHARE

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>204,833</u>	<u>218,338</u>
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,194,389,000</u>	<u>1,194,389,000</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 2020 and 2019.

11. TRADE RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Receivables at amortised cost comprise:		
Trade receivables	357,393	406,801
Less: loss allowance for trade receivables	<u>(4,740)</u>	<u>(4,611)</u>
	<u>352,653</u>	<u>402,190</u>

As at 31 December 2020, the gross amount of trade receivables arising from contracts with customers amounted to approximately RMB357,393,000 (2019: RMB406,801,000).

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 ageing analysis of trade receivables, net of loss allowance for trade receivables, presented based on the invoice date, which approximated the revenue recognition date at the end of each reporting period.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 90 days	350,636	401,604
91 to 180 days	1,392	250
181 to 365 days	290	333
Over 365 days	<u>335</u>	<u>3</u>
	<u>352,653</u>	<u>402,190</u>

12. TRADE PAYABLES

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 90 days	893,929	1,263,939
91 to 180 days	8,836	32,317
181 to 365 days	32,949	23,989
Over 365 days	<u>115,293</u>	<u>51,348</u>
	<u>1,051,007</u>	<u>1,371,593</u>

The average credit period granted is 30 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

CHAIRMAN'S STATEMENT

It is my pleasure to present on behalf of the Board of the Company the audited consolidated results of the Group for the year ended 31 December 2020.

In 2020, the rampant spread of the novel coronavirus pandemic (the "Pandemic") in a global scale created severe challenges to all economies around the world, causing changes in many aspects such as global supply chains, trade practices and industrial layouts. According to the Global Economic Prospects Report issued by the Organization for Economic Cooperation and Development (OECD), it is expected that the gross domestic product (GDP) of all economics worldwide declined by approximately 4.2% in 2020, and the global economic activities were subject to negative impact in different degrees.

Amidst the negative impact brought by the Pandemic, the PRC government took proactive measures and became the first country to bring the Pandemic under control, realise resumption of work and operation and achieve economic growth. In 2020, China's GDP growth rate stood at about 2.3%, making China the only economy to register positive growth around the world and the main driver for global economic recovery.

In terms of the industry, under the prevailing uncertain international trade environment, orders have been affected due to the ongoing Sino-US trade friction. In addition, due to the weakened market demands for textile products as a result of the outbreak of the Pandemic and delay in the resumption of work and production by the downstream enterprises, the textile enterprises were confronted with an overall challenging operation environment.

Under such macro environment, the business and operation of the Group were also affected. During the Year under Review, the Group, on the one hand, took proactive measures for pandemic prevention and control, and, on the other hand, made vigorous efforts to achieve resumption of work and operation. The Group recorded revenue of approximately RMB12,743 million, representing a decrease of approximately 16.0% as compared with that of 2019. Gross profit amounted to approximately RMB962 million, which was basically in line with that of last year. Net profit attributable to owners of the Company was approximately RMB205 million, representing a decrease of approximately 6.0% as compared with that of 2019. Basic earnings per share were approximately RMB0.17 (2019: approximately RMB0.18). The Board recommended a payment of final dividend for the year 2020 of RMB0.061 per share (inclusive of tax) (2019: RMB0.064 (inclusive of tax)).

During the Year, faced with the severe challenges under the new environment, the Group implemented a series of measures, in an effort to improve its core competitiveness and promote high-quality development of the Group.

In terms of products and research and development, the Group continued to adhere to the innovation strategy and focused on the development of new functional products, gradually increasing the proportion of middle-to-high-end products. On the production and operation front, the Group continued to adhere to the management innovation strategy, and enhanced the intelligent and digital operation of its equipment by implementing technology improvement on the equipment, so as to improve production efficiency.

During the Year, the Company's "Key Technology of Data-based Intelligent Yarn Production Plant and its Industrial Application (基於數據流的智能紡紗工廠關鍵技術與產業化)" project whose overall technology has reached international leading level has passed expert appraisal, and was granted the 9th National Textile Enterprise Management Innovation Award (第九屆全國紡織企業管理創新獎), the 6th Enterprise Management Innovation Achievement Award of Shandong Province (第六屆山東省企業管理創新成果獎) and the 1st Prize of the 2020 Shandong Textile and Apparel Industry Association Science Technology Award (二零二零年度「山東省紡織服裝行業協會科學技術獎」一等獎). On the sales front, by conforming to market demands, the Group made great effort to adapt to the more complex and changing market environment, thereby retaining its shares in the domestic and international markets. Weiqiao Textile has also continuously gained global recognition and the resource tilt of head customers. During the Year, the Company successfully passed the formal review of an internationally renowned fashion chain, and became its A-level supplier of all brands.

Despite the complexity in external operating environment, the Group's extensive sales channel network, continuously optimized of product portfolio and intelligent equipment are essential for the Group to maintain stable operation and seize opportunities to increase its market shares.

