



魏橋紡織股份有限公司
Weiqiao Textile Company Limited
(Stock Code : 2698)

2021

INTERIM REPORT



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Summary

Interim results for the six months ended 30 June 2021

- Revenue was approximately RMB7,498 million, representing an increase of approximately 38.1% from that for the corresponding period of last year.
- Gross profit was approximately RMB880 million, representing an increase of approximately 114.6% from that for the corresponding period of last year.
- Net profit attributable to owners of the Company was approximately RMB583 million, representing a significant increase of approximately 276.1% from that for the corresponding period of last year.
- Earnings per share were approximately RMB0.49 (same period last year: approximately RMB0.13).

Corporate Information

EXECUTIVE DIRECTORS

Ms. Zhang Hongxia (*Chairman*)
Ms. Zhang Yanhong (*Vice Chairman*)
Ms. Zhao Suwen (*Chief Financial Officer, Authorized Representative*)
Mr. Wei Jiakun (*General Manager*)
Mr. Zhang Jinglei (*Company Secretary, Authorized Representative*)

NON-EXECUTIVE DIRECTOR

Ms. Zhao Suhua

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wing Yau, George
Mr. Chen Shuwen
Mr. Liu Yanzhao

SUPERVISORS

Ms. Wang Xiaoyun
Ms. Fan Xuelian
Ms. Bu Xiaoxia

COMPANY SECRETARY

Mr. Zhang Jinglei

AUDIT COMMITTEE

Mr. Chan Wing Yau, George (*Chairman*)
Mr. Chen Shuwen
Mr. Liu Yanzhao

REMUNERATION COMMITTEE

Mr. Liu Yanzhao (*Chairman*)
Ms. Zhang Hongxia
Mr. Chen Shuwen

NOMINATION COMMITTEE

Ms. Zhang Hongxia (*Chairman*)
Mr. Chen Shuwen
Mr. Liu Yanzhao

AUTHORISED REPRESENTATIVES

Ms. Zhao Suwen
Mr. Zhang Jinglei

PLACE OF BUSINESS IN HONG KONG

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Central, Hong Kong

LEGAL ADDRESS IN THE PRC

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Zouping Economic Development Zone
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The PRC

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Zouping Economic Development Zone
Zouping City, Shandong Province
The PRC

INTERNATIONAL AUDITOR

SHINEWING (HK) CPA Limited

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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Shops 1712-1716, 17th Floor, Hopewell Centre
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Hong Kong

Corporate Information

COMPANY WEBSITE

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STOCK CODE

2698

INVESTOR RELATIONS

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Chairman's Statement

It is my pleasure to present on behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Weiqiao Textile Company Limited (“**Weiqiao Textile**” or the “**Company**”) the unaudited consolidated interim results of the Company together with its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Period**” or “**Period under Review**”).

In the first half of 2021, as the global spread of novel coronavirus pandemic (the “**Pandemic**”) has been eased over time, the global production activities have largely recovered to the pre-pandemic levels, and we witnessed an accelerated recovery in the consumption sectors, leading to a recovery in the consumption of domestic and overseas textile and apparel markets.

In terms of domestic market, in the post-pandemic era, the stable and positive economy has led to increasing consumer confidence and continuous recovery of the market. According to the statistics from the National Bureau of Statistics of the PRC, total retail sales of consumer goods of the country was approximately RMB21,190.4 billion for the first half of 2021, representing a year-on-year increase of approximately 23.0%.

In terms of overseas markets, with the increasing ramp-up of COVID-19 vaccinations, the global consumer environment showed stable signs. In addition, given that the manufacturing industry in some countries in South Asia and Southeast Asia was adversely affected as the Pandemic spread across these regions, a portion of purchase orders flowed into China, leading to further increase in the market shares of domestic textile enterprises.

During the Period, due to the increase in demands for textile products, the Group recorded a year-on-year increase in the sales volume of cotton textile products and a year-on-year increase in sales prices. During the Period under Review, the Group recorded revenue of approximately RMB7,498 million, representing an increase of approximately 38.1% as compared with that for the corresponding period of 2020. Net profit attributable to owners of the Company was approximately RMB583 million, representing a significant increase of approximately 276.1% as compared with that for the corresponding period of 2020. Earnings per share were RMB0.49, representing a year-on-year increase of approximately 276.9%. The gross profit margin was approximately 11.7%, up by approximately 4.1 percentage points as compared with that for the corresponding period of last year.

Chairman's Statement

In terms of textile production, the Group continued to push forward business transformation and upgrading, and made great efforts to improve its intelligent operation during the Period. Based on its existing green and intelligent textile production lines, the Group further enhanced its digital and intelligent operation and developed a full data chain system covering data collection, analysis and tracing based on the 5G industry internet, so as to further improve the product quality and productivity of the Group and gradually achieve the production mode featured with automation, intelligence and informatization, in an effort to accelerate the transformation of the Group towards an innovation and technology-based textile enterprise.

During the Period, in terms of textile product sale, the Group continued to step up marketing efforts to ensure a balance between production and sale. The impact of the Pandemic and the policies implemented by the government facilitated market restructure and product transformation, further pushing forward the development of environmentally-friendly and fashionable products and the application of technology. The Group continued to stick to the dual-market sales strategy of focusing primarily on the domestic market and to a lesser extent on the overseas market, strived to keep abreast of the latest market development, seized opportunities whenever arise, and constantly sharpened its market insight and price sensitivity. In addition, the Group continued to strengthen sales team building, innovate the performance management mechanism and constantly motivate the enthusiasm and initiative of the sales staff.

During the Period, in terms of textile product research and development, based on market demands and fashion trends, the Group successfully developed the one-component PTT flexible short-fibre wool-like fabric (單組份PTT彈性短纖維材質仿毛面料), one-component PTT short-fibre wrinkle-resistant textile product series (單組份PTT短纖維抗皺保型系列紡織品), cotton yarn series of composite layer yarn (復合捻向成紗系列棉紗) and other new products. In March 2021, the Group successfully held the “2021 Weiqiao Textile New Products Release Conference” at the National Exhibition and Convention Center (Shanghai), at which the Company launched 6 categories and 33 series of new products. During the Period, three products developed by the Group, namely the warm-keeping hollow pure cotton yarn (保暖中空純棉紗), bacteriostatic thermal graphene fiber blended yarn (抑菌保暖石墨烯纖維混紡紗) and segmentally colored and segmentally elastic blended fancy yarn (段彩段彈混紡花式紗), were included into the 2021/2022 China Yarns Fashion Trends Product List.

In terms of the electricity and steam business, the Group continuously improved management efficiency by adopting refined and modular management. During the Period under Review, the electricity business of the Group maintained a stable performance.

Chairman's Statement

Looking forward to the second half of 2021, the Group remains optimistic about the prospect of the cotton textile industry. With the continuous recovery of inventory replenishment demands from domestic brand enterprises and overseas demands, it is expected that the improvement trend in textile product orders will continue in the second half of the year while there will exist some uncertainties due to the impact of multiple waves of the Pandemic.

Riding on the new development trend of industrial upgrading of the textile industry, the Group will make full efforts to achieve the goal of “Technology-based Weiqiao”, “Innovation-driven Weiqiao” and “Green Weiqiao”. On the intelligent manufacturing front, the Group will increase investment in technology improvement for intelligence and automation operation, and implement digital system to monitor the entire production process, so as to improve product quality and productivity, reduce wastage and lower labour cost. On the innovation development front, the Group will increase investment in the research and development, enhance cooperation with the scientific research institutes as well as upstream and downstream enterprises and proactively keep abreast of the domestic and overseas product development trend and market demands and carry out research and development of new technologies, new materials and new products. The Group will also further improve its standards for environmental protection, strive to achieve efficiency enhancement and carbon emission reduction through intelligent technology improvement on its existing equipment and application of low-carbon process, and create a brand new and green textile manufacturing industrial chain, laying a solid foundation for the sustainable and healthy development of the Group and developing the Group into a model in achieving a rapid transition to low-carbon operation and a pioneer in implementing the practice of carbon neutrality in the global textile industry.

