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

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2019
INTERIM REPORT

Contents

Summary

Interim results for the six months ended 30 June 2019

- Revenue was approximately RMB7,784 million, representing a decrease of approximately 7.4% from the corresponding period of last year.
- Net profit attributable to owners of the Company was approximately RMB206 million, representing a decrease of approximately 32.0% from the corresponding period of last year.
- Earnings per share were approximately RMB0.17 (same period last year: approximately RMB0.25).

Corporate Information

EXECUTIVE DIRECTORS

Zhang Hongxia *(Chairman)*
Zhang Yanhong *(Vice Chairman)*
Zhao Suwen *(Chief Financial Officer, Authorized Representative)*
Zhang Jinglei *(Company Secretary, Authorized Representative)*

NON-EXECUTIVE DIRECTOR

Zhao Suhua

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Wing Yau, George
Chen Shuwen
Liu Yanzhao

SUPERVISORS

Wang Xiaoyun
Fan Xuelian
Bu Xiaoxia

COMPANY SECRETARY

Zhang Jinglei

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Liu Yanzhao *(Chairman)*
Zhang Hongxia
Chen Shuwen

NOMINATION COMMITTEE

Zhang Hongxia *(Chairman)*
Chen Shuwen
Liu Yanzhao

AUTHORIZED REPRESENTATIVES

Zhao Suwen
Zhang Jinglei

PLACE OF BUSINESS IN HONG KONG

Suite 5109
The Center, 99th Queen's Road Central
Central, Hong Kong

LEGAL ADDRESS IN THE PRC

No. 34, Qidong Road
Weiqiao Town
Zouping City
Shandong Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1, Weifang Road
Zouping Economic Development Zone
Zouping City
Shandong Province
The PRC

INTERNATIONAL AUDITOR

SHINEWING (HK) CPA Limited

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

Corporate Information

COMPANY WEBSITE

www.wqfz.com

STOCK CODE

2698

INVESTOR RELATIONS

Ms. Xu Hang
Tel: (852) 2815 1090
Fax: (852) 2815 0089
Email: Rebecca@wqfz.com

IR & PR CONSULTANT

Christensen China Limited
Tel: (852) 2117 0861
Fax: (852) 2117 0869
Email: weiqiao@ChristensenIR.com

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 2019 (the "Period" or "Period under Review").

During the Period under Review, as affected by several adverse factors such as changes in the international trading environment and geopolitical risks, the global economy experienced sluggish growth with weakened market demands and slowdown in the growth of trade volume. Faced with complicated and volatile international conditions, the PRC economy continued to undergo structural optimization. Despite a slow growth, the PRC economy maintained its operation within an appropriate range in general, continuing the relatively stable and progressive development trend.

In the face of adjustments and changes from the macro economy and the industry, the Group actively responded to the policies. In principle of enhancing industrial upgrade and achieving high-quality development, the Group continued to make efforts in management innovation, product research and development as well as productivity improvement, to maintain its leading competitiveness in the industry. During the Period under Review, being affected by the uncertain external trading environment and the weakened domestic demands, the gross profit of the Group's textile products significantly decreased while the electricity business maintained stable operation. During the Period, the Group recorded revenue of approximately RMB7,784 million, representing a decrease of approximately 7.4% as compared with the corresponding period of 2018. Net profit attributable to owners of the Company was approximately RMB206 million, representing a decrease of approximately 32.0% as compared with the corresponding period of 2018. Earnings per share were approximately RMB0.17.

In terms of the textile business, the Group continued to enhance internal management, optimize product portfolio and improve its intelligent operation. In July 2019, Weiqiao Textile was included into the list of "Quality Benchmarking Enterprises in Shandong Province (山東省質量標桿)" of 2019 for its management experience in implementing intelligent process management and control and building a premium textile brand. In order to further improve the production efficiency, the Group invested to build an automatic and intelligent production line, which is scheduled to commence production in October 2019, thus achieving the integration of yarn spinning and weaving as well as the intelligent control over the whole production process. The Group continued to focus on the research and development of new products. Through cooperation with China Textiles Development Centre (國家紡織產品開發中心) and Qingdao University and independent research and development, the Group developed a series of new environmentally-friendly products, including seaweed fiber textiles (海藻纖維紡織品), segment-color and segment-elastic fiber yarns (段彩段彈紗), hollow cotton yarn (中空棉紗) and graphene functional textiles (石墨烯功能紡織品), etc.