Looking forward to 2021, the Group believes that with the development of the PRC economy, a robust domestic market will become the core engine for continuous recovery of the textile industry in China. Although the Group remains fully confident in the future development of the textile industry, the textile industry will continue to face opportunities and challenges due to the uncertainties surrounding the development of the global economy as the Pandemic has yet to run its full course.

Based on its existing green and intelligent textile production lines, the Group will further push forward its digital and intelligent transformation to increase labor efficiency per capita. The Group will continue to strengthen cooperation with various textile colleges and universities or scientific research institutes, increase investments in technology research and development, enhance the synergetic development of industry-university-research initiatives, improve innovation capabilities, increase investment in the research and development of functional fabrics and promote optimization and upgrading of its product portfolio. The Group will also further improve its standards for environmental protection, laying a solid foundation for the sustainable and healthy development.

The management of Weiqiao Textile and I would like to express our sincere gratitude to the shareholders for their unwavering concern and support towards the Group. Under the current operating environment where the global economy remains subject to some uncertainties, we will uphold the corporate motto of “ambition, pragmatism and innovation”, and improve business stability and profitability. While continuous efforts will be made to increase its intrinsic value and create greater returns for its shareholders, the Group is committed to continuously contributing to the sustainable development of society.

Ms. Zhang Hongxia

Chairman

Shandong, the PRC

19 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

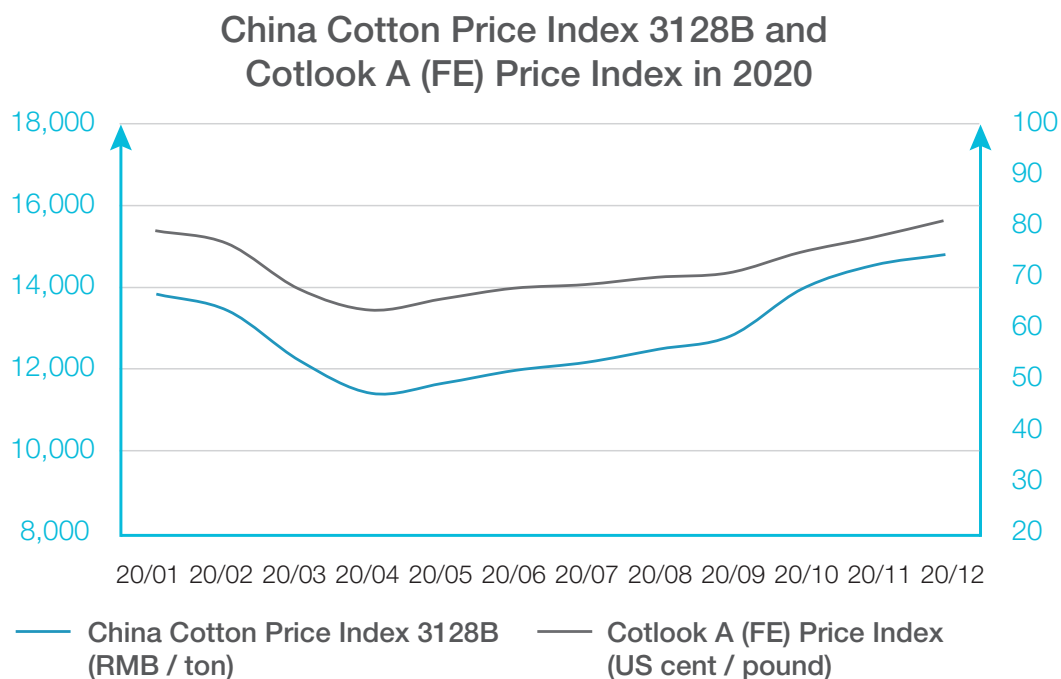
INDUSTRY REVIEW

During the Year under Review, amidst the negative impact brought by the Pandemic, the global economy fell into a deep recession. The industry was faced with great pressure amid sluggish market demands for textile products.

During the Year, due to negative impact on the EU and US economies brought by the Pandemic and delay in the resumption of work and production by the enterprises, the industry witnessed weakened demands for textile products and apparel and persistently low level of orders from these countries. According to the statistics from the General Administration of Customs of the PRC, the aggregated exports of cotton textile products and apparel from the PRC was approximately US\$59.8 billion in 2020, representing a year-on-year decrease of approximately 22.2%.

In terms of domestic textile market, due to the impact of the Pandemic, market demand was sluggish in the first half of the Year and gradually recovered in the second half of the Year, but the overall production and operation of the industry remained under pressure. According to the statistics from the National Bureau of Statistics of the PRC, the retail sales of commodities such as apparel, footwear, headwear, knitwear and textile products by enterprises above a designated size amounted to approximately RMB1,236.46 billion during the Year, representing a year-on-year decrease of approximately 6.6%.