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. By sticking to the development concept of energy conservation and emission reduction, green and innovation, the Group will promote industrial transformation and upgrading and continue to improve product quality. Upholding the core value of “serving the country and benefiting the people” and cooperating with our customers, shareholders and business partners, the Group will continue to contribute to the sustainable development of the society and create a better future together.

Ms. Zhang Hongxia

Chairman

Shandong, the PRC

13 August 2021

Management Discussion and Analysis

INDUSTRY REVIEW

During the Period under Review, as the global spread of the Pandemic has been eased over time, the domestic and overseas textile markets enjoyed synchronous recovery, leading to positive industry prospect. However, there will exist some uncertainties due to the impact of multiple waves of the Pandemic.

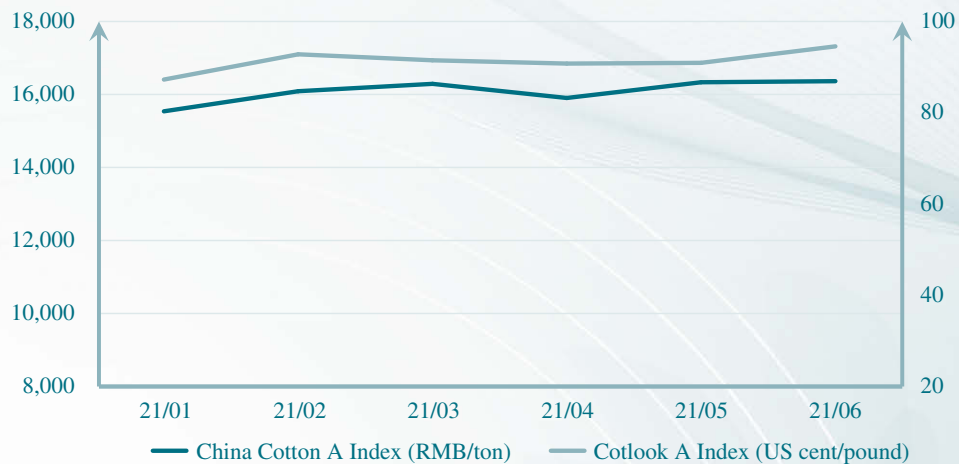
In the first half of 2021, China's export enterprises have gradually strengthened their ability to deal with risks from the multiple waves of the Pandemic across the world, demonstrating outstanding anti-risk capabilities, and thereby maintaining positive growth in textile and apparel exports. According to the statistics from China Customs, the aggregated exports of textile products and apparel from the PRC was approximately US\$140.09 billion for the first half of 2021, representing a year-on-year increase of approximately 12.1%.

In terms of domestic market, during the first half of 2021, the steady growth of China's economy gradually unleashed consumption potential. Benefiting from several holidays in the first half of the year, the domestic market demands for textiles and apparel showed stable recovery, playing a more important role in driving healthy economy recovery. 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 RMB673.8 billion for the first six months of 2021, representing a year-on-year increase of approximately 33.7%.

In terms of textile raw materials, due to the recovery of market demands and driven by the overall increase in bulk commodity prices around the world, the domestic and international cotton prices hovered around at a high level during the first half of 2021. The China Cotton A Index for the first half of 2021 recorded approximately RMB16,083 per ton in average, representing a year-on-year increase of approximately 26.3%. The Cotlook A Index was approximately US91.26 cents per pound in average, representing a year-on-year increase of approximately 30.3%. The movement of China Cotton A Index and Cotlook A Index during the first half of 2021 was as follows:

Management Discussion and Analysis

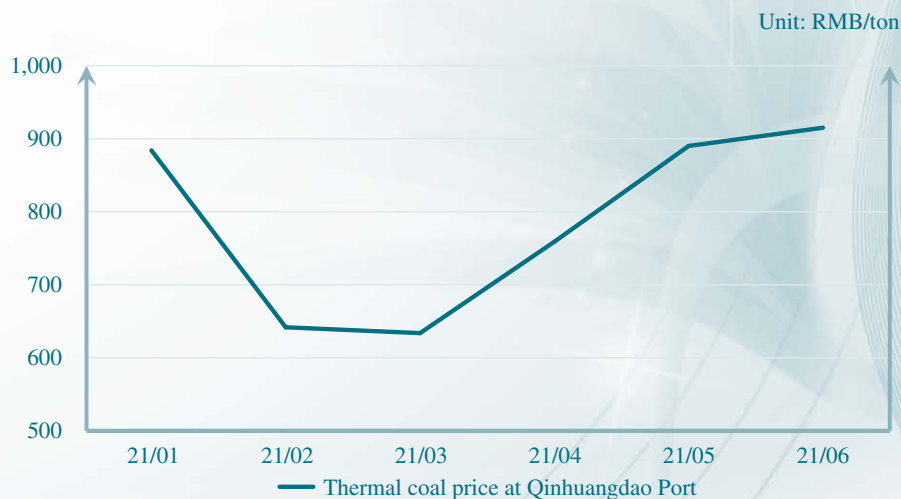
The Movement of China Cotton A Index and Cotlook A Index in the first half of 2021



Data sources: China Cotton Association

In terms of the raw materials for electricity, on the international market front, due to factors such as the economic recovery and adequate liquidity, the bulk commodity prices surged and the base coal price also shifted upwards synchronously. On the domestic market front, driven by accelerated economic recovery and robust market demand, the coal price maintained at a high level.

Monthly average price movement of the thermal coal at Qinhuangdao Port in the first half of 2021

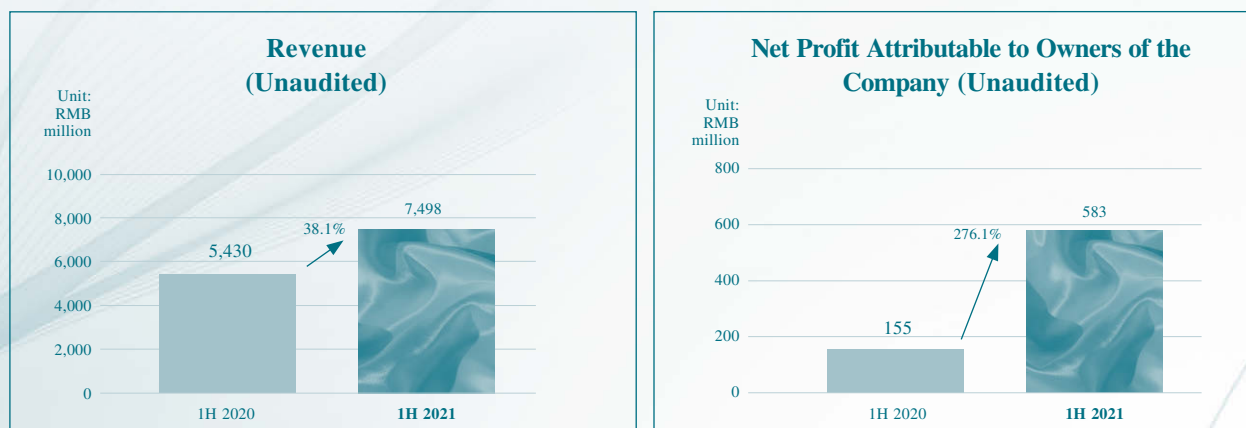


Data source: Wind Information Co., Ltd.