In terms of the electricity and steam business, the Group continuously improved management efficiency and reduced relevant wastage by adopting refined and modular management. In the first half of 2019, the coal price also decreased, which, to a certain extent, reduced the costs of the Group's electricity business.

Chairman's Statement

Looking forward to the second half of 2019, despite that the Group will still face the impacts brought by several factors such as poor performance of the global economic growth, intensified trade friction, weakened consumer spending and rising labor costs, its textile business and electricity and steam business are expected to maintain overall stable operation.

The Group will keep a close watch on developments in the domestic and international arena and the industry. Adhering to its strategy of placing equal emphasis on domestic sales and overseas exports, the Group will make timely adjustment to its operation and sales strategies. The Group will stick to the path of developing middle-to-high-end products, and will continue to improve product quality and expand its product portfolio. Furthermore, the Group will continue to fulfill its social responsibilities such as energy saving and environmental protection with high standards and strict requirements, in pursuit of an energy-effective growth with low investment, low energy consumption, low emission and high efficiency, laying a solid foundation for the sustainable and healthy development of the Group. At the same time, the Group will continue to optimize the productivity and operation of its power plants, with an aim to improve its overall profitability.

The management of Weiqiao Textile and I would like to express our gratitude to the shareholders for their unwavering support towards the Group. We believe that the critical position of the textile industry in the national economy as a traditional pillar and consumer necessities industry will remain unchanged. Weiqiao Textile will continue to integrate internal and external resources to enhance its competitive edge in domestic and overseas markets, while proactively exploring new markets, so as to create new growth drivers for the Group. While continuous efforts will be made to increase its intrinsic value and create maximum returns for its shareholders, the Group is committed to contributing to the sustainable development of society.

Zhang Hongxia
Chairman

Shandong, the PRC
16 August 2019

Management Discussion and Analysis

INDUSTRY REVIEW

In the first half of 2019, the global economy witnessed slowdown in growth as a result of the negative impact from trade friction and escalation of geopolitical tensions. China's macro-economic indicators were maintained within an appropriate range, and the economic structure was continuously optimized. Under such complicated and changing business environment, and despite a fall in the business sentiment indicator, the Chinese textile industry was able to seek opportunities amid crises and maintained an overall stable operation.

In the first half of 2019, the Chinese textile industry continued to push forward the supply-side structural reform and accelerate the business transformation and upgrade, maintaining an overall stable development momentum despite increasing pressure from both the domestic and overseas markets. In terms of foreign demand, exports of China's textile products and apparel were under certain pressure. According to statistics from the General Administration of Customs of the PRC, China's total exports of textile products and apparel were approximately US$124.3 billion in the Period, representing a year-on-year decrease of approximately 2.6%. The domestic demand potential continued to be released, with slowdown in growth rate. According to the statistics from the National Bureau of Statistics of the PRC, the total retail sales of consumer goods of the country was approximately RMB19,521.0 billion during the first half of 2019, representing a year-on-year growth of approximately 8.4%, where the retail sales of apparel, footwear, headwear and knitwear by companies above a designated size in China (with annual revenue of over RMB20 million) amounted to approximately RMB656.0 billion, representing a slight year-on-year growth of approximately 3.0%, which was approximately 6.2 percentage points lower than that of the corresponding period of previous year.

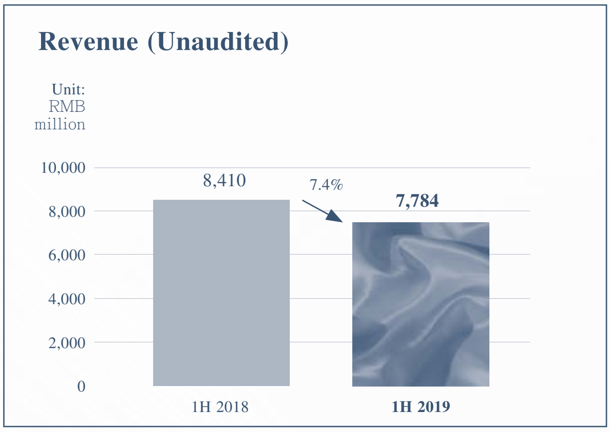
In terms of textile raw materials, the cotton market remained weak with persistently low cotton price in the first half of 2019. Affected by the uncertainty surrounding the China-US trade negotiations, we witnessed an overall pessimistic market sentiment, and orders for the downstream textile and apparel business decreased significantly, leading to the overall oversupply of cotton.