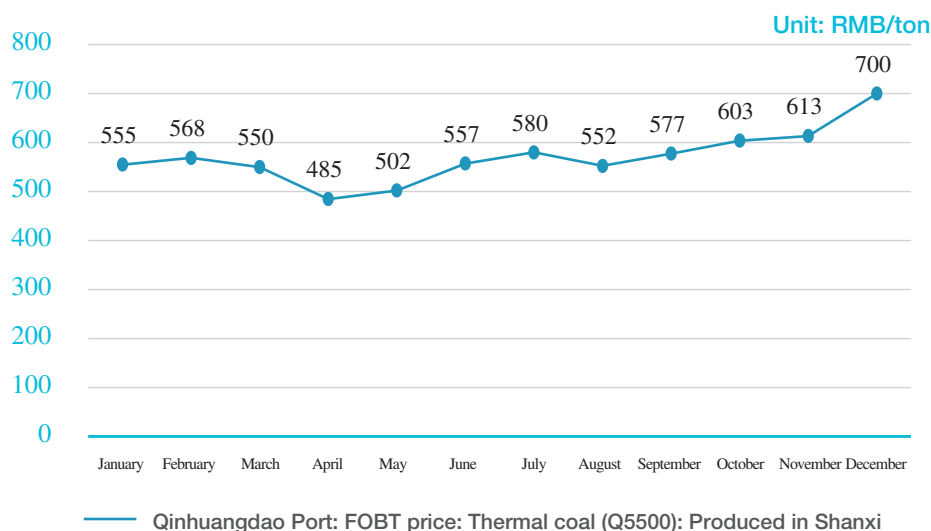
In terms of textile raw materials, the trend in domestic cotton prices in the PRC was substantially in line with the trend in overseas cotton prices as both the domestic and overseas cotton prices have continued to rise since May 2020. The China Cotton Price Index 3128B for December 2020 recorded approximately RMB14,795 per ton in average, representing an increase of approximately RMB3,399 per ton as compared with the lowest point for April 2020. The Cotlook A (FE) Price Index for December 2020 was US81.02 cents per pound in average, representing an increase of US17.49 cents per pound as compared with the lowest point for April 2020. The movement of China Cotton Price Index 3128B and Cotlook A (FE) Price Index during 2020 was as follows:



Data source: www.tteb.com

In terms of the raw materials for electricity, the coal price in the PRC showed a trend of suppression followed by a rise in 2020. In the first half of the Year, the coal price remained at a low level after experiencing a sharp drop caused by a decline in industrial electricity consumption due to the impact of the Pandemic. In the second half of the Year, the nation-wide electricity consumption registered a rapid increase due to the resumption of work and production in all industries after the Pandemic had been brought under control, and the coal price also kept rising.

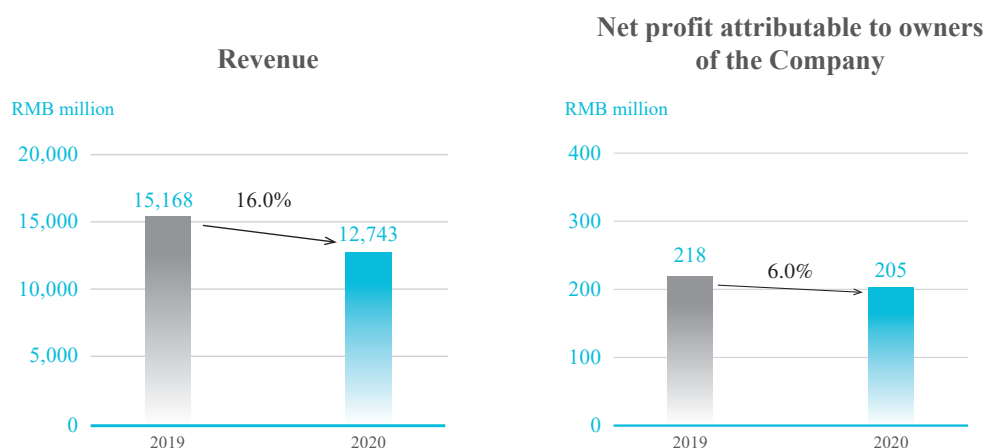
Monthly average price movement of the thermal coal at Qinhuangdao Port in 2020



Data source: Beijing Antaike Information Co., Ltd.

BUSINESS REVIEW

For the years ended 31 December 2020 and 2019, the revenue of the Group and net profit attributable to owners of the Company were as follows:



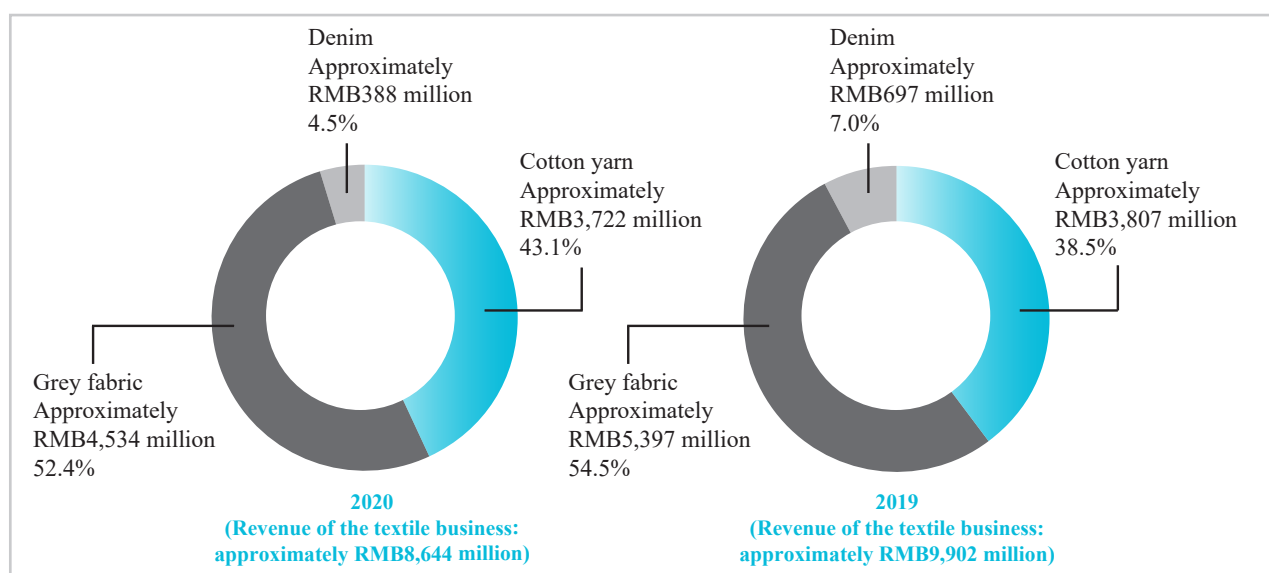
For the year ended 31 December 2020, the Group recorded revenue of approximately RMB12,743 million, representing a decrease of approximately 16.0% as compared with that for the corresponding period of last year, where the revenue of textile products was approximately RMB8,644 million, representing a decrease of approximately 12.7% over the corresponding period of last year, which was mainly due to the sluggish demand for textile products and declining product prices as a result of the continued weak domestic and overseas textile markets due to the negative impact of the Pandemic and delay in the resumption of work and production by the downstream enterprises, resulting in a decrease in the revenue of the three main textile products of the Group.

The revenue of electricity and steam was approximately RMB4,099 million, representing a decrease of approximately 22.2% over that for the corresponding period of last year, which was due to a decrease in the sales volume of electricity of the Group as a result of the declining demand for electricity from the downstream customers as adversely affected by the Pandemic during the Year.

The net profit attributable to owners of the Company was approximately RMB205 million, representing a decrease of approximately 6.0% as compared with that of approximately RMB218 million as recorded for the corresponding period of last year, which was mainly due to a decrease in the sales volume of electricity, resulting in a corresponding decline in the profit of the electricity business.