Management Discussion and Analysis

BUSINESS REVIEW

For the six months ended 30 June 2021 and the corresponding period of 2020, the Group's unaudited revenue and the net profit attributable to owners of the Company, together with the comparative figures are as follows:



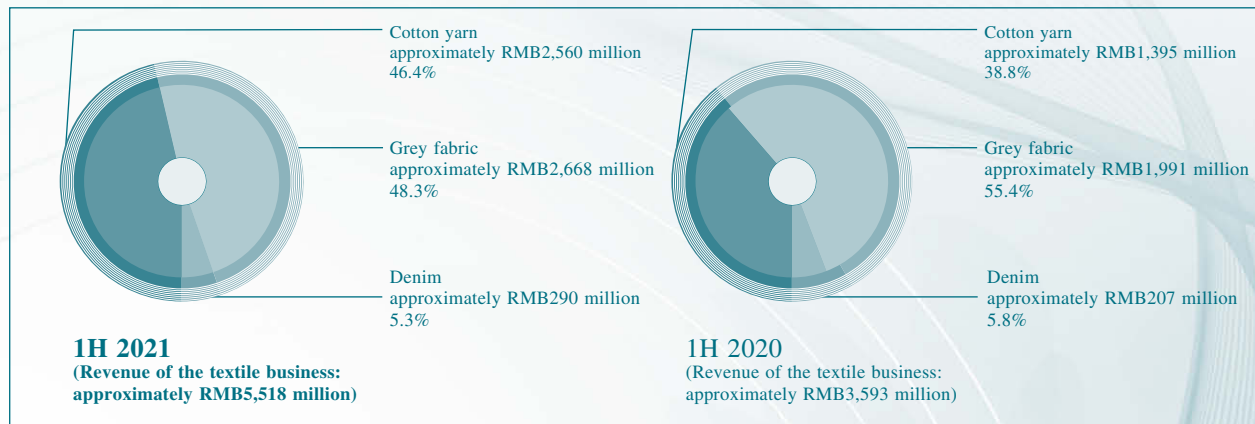
For the six months ended 30 June 2021, the Group recorded revenue of approximately RMB7,498 million, representing an increase of approximately 38.1% as compared with the corresponding period of 2020, where the revenue of textile products was approximately RMB5,518 million, representing an increase of approximately 53.6% over the corresponding period of last year, which was mainly due to the increase in the sales volume of the Group's cotton textile products as compared with the corresponding period of last year and due to the increase in the demands for textile products as a result of the gradual recovery of consumption in the domestic and overseas textile and garment markets as the Pandemic was gradually subdued, as well as the increase in the sales price over that of the corresponding period of last year. The revenue of electricity and steam was approximately RMB1,980 million, representing an increase of approximately 7.8% over the corresponding period of last year, which was mainly due to the increase in the sale price of electricity by the Group based on the fixed pricing adjustment mechanism as driven by the increase in the coal price on the backdrop of relatively stable electricity sales.

The net profit attributable to owners of the Company was approximately RMB583 million, representing a significant increase of approximately 276.1% as compared with approximately RMB155 million as recorded for the corresponding period of last year, which was mainly attributable to the significant increase in the gross profit from the textile products due to the increase in sales volume and sales prices of the Group's textile products as compared with the corresponding period of last year benefited from the gradual recovery in the demands from the textile markets.

Management Discussion and Analysis

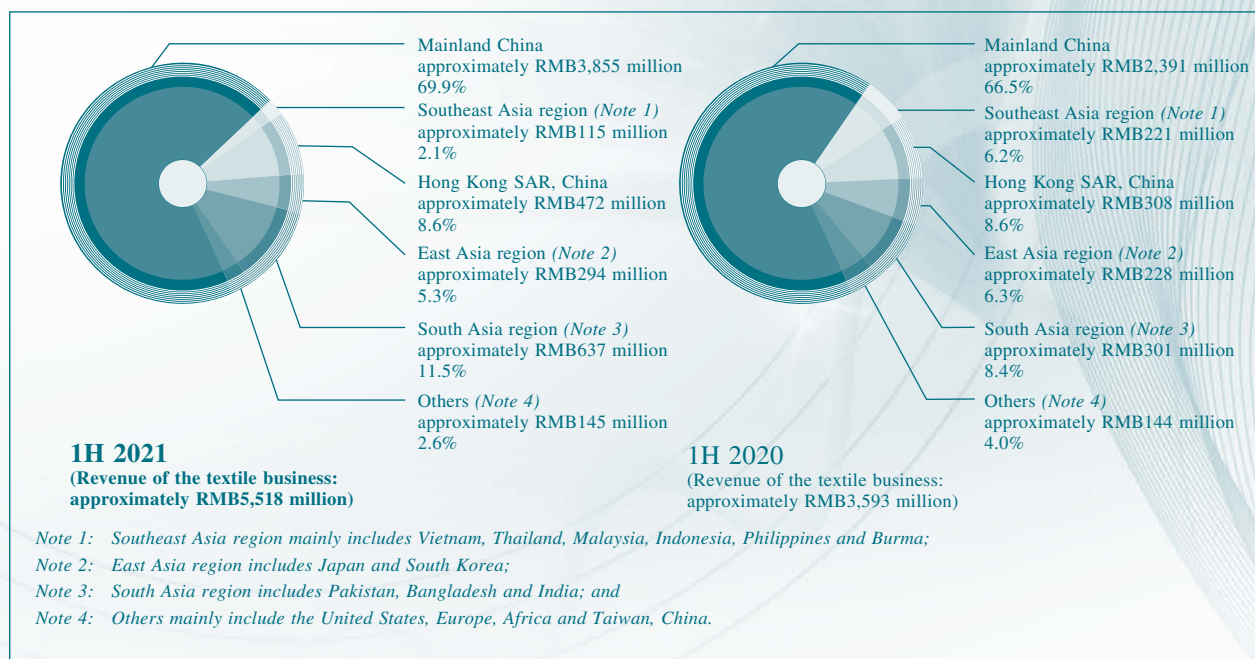
Textile Business

The charts below are the comparison of the breakdown of revenue of the Group's textile business categorized by products for the six months ended 30 June 2021 and the corresponding period of 2020, respectively:



For the six months ended 30 June 2021, revenue of the Group's cotton yarn, grey fabric and denim accounted for approximately 46.4%, 48.3% and 5.3% of the revenue generated from the textile business, respectively. The proportion of revenue from cotton yarn increased by approximately 7.6 percentage points as compared with the corresponding period of last year, while the proportion of revenue from grey fabric decreased by approximately 7.1 percentage points as compared with the corresponding period of last year, which was mainly attributable to the significant increase in the sales volume of cotton yarn as the Group proactively adjusted its product portfolio according to changes in market demands during the Period.

The charts below are the comparison of the breakdown of revenue of the Group's textile business categorized by geographical location for the six months ended 30 June 2021 and the corresponding period of 2020, respectively:



Management Discussion and Analysis

For the six months ended 30 June 2021, revenue generated from overseas and domestic markets accounted for approximately 30.1% and approximately 69.9% of the Group's total revenue respectively. The proportion of overseas and domestic sales remained substantially unchanged from that for the corresponding period of last year.

During the Period under Review, the Group adjusted the production plans timely based on market demand. The output of the Group's cotton yarn was approximately 204,000 tons, representing an increase of approximately 17.2% as compared with that for the corresponding period of last year; the output of grey fabric was approximately 359 million meters, representing an increase of approximately 2.0% as compared with that for the corresponding period of last year; the output of denim was approximately 20 million meters, representing a decrease of approximately 23.1% 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 production and operation of the Group remained steady and all facilities were functioning in good conditions during the Period under Review.