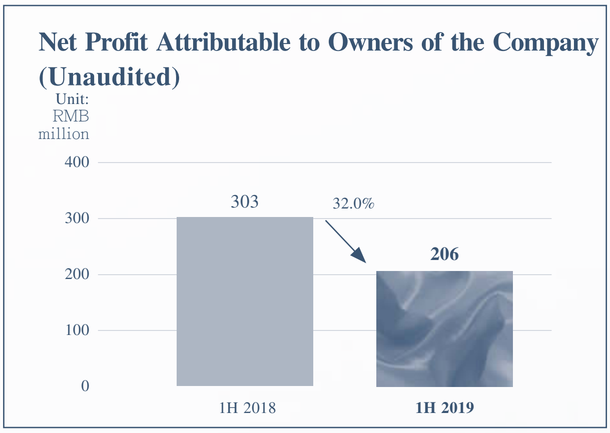
In terms of raw materials for electricity, the coal price showed a decrease trend after mid March 2019 due to gradual improvement in the supply-demand conditions as a result of increase in domestic thermal coal supply and periodic recovery in thermal coal import.

Management Discussion and Analysis

BUSINESS REVIEW

For the six months ended 30 June 2019 and the corresponding period of 2018, the Group's unaudited revenue and the net profit attributable to owners of the Company, together with the comparative figures are as follows:



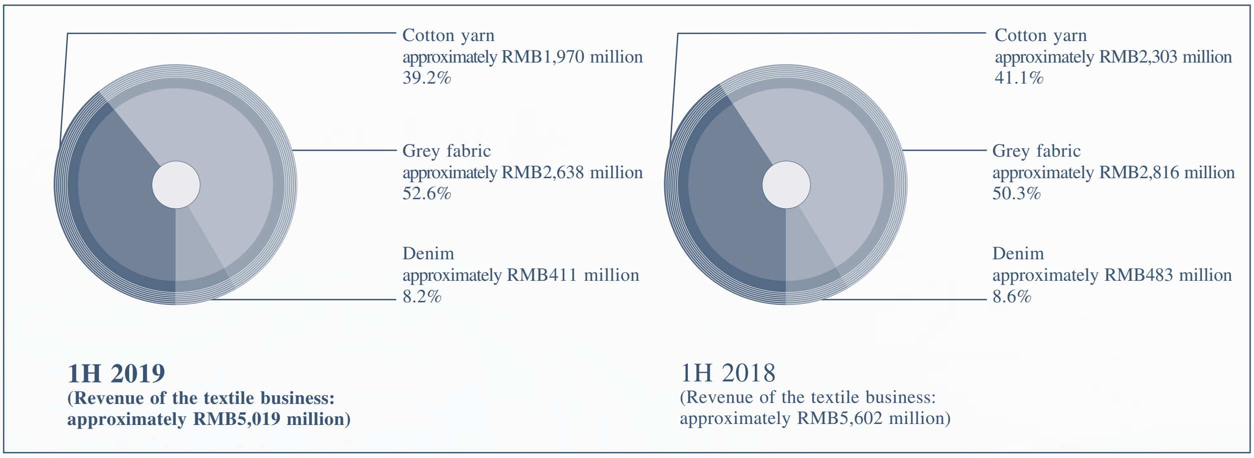


For the six months ended 30 June 2019, the Group recorded revenue of approximately RMB7,784 million, representing a decrease of approximately 7.4% as compared with the corresponding period of 2018, where the revenue of textile products was approximately RMB5,019 million, representing a decrease of approximately 10.4% over the corresponding period of last year, which was mainly due to the reason that the global economy experienced sluggish growth with weakened market demands due to the effect of several adverse factors such as the trade friction, resulting in a decrease in the revenue generated from the three textile products of the Group. The revenue of electricity and steam was approximately RMB2,765 million, representing a decrease of approximately 1.5% over the corresponding period of last year, which was mainly due to the downward adjustment to the electricity price under the Group's existing price adjustment mechanism for sale of electricity caused by the decrease in coal price during the Period while the electricity sales remained stable. The net profit attributable to owners of the Company was approximately RMB206 million, representing a decrease of approximately 32.0% as compared with approximately RMB303 million recorded for the corresponding period of last year, which was mainly due to the decrease in the selling price of the Group's textile products as a result of sluggish demands for the textile products, resulting in a significant decrease in the gross profit of the textile products.