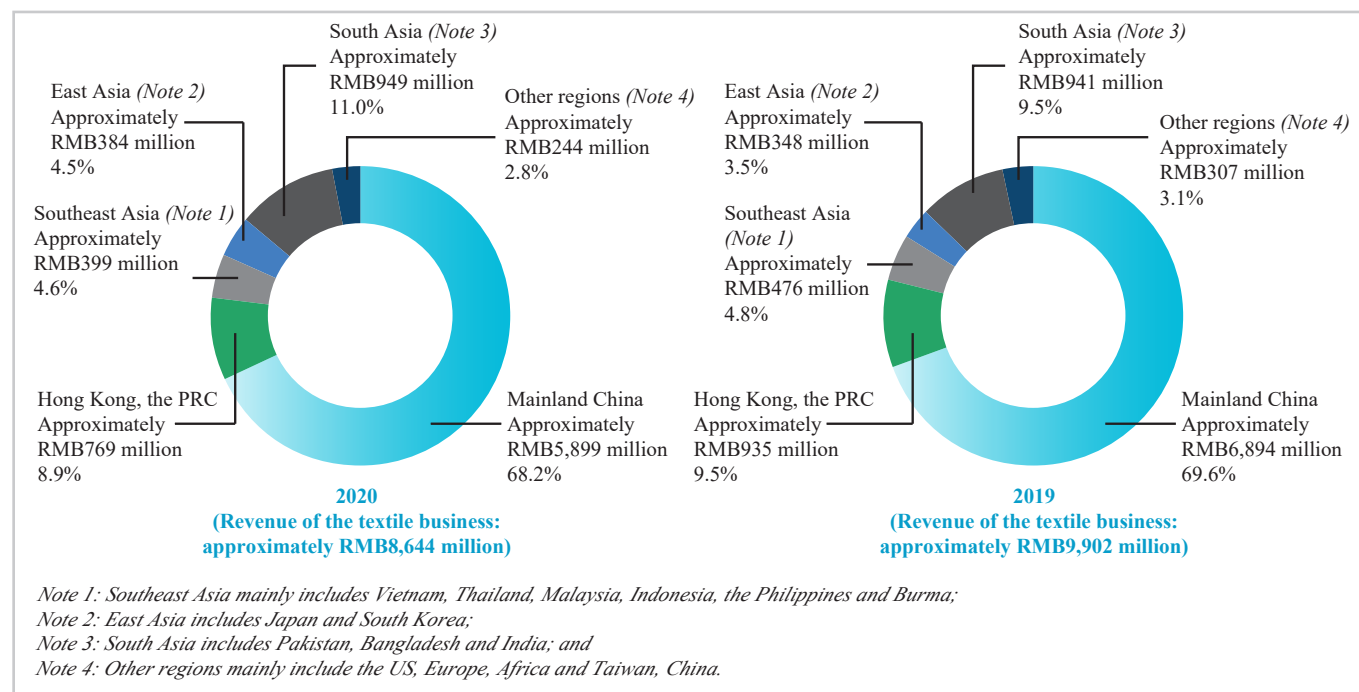
Textile Business

The charts below are the comparison of the breakdown of revenue of the Group's textile business categorized by products for the years ended 31 December 2020 and 2019, respectively:



For the year ended 31 December 2020, each of the revenue of the Group's cotton yarn, grey fabric and denim recorded a decrease as compared with the corresponding period of last year, which was mainly due to the delay in the resumption of work and production by the downstream enterprises as a result of the negative impact of the Pandemic, resulting in a decrease in market demands for textile products. The sales volume of the Group's grey fabric and denim recorded a decrease on a year-on-year basis while the selling price remained fairly stable as compared with the corresponding period of last year, resulting in the corresponding decrease in the revenue of grey fabric and denim. The revenue from the sales of cotton yarn recorded a decrease, which was mainly due to the reason that although the Group proactively adjusted the product portfolio based on market demand and reduced part of the inventory, resulting in an increase in the sales volume of cotton yarn, the revenue of cotton yarn recorded a decrease due to a decline in the selling price of cotton yarn as compared with the corresponding period of last year.

The charts below are the comparison of the breakdown of revenue of the Group's textile products categorized by geographical location for the years ended 31 December 2020 and 2019, respectively:



For the year ended 31 December 2020, the Group continued to implement a sales strategy of placing equal emphasis on domestic sales and overseas sales, generating revenue from the overseas sales and domestic sales of approximately 31.8% and approximately 68.2% of the Group's revenue of textile products, respectively. The proportion of overseas and domestic sales remained substantially unchanged from that for the corresponding period of last year.

During the Year under Review, the Group adjusted the production plans timely based on market demand. The output of the Group's cotton yarn was approximately 371,000 tons, representing a decrease of approximately 7.9% as compared with that for the corresponding period of last year; the output of grey fabric was approximately 726 million meters, representing a decrease of approximately 12.7% as compared with that for the corresponding period of last year; the output of denim was approximately 50 million meters, representing a decrease of approximately 19.4% as compared with that for the corresponding period of last year.

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

Electricity and Steam Business

As at 31 December 2020, 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 2020, the power generation of the Group was approximately 13,448 million kWh, representing a decrease of approximately 20.8% as compared with the corresponding period of last year; while its electricity sales volume amounted to approximately 11,225 million kWh, representing a decrease of approximately 22.5% over the corresponding period of last year, which was mainly attributable to the decrease in demand for electricity from downstream customers during the Year due to the negative impact of the Pandemic, resulting in the corresponding decrease in the sales volume of electricity.

For the year ended 31 December 2020, the revenue of the Group's sales of electricity and steam amounted to approximately RMB4,099 million, representing a decrease of approximately 22.2% as compared with the corresponding period of last year. The gross profit thereof was approximately RMB963 million, representing a decrease of approximately 26.1% as compared to the corresponding period of last year. The decrease in revenue and gross profit of electricity and steam of the Group as compared with the corresponding period of last year was mainly attributable to the decrease in demand for electricity from downstream customers during the Year due to the negative impact of the Pandemic, resulting in the decrease in the sales volume of electricity and the corresponding decrease in revenue and gross profit of electricity and steam.

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 2020 and 2019, respectively:

Product categories	For the year ended 31 December					
	2020			2019		
	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %
Cotton yarn	3,721,815	125,991	3.4	3,807,210	(10,006)	(0.3)
Grey fabric	4,534,249	(173,219)	(3.8)	5,397,236	(367,873)	(6.8)
Denim	388,633	46,406	11.9	697,255	35,480	5.1
Electricity and steam	<u>4,098,740</u>	<u>962,977</u>	<u>23.5</u>	<u>5,265,861</u>	<u>1,303,313</u>	<u>24.8</u>
Total	<u>12,743,437</u>	<u>962,155</u>	<u>7.6</u>	<u>15,167,562</u>	<u>960,914</u>	<u>6.3</u>

For the year ended 31 December 2020, the gross profit of the sales of textile products of the Group increased by approximately 99.7% over the corresponding period of last year to approximately RMB-1 million. With the increase in gross profit, the gross profit margin recorded an increase of approximately 3.5 percentage points over the corresponding period of last year, which was mainly due to the reasons that (i) the cost of cotton (as a main raw material) declined dramatically, and (ii) the Group has been entitled to the temporary reduction or exemption of employer contribution to the social security schemes introduced by the Chinese government in response to the Pandemic, leading to a decrease in labour costs. The gross profit from the sales of electricity and steam of the Group decreased by approximately 26.1% from the corresponding period of last year to approximately RMB963 million, and the gross profit margin was approximately 23.5%, down by approximately 1.3 percentage points from that for the same period of last year, which was primarily due to the reason that the Group's sales volume of electricity and steam decreased during the Year, resulting in an increase in the unit fixed costs over the corresponding period of last year.