Electricity and Steam Business

As at 30 June 2021, the installed capacity of the Group's thermal power assets amounted to 2,760 MW. During the Period under Review, the power generation amount of the Group was approximately 5,878,000,000 kWh, representing a decrease of approximately 4.4% as compared with that for the corresponding period of last year. The volume of electricity sold amounted to approximately 4,689,000,000 kWh, representing a decrease of approximately 7.8% as compared with that for the corresponding period of last year, which was mainly attributable to the decrease in demands for electricity from the downstream customers during the Period, leading to the corresponding decrease in the sales volume of electricity.

During the Period under Review, the average utilization hours of the power generating units of the Group amounted to approximately 2,130 hours, representing a decrease of approximately 98 hours as compared with approximately 2,228 hours as recorded for the corresponding period of last year.

For the first half of 2021, the revenue of the Group's sales of electricity and steam amounted to approximately RMB1,980 million, representing an increase of approximately 7.8% as compared with the corresponding period of last year. The slight increase in revenue from sales of electricity of the Group as compared with the corresponding period of last year was mainly attributable to the increase in the sale price of electricity by the Group based on the fixed pricing adjustment mechanism as driven by the increase in the coal price on the backdrop of relatively stable electricity sales during the Period.

The Group has installed flue gas dedusting facilities (煙氣除塵裝置) and desulphurization and denitrification facilities (脫硫脫硝裝置) for all of the Group's power generating units, and fully implemented the ultra-low emission in advance.

Management Discussion and Analysis

FINANCIAL REVIEW

Gross Profit and Gross Profit Margin

The table below is an analysis of the Group's gross profit and gross profit margin attributable to its major products for the six months ended 30 June 2021 and the corresponding period in 2020, respectively:

Product categories	For the six months ended 30 June			
	2021		2020	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
Cotton yarn	366,618	14.3	67,718	4.9
Grey fabric	162,564	6.1	(118,423)	(5.9)
Denim	12,829	4.4	28,593	13.8
Electricity and steam	337,868	17.1	432,498	23.5
Total	879,879	11.7	410,386	7.6

For the six months ended 30 June 2021, the gross profit from the sales of textile products of the Group increased significantly to approximately RMB542 million from approximately RMB-22 million for the corresponding period of last year. The gross profit margin was approximately 9.8%, representing an increase of approximately 10.4 percentage points over the corresponding period of last year. In particular, the gross profit margin of cotton yarn and grey fabric increased as compared with the corresponding period of last year, which was mainly attributable to the increase in the sales volume and sales prices of the Group's textile products as compared with the corresponding period of last year due to the gradual recovery in the demands from the domestic and overseas textile product markets as the Pandemic was subdued. The gross profit margin of denim decreased by approximately 9.4 percentage points as compared with the corresponding period of last year, which was mainly attributable to the narrowing gross profit from sales of denim as the increase in the sales price of denim was far lower than the growth of costs due to changes in market demands. The gross profit from the sales of electricity and steam of the Group decreased by approximately 21.8% from the corresponding period of last year to approximately RMB338 million, and the gross profit margin was approximately 17.1%, down by approximately 6.4 percentage points from that for the same period of last year, which was primarily due to, on one hand, the increase in the unit fixed costs as compared with the corresponding period of last year as a result of decrease in the sales volume of electricity by the Group during the Period and, on the other hand, the increase in the production costs of electricity mainly due to the rising prices of coal which was used as raw material for our production during the Period, while the timing of tariff increase lagged behind according to the established tariff pricing mechanism.

Management Discussion and Analysis

Selling and Distribution Expenses

For the six months ended 30 June 2021, the Group's selling and distribution expenses were approximately RMB100 million, representing an increase of approximately 58.7% as compared with approximately RMB63 million as recorded for the corresponding period of last year. Among these expenses, transportation costs increased by approximately 85.3% to approximately RMB63 million from approximately RMB34 million for the same period of last year, which was mainly attributable to the increase in the sales volume of the Group's textile products and the rising unit transportation costs according to changes in the transportation market during the Period. Salary of the sales staff was approximately RMB22 million, representing an increase of approximately 46.7% from approximately RMB15 million for the corresponding period of last year, which was mainly attributable to the increase in the sales volume of the textile products and the adjustment to its commission scheme for the sales staff according to changes in the textile market during the Period. Sales commission was approximately RMB7 million, representing an increase of approximately 16.7% from approximately RMB6 million for the corresponding period of last year, which was mainly due to the increase in the revenue generated from overseas sales, resulting in the corresponding increase in the commissions paid.

Administrative Expenses

For the six months ended 30 June 2021, the administrative expenses of the Group were approximately RMB148 million, representing an increase of approximately 12.1% from approximately RMB132 million for the corresponding period of last year, which was primarily attributable to the corresponding increase in the research and development expenditures as the Group stepped up efforts on product research and development.

Other Expenses

For the six months ended 30 June 2021, the other expenses of the Group were approximately RMB116 million, representing an increase of approximately 1,188.9% from approximately RMB9 million for the corresponding period of last year, which was mainly attributable to the impairment provision made by the Group for certain idle buildings and equipment which were planned to be dismantled during the Period.

Finance Costs

For the six months ended 30 June 2021, the finance costs of the Group were approximately RMB58 million, representing an increase of approximately 1.8% from approximately RMB57 million for the corresponding period of last year, which was basically in line with that of the corresponding period of last year.

Management Discussion and Analysis

Income Tax Expenses

The income tax expenses of the Group decreased from approximately RMB125 million for the first half of 2020 to approximately RMB49 million for the first half of 2021, representing a decrease of approximately 60.8%, which was mainly attributable to on one hand the decrease in the profit from the sales of electricity and steam by the Group during the Period, and on the other hand the making-up of the losses incurred in the previous years by the textile business of the Group.

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

Net profit attributable to owners of the Company was approximately RMB583 million for the six months ended 30 June 2021, representing a substantial increase of approximately 276.1% from approximately RMB155 million for the corresponding period of last year.

For the six months ended 30 June 2021, basic earnings per share of the Company were approximately RMB0.49.

Liquidity and Financial Resources

The working capital of the Group is mainly financed by cash inflow from operating activities. For the six months ended 30 June 2021, the Group recorded a net cash inflow from operating activities of approximately RMB408 million, a net cash inflow from investing activities of approximately RMB203 million and a net cash inflow for financing activities of approximately RMB21 million.

As of 30 June 2021, cash and cash equivalents of the Group were approximately RMB11,890 million, representing an increase of approximately 5.6% from approximately RMB11,258 million as of 31 December 2020, mainly attributable to the net inflow from operating activities of the Group during the Period.

For the six months ended 30 June 2021, the average turnover days of the Group's receivables were 11 days, representing a decrease of 1 day from 12 days for the corresponding period of 2020, which had no material changes as compared with that for the corresponding period of last year.

For the six months ended 30 June 2021, the inventory turnover days of the Group were 65 days, representing a decrease of 38 days from 103 days for the same period of 2020, mainly attributable to the surge in the sales volume of textile products as a result of the gradual recovery of demands from the domestic and overseas markets during the Period.

For the six months ended 30 June 2021, the Group did not use financial derivative instruments and the Group also did not use financial instruments for the corresponding period of last year.

Management Discussion and Analysis

Capital Structure

The major objective of the Group's capital management is to ensure the ongoing operations and maintain a satisfactory capital ratio in order to support its business operations and maximize shareholders' interests.