Management Discussion and Analysis

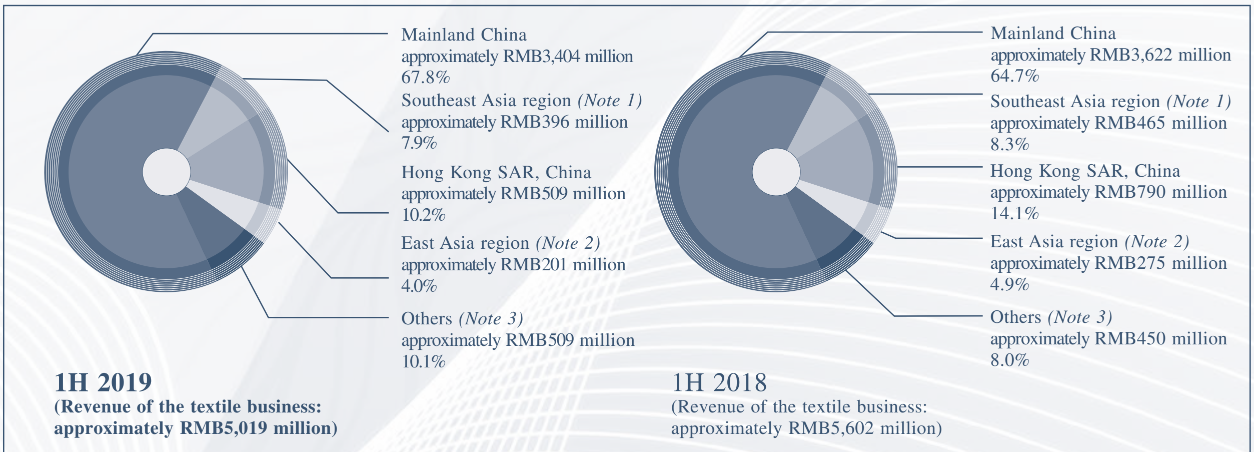
Textile Business

The charts below are the comparison of the breakdown of revenue of the textile business by products for the six months ended 30 June 2019 and the corresponding period of 2018, respectively:



For the six months ended 30 June 2019, revenue of the Group's cotton yarn recorded a decrease over the corresponding period of last year, which was mainly due to the sluggish demand for textile products as being affected by several adverse factors such as the trade friction, resulting in a year-on-year decrease in the sales amount of the Group's cotton yarn. The revenue of grey fabric and denim recorded a decrease over the corresponding period of last year, which was mainly attributable to the year-on-year decrease in the selling price during the Period due to the weakened market demands.

The following charts show the geographic breakdown of revenue of the textile business for the six months ended 30 June 2019 and the corresponding period of 2018, respectively:



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

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

Note 3: Others mainly include the United States, Europe, Africa and Taiwan, China.

Management Discussion and Analysis

For the six months ended 30 June 2019, revenue generated from overseas and domestic markets accounted for approximately 32.2% and approximately 67.8% of the Group's total revenue respectively. The proportion of overseas and domestic sales remained substantially unchanged from that of the corresponding period of last year.

During the Period under Review, the Group adjusted the production plans timely based on market demands. The output of the Group's cotton yarn was approximately 198,000 tons, representing a decrease of approximately 4.8% as compared with the corresponding period of last year; the output of grey fabric was approximately 403 million meters, representing a decrease of approximately 7.4% as compared with the corresponding period of last year; the output of denim was approximately 31 million meters, representing a decrease of approximately 11.4% as compared with the corresponding period of last year.

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

Electricity and Steam Business

As at 30 June 2019, the installed capacity of the Group's thermal power assets amounted to 2,760 MW, which was the same as that as at 31 December 2018. In the first half of 2019, the power generation amount of the Group was approximately 8,789 million kWh, which was basically the same with that of the corresponding period of last year and the volume of electricity sold amounted to approximately 7,647 million kWh, which was basically comparable with that of the corresponding period of last year.

During the Period under Review, the average utilization hours of the power generating units of the Group amounted to approximately 3,184 hours, which was basically comparable with approximately 3,217 hours as recorded for the corresponding period of last year.