Selling and Distribution Expenses

For the year ended 31 December 2020, the Group's selling and distribution expenses were approximately RMB151 million, representing an increase of approximately 3.4% from approximately RMB146 million for the same period of last year. Among these expenses, transportation costs increased by approximately 3.6% from approximately RMB84 million for the same period of last year to approximately RMB87 million, which was mainly attributable to the increase in the domestic sales volume of cotton yarn during the Year. The salary of the sales staff increased by approximately 9.1% from approximately RMB33 million for the corresponding period of last year to approximately RMB36 million, mainly due to the adjustments to the salesmen's commission policy by the Group according to the changes in the textile product market during the Year. Sales commission was approximately RMB13 million, representing a decrease of approximately 7.1% from approximately RMB14 million for the corresponding period of last year, which was mainly due to the decrease in the revenue of overseas sales, resulting in the corresponding decrease in the commissions paid.

Administrative Expenses

For the year ended 31 December 2020, the administrative expenses of the Group were approximately RMB278 million, representing little change as compared to approximately RMB280 million as recorded for last year.

Finance Costs

For the year ended 31 December 2020, the finance costs of the Group were approximately RMB115 million, representing a decrease of approximately 21.2% from approximately RMB146 million for the corresponding period of last year, which was mainly attributable to the year-on-year decrease in the total weighted debts of the Group during the Year.

Taxation

For the year ended 31 December 2020, the income tax expense of the Group decreased from approximately RMB327 million in 2019 to approximately RMB264 million, representing a decrease of approximately 19.3%, which was mainly attributable to the decrease in the Group's profit before tax for the Year.

During the Year, the Company received the national high and new technology enterprise accreditation and was entitled to the preferential income tax rate of 15% from 2020.

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

For the year ended 31 December 2020, the net profit attributable to owners of the Company was approximately RMB205 million, representing a decrease of approximately 6.0% from approximately RMB218 million for the last year.

For the year ended 31 December 2020, the earnings per share of the Company were approximately RMB0.17, representing a decrease of approximately 5.6% from approximately RMB0.18 for the last 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 2020, the Group recorded a net cash inflow from operating activities of approximately RMB1,428 million, a net cash outflow for investing activities of approximately RMB13 million, and a net cash outflow for financing activities of approximately RMB32 million.

As at 31 December 2020, the cash and cash equivalents of the Group were approximately RMB11,258 million, representing an increase of approximately 14.0% as compared with that of approximately RMB9,875 million as at 31 December 2019, which was mainly attributable to the net cash inflow generated from operating activities of the Group.

For the year ended 31 December 2020, the average turnover days of the Group's receivables were 11 days, which was basically in line with that of the last year.

For the year ended 31 December 2020, the inventory turnover days of the Group were 79 days, representing an increase of 3 days as compared to 76 days of last year, which was mainly due to the decrease in the sales volume of textile products as a result of the sluggish demand in domestic and overseas markets as adversely affected by the Pandemic during the Year.

For the year ended 31 December 2020, the Group did not use derivative financial instruments (2019: Nil).

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.

As at 31 December 2020, the debts of the Group were mainly bank borrowings amounting to approximately RMB2,257 million (2019: approximately RMB2,109 million). As at 31 December 2020, the Group's gearing ratio (calculated based on net debt (after deducting the interest-bearing bank and other borrowings of cash and cash equivalents) divided by total equity) was approximately -48.5% (2019: approximately -42.1%).

The Group manages its interest expenses through a fixed rate and floating rate debt portfolio. As at 31 December 2020, approximately 80.1% of the Group's bank borrowings were subject to fixed interest rates, while the remaining of approximately 19.9% were subject to floating interest rates.

In the future, the Group will also further strengthen the fund management and optimize the debt structure, further reducing the level of liabilities while maintaining the Group's sustainable operation capacity and sufficient liquidity.

As at 31 December 2020, the Group's borrowings were denominated in Renminbi; cash and cash equivalents were denominated in Renminbi, US dollars and Hong Kong dollars, of which cash and cash equivalents denominated in US dollars and Hong Kong dollars represented approximately 13.3% of the total amount.

Employees and Remuneration Policies

As at 31 December 2020, the Group had a total of approximately 44,000 employees, representing a decrease of approximately 6,000 employees as compared with that of last year. This decrease in the number of employees was mainly due to the normal employee turnover during the Year. Total staff costs of the Group for the Year amounted to approximately RMB2,888 million, representing a decrease of approximately 8.3% from approximately RMB3,151 million as recorded for the corresponding period of last year, which was mainly attributable to on one hand the decrease in the number of employees of the Group during the Year, resulting in the corresponding reduction of staff salaries paid, and on the other hand the Group has been entitled to the temporary reduction or exemption of employer contribution to the social security schemes introduced by the Chinese government in response to the Pandemic, resulting in the corresponding decrease in the payment of contribution to the social security schemes for employees.