As at 30 June 2021, the debts of the Group were mainly bank loans totaling of approximately RMB2,407 million (31 December 2020: approximately RMB2,257 million). As at 30 June 2021, the Group's gearing ratio (net debt (after deducting interest-bearing bank borrowings of cash and cash equivalents) divided by total equity) was approximately -49.7% (31 December 2020: approximately -48.5%).

Details of the outstanding bank borrowings as at 30 June 2021 are set out in Note 18 to the unaudited interim condensed consolidated financial statements. As at 30 June 2021, all of the Group's bank borrowings were fixed interest rate borrowings.

The Group will further improve its fund management and improve efficiency of the use of capital, with an aim to meet its capital expenditure requirements and further optimise its debt structure while maintaining the Group's sufficient liquidity.

As at 30 June 2021, the Group's borrowings were denominated in Renminbi, while 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 16.2% of the total amount.

Employees and Remuneration Policies

As at 30 June 2021, the Group had a total of approximately 42,000 employees, representing a decrease of approximately 5,000 employees as compared with that for the corresponding period of last year. Decrease in the number of the employees was mainly normal employee turnover during the Period. Total staff costs of the Group during the Period amounted to approximately RMB1,517 million, representing an increase of approximately 10.8% from approximately RMB1,369 million as recorded for the corresponding period of last year, which was mainly attributable to on one hand the increase in salaries offered by the Group to the employees during the Period, and on the other hand the lower amount of social security expenditures incurred for the corresponding period of last year due to the temporary reduction or exemption of employer contribution to the social security schemes enjoyed by the Group as a result of the Pandemic.

The remuneration of the Group's employees is determined based on their performance, experience and the prevailing industry practices. The management will periodically review the Group's remuneration policies and packages. In addition, the management also grants 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 the employees based on the technical requirements of different positions.

Management Discussion and Analysis

Exposure to Foreign Exchange Risks

The Group adopts a strict and prudent policy in managing exchange rate risks. Export revenue and import procurement of the Group are both settled in US dollars, and a portion of bank deposits are denominated in US dollars. For the six months ended 30 June 2021, approximately 30.1% of the Group's revenue and approximately 14.3% of the costs of the procurement of cotton were denominated in US dollars. For the six months ended 30 June 2021, the Group recorded the exchange loss of approximately RMB7 million due to the appreciation of Renminbi. During the Period, the Group did not experience any significant difficulties or impacts on the operations or liquidity as a result of the fluctuations in currency exchange rates. The Directors believe that the Group will have sufficient foreign currency to meet its demands.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the six months ended 30 June 2021, the Company did not have any material acquisition or disposal of subsidiaries, associates or joint ventures.

Significant Investments Held

During the six months ended 30 June 2021, the Group did not hold any significant investment which had significant impact on the Group's overall operation.

Future Plans for Material Investments or Capital Assets

During the six months ended 30 June 2021 and as of the date of this interim report, there was no future plan approved by the Group for any material investments or capital assets.

Pledged Assets

Details of pledged assets of the Group are set out in Note 18 to the unaudited interim condensed consolidated financial statements.

Capital Commitments

Details of capital commitments of the Group are set out in Note 20 to the unaudited interim condensed consolidated financial statements.

Contingent Liabilities

As at 30 June 2021, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2021 and as of the date of this interim report, no important event affecting the Group has occurred.

Management Discussion and Analysis

OUTLOOK

During the 14th Five-Year Plan period, under the new development pattern of dual circulation, China will aim to build a more solid economic foundation and create a better innovation environment, providing stronger support for China's textile industry to explore potential domestic market demands. Meanwhile, in the post-pandemic era, the global economy is expected to continue to recover. In addition, the global production and market landscape is undergoing profound adjustments, which will certainly lead to industrial upgrading.

Under such macro environment, the Group remains optimistic about the development environment at home and abroad faced by the Chinese textile industry in the second half of 2021. However, there will exist some uncertainties due to the impact of multiple waves of the Pandemic. The Group will proactively conform to the industry's development trend and make continuous efforts to promote industrial upgrading, innovation and green development, with an aim to achieve high-quality growth.

Supplementary Information

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, so far as known to the 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 and 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 (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 30 June 2021 <i>(%)</i>	Approximate percentage of total issued share capital as at 30 June 2021 <i>(%)</i>
Shandong Weiqiao Chuangye Group Company Limited (the “Holding Company”)	757,869,600 (Long position)	97.07	63.45

Supplementary Information

Interests in the H shares of the Company:

Name of Shareholder	Type of interest	Number of H shares (Note 2)	Approximate percentage of total issued H share capital as at 30 June 2021 (%)	Approximate percentage of total issued share capital as at 30 June 2021 (%)
Brandes Investment Partners, L.P.	Investment manager	44,313,998 (Long position) (Note 3)	10.71	3.71
Mellon Financial Corporation	Interest of a controlled corporation	41,073,100 (Long position) (Note 4)	9.93	3.44

Note 1: Unlisted shares.

Note 2: Shares listed on the Main Board of the Stock Exchange.

Note 3: 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 4: 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.

Save as disclosed above, to the best knowledge of the Directors, supervisors and the chief executive of the Company, as at 30 June 2021, 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.

Supplementary Information

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2021, the interests and short positions of the Directors, supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests 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 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:

			Approximate percentage of total issued domestic share capital as at 30 June 2021 (%)	Approximate percentage of total issued share capital as at 30 June 2021 (%)
	Type of interest	Number of domestic shares (Note 1)		
Ms. Zhang Hongxia (Executive Director/Chairman)	Beneficial interest	17,700,400	2.27	1.48

Note 1: Unlisted shares

Supplementary Information

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

Name of shareholders	Name of associated corporation	Type of interest	Approximate percentage of total issued share capital as at 30 June 2021 (%)
Ms. Zhang Hongxia (Executive Director/Chairman)	Holding Company	Beneficial interest and spouse interest (Note 1)	7.78 (Note 1)
Ms. Zhang Yanhong (Executive Director/Vice Chairman)	Holding Company	Beneficial interest	4.50
Ms. Zhao Suhua (Non-executive Director)	Holding Company	Spouse interest (Note 2)	3.95 (Note 2)
Mr. Wei Jiakun (Executive Director/General Manager)	Holding Company	Beneficial interest	0.52
Ms. Zhao Suwen (Executive Director/Chief Financial Officer)	Holding Company	Beneficial interest	0.30

Note 1: Ms. Zhang Hongxia holds an aggregate of 7.78% equity interests of the Holding Company, of which 5.60% are directly held by Ms. Zhang. The remaining 2.18% equity interests are held by her husband, Mr. Yang Congsen, while Ms. Zhang is deemed to be interested in these equity interests under the SFO.

Note 2: Ms. Zhao Suhua is deemed to be interested in the 3.95% equity interests of the Holding Company held by her husband, Mr. Wei Yingzhao, under the SFO.

Save as disclosed above, as at 30 June 2021, 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 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.

Supplementary Information

INTERIM DIVIDEND

The Board did not recommend any payment of the interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

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 six months ended 30 June 2021.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in accordance with the requirements of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules for the purposes of reviewing and supervising the Group's financial reporting process and internal controls. The Audit Committee is comprised of three independent non-executive Directors. An Audit Committee meeting was convened on 13 August 2021 to review the interim results and unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 and give opinions and recommendations to the Board. The Audit Committee also engaged an external auditor to review the interim results and unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021.

REMUNERATION COMMITTEE

The Company has established a remuneration committee in accordance with the corporate governance requirements of listed companies of the Stock Exchange. The objective of this committee is to set out and make suggestions on the appraisal standards for Directors and senior management, and study and review the remuneration policies and arrangements for Directors and senior management. The remuneration committee is comprised of three Directors. A remuneration committee meeting was convened on 19 March 2021, at which the resolution with regard to Directors' payroll and bonus as well as supervisors' remuneration for the year of 2021 was passed.

Supplementary Information

NOMINATION COMMITTEE

The Company has established a nomination committee in accordance with the corporate governance requirements of listed companies of the Stock Exchange. The objective of this committee is to review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorship; assess the independence of independent non-executive Directors; and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Mr. Wei Jiakun, the general manager of the Company, has served as an executive Director of the Company since May 2021.

Mr. Zhang Jinglei, the executive Director of the Company, has served as a director of Shandong Hongqiao New Material Co., Ltd. (山東宏橋新型材料有限公司) since January 2021.

Save as disclosed above, during the six months ended 30 June 2021 and up to the date of this interim report, there was no any change in the Directors, supervisors or chief executive of the Company, and the Company is not aware of any other change in the information of the Directors, supervisors or chief executive of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE CODE

The Company has applied the principles as set out in the CG Code, and has complied with the code provisions as set out in the CG Code for the six months ended 30 June 2021.

DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Group 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 six months ended 30 June 2021, each of the Directors and supervisors of the Company have complied with the required standards set out in the Model Code and the Company's code of conduct regarding directors' and supervisors' securities transactions.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this interim report will be published on the websites of both the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.wqfz.com>). An interim report for the six months ended 30 June 2021 containing all the applicable information required by Appendix 16 to the Listing Rules will be despatched to the shareholders and published on the websites of the Stock Exchange and the Company on or before 20 September 2021.

Report on Review of Interim Financial Information



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE BOARD OF DIRECTORS OF WEIQIAO TEXTILE COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Weiqiao Textile Company Limited (the “Company”) and its subsidiaries set out on pages 27 to 50, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and other explanatory notes.

The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Report on Review of Interim Financial Information *(Continued)*

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Kwan Chi Fung

Practising Certificate Number: P06614

Hong Kong

13 August 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Notes	For the six months ended	
		30 June	
		2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	7,498,296	5,430,121
Cost of sales		<u>(6,618,417)</u>	<u>(5,019,735)</u>
Gross profit		879,879	410,386
Other income	5	174,047	128,791
Selling and distribution expenses		(100,069)	(63,124)
Administrative expenses		(147,844)	(131,764)
Other expenses		(115,564)	(9,004)
Finance costs	6	(57,605)	(56,919)
Share of profit of an associate		<u>285</u>	<u>224</u>
Profit before taxation		633,129	278,590
Income tax expenses	7	<u>(49,151)</u>	<u>(124,542)</u>
Profit and total comprehensive income for the period	8	<u>583,978</u>	<u>154,048</u>
Attributable to:			
Owners of the Company		583,056	154,918
Non-controlling interests		<u>922</u>	<u>(870)</u>
		<u>583,978</u>	<u>154,048</u>
Earnings per share attributable to the Owners of the Company			
Basic and diluted (RMB)	10	<u>0.49</u>	<u>0.13</u>

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	<i>Notes</i>	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	11	9,021,303	9,516,424
Right-of-use assets	12	370,456	382,387
Investment properties		55,160	54,901
Other intangible assets		177	60
Interest in an associate		74,258	73,973
Deferred tax assets		124,111	98,804
Total non-current assets		9,645,465	10,126,549
Current assets			
Inventories	13	2,353,592	2,348,173
Trade receivables	14	512,807	352,653
Deposits, prepayments and other receivables	15	222,209	218,883
Pledged deposits		8,827	156,517
Bank balances and cash		11,889,598	11,258,148
		14,987,033	14,334,374
Non-current assets classified as held for sale		44,106	1,293
Total current assets		15,031,139	14,335,667
Current liabilities			
Trade payables	16	717,106	1,051,007
Other payables and accruals	17	1,100,030	1,082,586
Lease liabilities	12	14,205	14,178
Contract liabilities		204,185	242,146
Income tax payable		990,936	1,070,246
Bank borrowings	18	2,407,000	2,257,000
Deferred income		14,573	13,340
Total current liabilities		5,448,035	5,730,503
Net current assets		9,583,104	8,605,164
Total assets less current liabilities		19,228,569	18,731,713

Condensed Consolidated Statement of Financial Position

(Continued)

As at 30 June 2021

	<i>Notes</i>	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Equity			
Share capital	19	1,194,389	1,194,389
Reserves		<u>17,859,147</u>	<u>17,348,949</u>
Equity attributable to owners of the Company		19,053,536	18,543,338
Non-controlling interests		<u>10,105</u>	<u>9,183</u>
Total equity		<u>19,063,641</u>	<u>18,552,521</u>
Non-current liabilities			
Lease liabilities	12	41,391	48,415
Deferred income		120,959	129,478
Deferred tax liabilities		<u>2,578</u>	<u>1,299</u>
Total non-current liabilities		<u>164,928</u>	<u>179,192</u>
Total equity and non-current liabilities		<u>19,228,569</u>	<u>18,731,713</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	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	RMB'000	RMB'000	RMB'000	RMB'000	
At 31 December 2020 (Audited)	1,194,389	6,692,394	1,845,222	8,811,333	18,543,338	9,183	18,552,521	
Profit and total comprehensive income for the period	-	-	-	583,056	583,056	922	583,978	
Final 2020 dividend declared	-	-	-	(72,858)	(72,858)	-	(72,858)	
At 30 June 2021 (Unaudited)	<u>1,194,389</u>	<u>6,692,394</u>	<u>1,845,222</u>	<u>9,321,531</u>	<u>19,053,536</u>	<u>10,105</u>	<u>19,063,641</u>	
At 31 December 2019 (Audited)	1,194,389	6,692,394	1,845,222	8,682,941	18,414,946	11,788	18,426,734	
Profit (loss) and total comprehensive income (expense) for the period	-	-	-	154,918	154,918	(870)	154,048	
Final 2019 dividend declared	-	-	-	(76,441)	(76,441)	-	(76,441)	
At 30 June 2020 (Unaudited)	<u>1,194,389</u>	<u>6,692,394</u>	<u>1,845,222</u>	<u>8,761,418</u>	<u>18,493,423</u>	<u>10,918</u>	<u>18,504,341</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.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	407,615	214,549
INVESTING ACTIVITIES		
Decrease in pledged deposits	147,690	32,064
Proceeds from disposal of property, plant and equipment	60,915	21,892
Bank interest income received	35,190	15,667
Proceeds from disposal of non-current assets classified as held for sale	3,171	7,240
Purchase of intangible assets	(125)	–
Purchase of property, plant and equipment	(44,208)	(4,683)
NET CASH FROM INVESTING ACTIVITIES	202,633	72,180
FINANCING ACTIVITIES		
Repayment of bank borrowings	(1,162,000)	(897,350)
Interest paid	(57,289)	(57,800)
Dividend paid	(72,858)	(76,441)
Payment of lease liabilities	(6,997)	(6,681)
Government grant received	8,346	20,611
New bank borrowings raised	1,312,000	847,000
NET CASH FROM (USED IN) FINANCING ACTIVITIES	21,202	(170,661)
NET INCREASE IN CASH AND CASH EQUIVALENTS	631,450	116,068
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	11,258,148	9,875,342
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	11,889,598	9,991,410

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Weiqiao Textile Company Limited (the “Company”) is a limited company established in the PRC. The registered office of the Company is No. 1, Wei Fang Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the PRC. The immediate holding company and the ultimate holding company of the Company 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 Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the manufacture and sale of cotton yarn, grey fabric and denim and generation and sale of electricity and steam.

The condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The condensed 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. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2021:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 7, HKFRS 9 and HKAS 39, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

* For identification purpose only

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2021

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 period is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of textile products		
• Cotton yarn	2,559,825	1,395,248
• Grey fabric	2,668,247	1,991,173
• Denim	290,349	206,834
– Sales of electricity and steam	1,979,875	1,836,866
	<u>7,498,296</u>	<u>5,430,121</u>

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.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2021

4. SEGMENT INFORMATION *(continued)*

Segment revenues and results

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

For the six months ended 30 June 2021

	Textile products <i>RMB'000</i> (Unaudited)	Electricity and steam <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
External revenue	5,518,421	1,979,875	7,498,296
Inter-segment revenue	—	477,448	477,448
Segment revenue	<u>5,518,421</u>	<u>2,457,323</u>	7,975,744
Eliminations			<u>(477,448)</u>
Group revenue			<u>7,498,296</u>
Segment profit	<u>425,858</u>	<u>301,011</u>	726,869
Unallocated income			174,047
Unallocated corporate expenses			(212,240)
Unallocated finance costs			(55,832)
Share of profit of an associate			<u>285</u>
Profit before taxation			<u>633,129</u>

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2021

4. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

For the six months ended 30 June 2020

	Textile products <i>RMB'000</i> (Unaudited)	Electricity and steam <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
External revenue	3,593,255	1,836,866	5,430,121
Inter-segment revenue	—	324,567	324,567
Segment revenue	<u>3,593,255</u>	<u>2,161,433</u>	5,754,688
Eliminations			<u>(324,567)</u>
Group revenue			<u>5,430,121</u>
Segment (loss) profit	<u>(119,899)</u>	<u>431,900</u>	312,001
Unallocated income			128,791
Unallocated corporate expenses			(107,597)
Unallocated finance costs			(54,829)
Share of profit of an associate			<u>224</u>
Profit before taxation			<u>278,590</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, directors' salaries, other income, certain finance costs and share of profit of an associate. This is the measure reported to the directors of the Company with respect to the resource allocation and performance assessment.

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

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2021

4. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

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

Segment assets

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Textile products	6,365,569	6,105,331
Electricity and steam	<u>5,991,855</u>	<u>6,610,359</u>
Total segment assets	12,357,424	12,715,690
Interest in an associate	74,258	73,973
Corporate and other assets	<u>12,244,922</u>	<u>11,672,553</u>
Total assets	<u><u>24,676,604</u></u>	<u><u>24,462,216</u></u>

Segment liabilities

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Textile products	1,707,316	2,040,471
Electricity and steam	<u>213,408</u>	<u>235,128</u>
Total segment liabilities	1,920,724	2,275,599
Corporate and other liabilities	<u>3,692,239</u>	<u>3,634,096</u>
Total liabilities	<u><u>5,612,963</u></u>	<u><u>5,909,695</u></u>

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2021

4. SEGMENT INFORMATION *(continued)*

Segment liabilities *(continued)*

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

- All assets are allocated to operating segments 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 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 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.

5. OTHER INCOME

	For the six months ended	
	30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income from bank deposits	35,190	15,356
Release of deferred income	7,286	8,284
Government grants <i>(note)</i>	8,346	20,611
Compensation from suppliers on the supply of sub-standard goods	5,247	8,690
Gross rental income	6,721	599
Exchange gain, net	–	12,133
Gain on sale of waste and spare parts	75,495	55,363
Gain on disposal of property, plant and equipment	33,346	1,684
Gain on disposal of non-current assets classified as held for sale	1,878	5,969
Reversal of impairment loss on trade and other receivables	–	39
Others	538	63
	174,047	128,791

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 period as the Group fulfilled the relevant granting criteria.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2021

6. FINANCE COSTS

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on:		
– bank loans	55,832	54,829
– lease liabilities	1,773	2,090
	<u>57,605</u>	<u>56,919</u>

7. INCOME TAX EXPENSES

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprises Income Tax (“EIT”)	73,179	120,051
Deferred tax	(24,028)	4,491
	<u>49,151</u>	<u>124,542</u>

Notes:

- (a) Pursuant to the relevant laws and regulations in the PRC, the Company gained the recognition of High and New Technology Enterprise in August 2020, it is entitled to the preferential tax rate of 15% from 2020 to 2022.
- (b) No Hong Kong Profits Tax has been provided as the Group did not have any assessable profits subject to Hong Kong Profits Tax for both periods.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2021

8. PROFIT FOR THE PERIOD

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	367,946	438,234
Depreciation of right-of-use assets	11,931	12,077
Depreciation of investment properties	1,296	368
Amortisation of other intangible assets	8	8
Impairment loss on property, plant and equipment (included in other expenses)	98,153	—
Impairment loss (reversal of impairment loss) on trade and other receivables	836	(39)
Reversal of impairment loss on inventories	(1,383)	(4,944)
Allowance for inventories (included in cost of sales)	95,447	94,731
Amount of inventories recognised as an expense	6,524,353	4,929,948
Research and development cost	270,022	43,482

9. DIVIDEND

The proposed final dividend of RMB72,858,000 for the year ended 31 December 2020 was approved by the shareholders of the Company on 28 May 2021.

No dividend was proposed during the six months ended 30 June 2021, nor has any dividend been proposed since the end of the interim period (six months ended 30 June 2020: nil).

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2021

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 data:

	For the six months ended	
	30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>583,056</u>	<u>154,918</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>

Note: The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding for both periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group spent approximately RMB44,208,000 (six months ended 30 June 2020: approximately RMB21,141,000) on acquisition of property, plant and equipment.

During the six months ended 30 June 2021, the Group has disposed of certain property, plant and equipment with an aggregate carrying values of approximately RMB27,569,000 (six months ended 30 June 2020: approximately RMB20,215,000) for cash proceeds of approximately RMB60,915,000 (six months ended 30 June 2020: RMB21,892,000), resulting in a gain on disposal of approximately RMB33,346,000 (six months ended 30 June 2020: RMB1,684,000).

During the six months ended 30 June 2021, there is no written off of property, plant and equipment while the Group had written off certain property, plant and equipment and recognised a loss on written off of property, plant and equipment of approximately RMB7,000 during the six months ended 30 June 2020 and included in administrative expenses.

During the six months ended 30 June 2021, the Group has impaired certain idle property, plant and equipment. With reference to the quoted prices after considering the conditions of these assets, impairment loss of approximately RMB98,153,000 (six months ended 30 June 2020: nil) was charged to profit or loss for the period and reclassified under non-current assets classified as held for sale.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2021

11. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Non-current assets classified as held for sale

At 30 June 2021 and 31 December 2020, the non-current assets classified as held for sale were certain items of property and machinery that would be recovered principally through sale.

During the six months ended 30 June 2021, the non-current assets held for sales were sold for cash proceeds of approximately RMB3,171,000 (six months ended 30 June 2020: RMB7,240,000), resulting a gain on disposal of approximately RMB1,878,000 (six months ended 30 June 2020: RMB5,969,000).

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Land	367,389	378,410
Buildings	<u>3,067</u>	<u>3,977</u>
	<u>370,456</u>	<u>382,387</u>

Right-of-use assets of approximately RMB367,389,000 (2020: RMB378,410,000) represents land use rights located in the PRC.