The remuneration of the Group's employees is determined based on their performance, experience and the prevailing industry practice. The remuneration policies and packages of the Group will be periodically reviewed by the management. In addition, the management also grants bonuses and rewards to the employees based on their performance to encourage and motivate them to engage in technological innovation and technique improvement. The Group also provides relevant trainings, such as safety trainings and skills trainings, 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 2020, approximately 31.8% of the Group's revenue and approximately 16.5% of the purchase costs of cotton were denominated in US dollars. The Group recorded an exchange loss of approximately RMB69 million for the year ended 31 December 2020 due to the appreciation of Renminbi during the Year. During the Year, the Group did not experience any significant difficulties or impacts on its operations or liquidity as a result of fluctuations in currency exchange rates. The Directors believe that the Group has sufficient foreign currency to meet its demands.

Contingent Liabilities

As at 31 December 2020 and 2019, the Group did not have any significant contingent liabilities.

Events after the Reporting Period

Subsequent to 31 December 2020 and up to the date of this results announcement, no important event affecting the Group has occurred.

OUTLOOK

Looking forward to 2021, due to the policy support announced by several major economies and the rollout of mass vaccination program, the global economy is expected to recover. After the outbreak of the Pandemic, the global production and market landscape is undergoing profound adjustments, which will certainly lead to industrial upgrading. Under such macro environment, the Group remains cautiously optimistic about the development environment at home and abroad faced by the Chinese textile industry in 2021. The Group will make active response to the government policy and step up efforts to promote industrial upgrading and innovation, with an aim to achieve high-quality growth.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, so far as known to Directors, supervisors and chief executive of the Company, the following persons (other than the Directors, supervisors 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 of Hong Kong Limited (the “Stock Exchange”) under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) or recorded in the register required to be kept by the Company under section 336 of the SFO:

Interests in the domestic shares of the Company:

Name of Shareholder	Number of domestic shares <i>(Note 1)</i>	Approximate percentage of total issued domestic share capital as at 31 December 2020 <i>(%)</i>	Approximate percentage of total issued share capital as at 31 December 2020 <i>(%)</i>
Shandong Weiqiao Chuangye Group Company Limited (the “Holding Company”)	757,869,600 (Long position)	97.07	63.45
Shandong Weiqiao Investment Holdings Company Limited (“Weiqiao Investment”)	757,869,600 (Long position) <i>(Note 2)</i>	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 2020 (%)	Approximate percentage of total issued share capital as at 31 December 2020 (%)
Brandes Investment Partners, L.P.	Investment manager	44,313,998 (Long position) (Note 4)	10.71	3.71
Mellon Financial Corporation	Interest of a controlled corporation	41,073,100 (Long position) (Note 5)	9.93	3.44
Citigroup Inc.	Interest of a controlled corporation, security interest in shares and approved lending agent	24,574,104 (Long position) (Note 6)	5.94	2.06

Note 1: Unlisted shares.

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

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

Note 4: According to the disclosure of interests published on the website of the Stock Exchange by Brandes Investment Partners, L.P., these 44,313,998 H shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.

Note 5: According to the disclosure of interests published on the website of the Stock Exchange by Mellon Financial Corporation, these 41,073,100 H shares in which Mellon Financial Corporation was deemed interested under the SFO were directly held by The Boston Company Asset Management LLC, a corporation wholly controlled by MAM (MA) Trust, which is indirectly and wholly controlled by MAM (DE) Trust. MAM (DE) Trust is wholly controlled by Mellon Financial Corporation.

Note 6: According to the disclosure of interests published on the website of the Stock Exchange by Citigroup Inc., Citigroup Inc. was deemed to hold 344 H shares through the interest of a controlled corporation, hold 7,693,000 H shares through the security interest and hold 16,880,760 H shares in its capacity as approved lending agent.

Save as disclosed above, to the best knowledge of the Directors, supervisors and the chief executive of the Company, as at 31 December 2020, there was no any other person (other than the Directors, supervisors 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 by the Company under section 336 of the SFO.

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

As at 31 December 2020, the interests and short positions of the Directors, supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company under 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 Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Interests in the domestic shares of the Company:

		Number of domestic shares (Note 1)	Approximate percentage of total issued domestic share capital as at 31 December 2020 (%)	Approximate percentage of total issued share capital as at 31 December 2020 (%)
	Type of interest			
Ms. Zhang Hongxia (Executive Director/Chairman)	Beneficial interest	<u>17,700,400</u>	<u>2.27</u>	<u>1.48</u>

Note 1: Unlisted shares.