The Group has lease arrangements for buildings and premises. The lease terms are generally ranged from 1 to 20 years.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2021

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(continued)*

(ii) Lease liabilities

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Non-current	41,391	48,415
Current	<u>14,205</u>	<u>14,178</u>
	<u>55,596</u>	<u>62,593</u>
Amounts payable under lease liabilities		
Within one year	14,205	14,178
After one year but within two years	13,302	13,743
After two years but within five years	26,678	28,310
After five years	<u>1,411</u>	<u>6,362</u>
	55,596	62,593
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(14,205)</u>	<u>(14,178)</u>
Amount due for settlement after 12 months	<u>41,391</u>	<u>48,415</u>

(iii) Amount recognised in profit or loss

	For the six months ended 30 June 2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Depreciation of right-of-use assets	11,931	12,077
Interest expense on lease liabilities	<u>1,773</u>	<u>2,090</u>

(iv) Others

During the six months ended 30 June 2021, the total cash outflow for lease amount to approximately RMB8,770,000 (six months ended 30 June 2020: RMB8,771,000).

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2021

13. INVENTORIES

As 30 June 2021, the carrying amounts of the Group's inventories were net of impairment provisions of approximately RMB130,631,000 (31 December 2020: RMB134,570,000).

During the six months ended 30 June 2021, an allowance for inventories of approximately RMB95,447,000 (six months ended 30 June 2020: RMB94,731,000) has been recognised and included in cost of sales.

During the six months ended 30 June 2021, there was an decrease in allowance of approximately RMB98,003,000 (six months ended 30 June 2020: RMB98,236,000) for inventories due to elimination of allowances upon the subsequent sales of inventories during the current period.

During the six months ended 30 June 2021, there was an increase in the net realised value of semi-finished goods and finished goods due to market condition. As a result, a reversal of write-down of semi-finished goods and finished goods of approximately RMB1,383,000 (six months ended 30 June 2020: RMB4,944,000) has been recognised and included in cost of sales in the current period.

14. TRADE RECEIVABLES

Included in trade receivables are debtors and bills receivables (net of loss allowance) with the following ageing analysis presented based on invoice date, which approximates the respective revenue recognition dates:

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Within 90 days	504,996	350,636
91 to 180 days	7,661	1,392
181 to 365 days	68	290
Over 365 days	82	335
Total	<u>512,807</u>	<u>352,653</u>

The Group allows an average credit period of 45 days to its trade customers.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2021

14. TRADE RECEIVABLES *(continued)*

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

	Gross carrying amount <i>RMB'000</i> (Unaudited)	Loss allowance <i>RMB'000</i> (Unaudited)	Net carrying amount <i>RMB'000</i> (Unaudited)
As at 30 June 2021			
Within 3 months	505,857	(861)	504,996
3 months to 1 year	7,796	(67)	7,729
1 to 2 years	10	–	10
Over 2 years	4,446	(4,374)	72
	<u>518,109</u>	<u>(5,302)</u>	<u>512,807</u>
	Gross carrying amount <i>RMB'000</i> (Audited)	Loss allowance <i>RMB'000</i> (Audited)	Net carrying amount <i>RMB'000</i> (Audited)
As at 31 December 2020			
Within 3 months	351,233	(597)	350,636
3 months to 1 year	1,697	(15)	1,682
1 to 2 years	343	(8)	335
Over 2 years	4,120	(4,120)	–
	<u>357,393</u>	<u>(4,740)</u>	<u>352,653</u>

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2021

14. TRADE RECEIVABLES *(continued)*

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
At the beginning of the period/year	4,740	4,611
Loss allowance recognised in profit or loss during the period/year	<u>562</u>	<u>129</u>
At the end of the period/year	<u>5,302</u>	<u>4,740</u>

15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Prepayments to suppliers	90,661	60,086
Other taxes recoverable	128,727	151,613
Interest receivables	10	789
Deposits and other receivables	<u>3,465</u>	<u>6,775</u>
	222,863	219,263
Less: loss allowance of other receivables	<u>(654)</u>	<u>(380)</u>
	<u>222,209</u>	<u>218,883</u>

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2021

15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
At the beginning of the period/year	380	291
Loss allowance recognised in profit or loss during the period/year	<u>274</u>	<u>89</u>
At the end of the period/year	<u>654</u>	<u>380</u>

16. TRADE PAYABLES

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

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Within 90 days	617,621	893,929
91 to 180 days	16,423	8,836
181 to 365 days	33,982	32,949
Over 365 days	<u>49,080</u>	<u>115,293</u>
Total	<u>717,106</u>	<u>1,051,007</u>

The average credit period granted is 30 to 60 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2021

17. OTHER PAYABLES AND ACCRUALS

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Payroll payable	332,653	391,122
Accrued staff benefits	455,601	404,126
Other taxes payable	153,074	159,316
Accrued distribution expenses	19,459	26,220
Deposit received	92,935	59,556
Interest payable	3,119	3,418
Other payables	43,189	38,828
	<u>1,100,030</u>	<u>1,082,586</u>

18. BANK BORROWINGS

Set out below is the information relating to the Group's interest-bearing bank borrowings as at 30 June 2021:

- a) As at 30 June 2021 and 31 December 2020, all Group's bank borrowings are denominated in RMB.
- b) As at 30 June 2021, certain of the Group's bank borrowings amounting to approximately RMB642,000,000 (31 December 2020: RMB505,000,000) were secured by certain of the Group's property, plant and equipment and right-of-use assets of an aggregate carrying value of approximately RMB294,970,000 and RMB53,703,000 respectively (31 December 2020: RMB181,624,000 and RMB54,516,000 respectively).
- c) As at 30 June 2021, bank borrowings with aggregate principal amount of RMB1,595,000,000 (31 December 2020: nil) are guaranteed by the Holding Company.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2021

19. SHARE CAPITAL

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Registered, issued and fully paid:		
780,770,000 domestic ordinary shares of RMB1.00 each	780,770	780,770
413,619,000 H shares of RMB1.00 each	<u>413,619</u>	<u>413,619</u>
	<u>1,194,389</u>	<u>1,194,389</u>

20. CAPITAL COMMITMENTS

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Capital expenditure in respect of the acquisition of machinery contracted for but not provided in the condensed consolidated financial statements	<u>4,783</u>	<u>18,065</u>

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2021

21. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Save as disclosed elsewhere in the condensed consolidated financial statements, during the period, the Group entered into transactions with related parties as follows:

Related parties	Nature of transaction	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
The Holding Company	Sales of electricity	764,447	759,779
	Lease and interest payment	9,119	8,663
	Purchases of water	5,287	5,006
Fellow subsidiaries	Sales of textile products	241,493	134,225
	Gross rental income	367	584
	Processing of textile products	483	–
濱州市宏諾新材料有限公司 Binzhou City Hongnuo New Material Co., Limited* and its subsidiary	Purchases of steam	–	5,212
濱州綠動熱電有限公司 Binzhou Lvdong Tharmed Power Co., Ltd*	Purchases of steam	6,321	–
鄒平縣宏利熱電有限公司 Zouping County Hongli Thermal Power Co., Ltd*	Purchases of steam	1,531	1,771
		<hr/>	<hr/>

* For identification purpose only

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2021

21. RELATED PARTY TRANSACTIONS *(continued)*

(b) Commitments with related parties

At the end of the reporting period, in addition to the lease agreements in note 21(a), the Group entered into sales agreements with certain fellow subsidiaries for sale commitments which are expected to be fulfilled before the end of 2021.

(c) Compensation to key management personnel

The remuneration of directors of the Company and other members of key management during the period was as follow:

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Short-term benefits	2,354	2,469
Post-employment benefits	59	49
	<hr/>	<hr/>
	2,413	2,518
	<hr/>	<hr/>