Interests in the shares of the Company's associated corporations (within the meaning of Part XV of the SFO):

	Name of associated corporation	Type of interest	Approximate percentage of total issued share capital as at 31 December 2020 (%)
Ms. Zhang Hongxia (Executive Director/Chairman)	Holding Company	Beneficial interest and spouse interest (Note 1)	9.73 (Note 1)
Ms. Zhang Yanhong (Executive Director/Vice Chairman)	Holding Company	Beneficial interest	5.63
Ms. Zhao Suwen (Executive Director)	Holding Company	Beneficial interest	0.38
Ms. Zhao Suhua (Non-executive Director)	Holding Company	Spouse interest (Note 2)	4.93 (Note 2)

Note 1: Ms. Zhang Hongxia holds an aggregate of 9.73% equity interests of the Holding Company, of which 7.00% are directly held by Ms. Zhang Hongxia. The remaining 2.73% equity interests are held by her husband, Mr. Yang Congsen, while Ms. Zhang Hongxia is deemed to be interested in these equity interests under the SFO.

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

Save as disclosed above, as at 31 December 2020, there was no any other Directors, supervisors or chief executive of the Company who 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 the interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company under 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 RMB0.061 (inclusive of tax) per share (the “2020 Final Dividend”) to shareholders of the Company whose names appear on the register of members of the Company as at close of business on 11 June 2021 (Friday), and the dividend will be paid on 29 June 2021. The 2020 Final Dividend is subject to the approval at the coming annual general meeting of the Company. In accordance with the Company Law of the PRC and the articles of association of the Company, “when the accumulated amount of the statutory surplus reserve reaches over 50% of the company’s registered capital, no further appropriation needs to be made”. Since the aggregated statutory surplus reserve appropriated by the Company has exceeded the standard required by the law or the articles of association of the Company, as approved by the Board, no statutory surplus reserve was appropriated out of net profit after tax recorded for 2020.

Under the relevant tax rules and regulations of the PRC (collectively the “PRC Tax Law”), the Company is required to withhold enterprise income tax at the rate of 10% when distributing final dividends to non-resident enterprises (such term shall have the meaning as defined under the PRC Tax Law) whose names appear on the register of members of H Shares of the Company.

In accordance with the PRC Tax Law, the Company is also required to withhold individual income tax when distributing final dividends to individual shareholders whose names appear on the register of members of H Shares of the Company. The Company will determine the country of domicile of the individual H shareholders based on the registered addresses as recorded in the register of members of H Shares of the Company on the record date with details as follows:

For individual H shareholders who are Hong Kong and Macau residents and those whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of them.

For individual H shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of them. If such individual H shareholders would like to apply for a refund of the additional amount of tax withheld and paid, the Company may make applications on their behalf to seek entitlement to the relevant agreed preferential treatments pursuant to the tax treaties.

For individual H shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of higher than 10% but lower than 20%, the Company would withhold and pay the individual income tax at the agreed-upon effective tax rate on behalf of them.

For individual H shareholders who are residents of those countries without any tax treaties with the PRC or having tax treaties with the PRC stipulating a dividend tax rate of 20% or more and other situations, the Company would withhold and pay the individual income tax at a tax rate of 20% on behalf of them.

Should H shareholders have any doubt about the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax implications in Mainland China, Hong Kong and other countries (regions) on the possession and disposal of the H shares of the Company.

The Company will strictly comply with the laws and the requirements of relevant government departments, and will withhold and pay the enterprise income tax on behalf of its shareholders whose names appear on the register of members of H shares 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 as appropriate.

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 28 May 2021 (Friday)).

During the Year, there was no arrangement under which any shareholder of the Company has waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS

The Company’s register of members will be closed from 28 April 2021 (Wednesday) to 28 May 2021 (Friday) (both dates inclusive), during which no transfer of shares will be registered. Shareholders of the Company whose names appear on the register of members of the Company on 28 April 2021 (Wednesday) are entitled to attend and vote at the forthcoming annual general meeting. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 27 April 2021 (Tuesday).

The Company’s register of members will be closed from 7 June 2021 (Monday) to 11 June 2021 (Friday) (both dates inclusive), during which no transfer of shares will be registered. Shareholders of the Company whose names appear on the register of members of the Company on 11 June 2021 (Friday) are entitled to the 2020 Final Dividend. In order to qualify for the 2020 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 Shops 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 June 2021 (Friday).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

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 19 March 2021 and has reviewed the Group's annual results and financial statements.

DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' and supervisors' securities transactions on terms no less exacting than the required standards as set out in the Model Code. Having made specific enquiry of all the Directors and supervisors of the Company, the Company confirmed that for the year ended 31 December 2020, each of the Directors and supervisors of the Company has complied with the required standards set out in the Model Code and the Company's code of conduct regarding Directors' and supervisors' securities transactions.

CG CODE

The Company has applied the principles in the CG Code and has been in compliance with all code provisions as set out in the CG Code for the year ended 31 December 2020.

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 12 April 2021 and will be available on the Company's website and the website of the Stock Exchange at the same time.

By order of the Board
Wei qiao Textile Company Limited*
Zhang Hongxia
Chairman

Shandong, the PRC
19 March 2021

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

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