For the first half of 2019, the revenue of the Group's sales of electricity and steam amounted to approximately RMB2,765 million, representing a decrease of approximately 1.5% as compared with the corresponding period of last year; the gross profit thereof was approximately RMB702 million, representing an increase of approximately 3.8% as compared to the corresponding period of last year. The slight decrease in revenue from sales of electricity as compared with the corresponding period of last year was mainly attributable to the downward adjustment to the selling price under the Group's existing price adjustment mechanism for sale of electricity as a result of the decrease in the coal price during the Period.

The Group has fully implemented the ultra-low emission by installing 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.

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 2019 and the corresponding period in 2018, respectively:

	For the six months ended 30 June			
	2019		2018	
Product categories	**Gross profit**	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Cotton yarn	**27,918**	**1.4**	65,891	2.9
Grey fabric	**(156,825)**	**(5.9)**	81,990	2.9
Denim	**34,584**	**8.4**	54,398	11.3
Electricity and steam	**702,478**	**25.4**	675,713	24.1
Total	**608,155**	**7.8**	877,992	10.4

For the six months ended 30 June 2019, the gross profit from the sales of textile products of the Group decreased from the corresponding period of last year to approximately RMB-94 million. The gross profit margin was approximately -1.9%, representing a decrease of approximately 5.5 percentage points over the corresponding period of last year, which was mainly due to the reason that on the one hand, the global economy experienced sluggish growth with weakened market consumption due to the effect of several adverse factors such as the emerging trade protectionism, which resulted in a decrease in the Group's revenue of textile products and a decrease in the selling price of grey fabric and denim, generating a lower gross profit margin; on the other hand, staff costs recorded an increase as the Group continued to improve employee benefits by offering salary raise, with an aim to retain existing employees. The gross profit from the sales of electricity and steam increased by approximately 3.8% from the corresponding period of last year to approximately RMB702 million, and the gross profit margin was approximately 25.4%, up by approximately 1.3 percentage points from that of the same period of last year, which was primarily due to the decrease in the coal price during the Period.

Management Discussion and Analysis

Selling and Distribution Expenses

For the six months ended 30 June 2019, the Group's selling and distribution expenses were approximately RMB68 million, representing a decrease of approximately 26.1% as compared with approximately RMB92 million as recorded in the corresponding period of last year. Among these expenses, transportation costs decreased by approximately 32.1% to approximately RMB38 million from approximately RMB56 million for the same period of last year, which was mainly attributable to the decrease in the fees for transportation due to the decrease in domestic sales of the Group's textile products and the increase in the proportion of self-delivery by the customers during the Period. Salary of the sales staff was approximately RMB17 million, representing a decrease of approximately 29.2% from approximately RMB24 million for the corresponding period of last year, which was mainly attributable to the decrease in commission as a result of the decrease in the salesmen's commission ratio under the Group's existing sales mechanism due to the decrease in the sales amount of textile products. Sales commission was approximately RMB7 million, representing a decrease of approximately 12.5% from approximately RMB8 million for the corresponding period of last year, which was mainly due to the decrease in the revenue of overseas sales, resulting in a decrease in commissions paid accordingly.

Administrative Expenses

For the six months ended 30 June 2019, the administrative expenses of the Group were approximately RMB134 million, representing an increase of approximately 12.6% from approximately RMB119 million for the corresponding period of last year. The increase was primarily attributable to the increase in the salary and welfare of the administrative staff as the Group offered employees with salary raise during the Period.

Finance Costs

For the six months ended 30 June 2019, the finance costs of the Group were approximately RMB75 million, representing a decrease of approximately 65.8% from approximately RMB219 million for the corresponding period of last year, primarily due to the further decrease in the level of liabilities, optimization of the debt structure and the repayment of a portion of the interest-bearing bank loans and corporate bonds by the Group as well as the decrease in average interest rate during the Period. The Group will continue to keep an appropriate liability level and further optimize its debt structure according to the market conditions, so as to ensure stable production and operation.

Taxation

The tax of the Group decreased from approximately RMB192 million for the first half of 2018 to approximately RMB188 million for the first half of 2019, representing a decrease of approximately 2.1%, which was mainly attributable to the decrease in the Group's profit before tax for the Period.

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

Net profit attributable to owners of the Company was approximately RMB206 million for the six months ended 30 June 2019, representing a decrease of approximately 32.0% from approximately RMB303 million for the corresponding period of last year.

For the six months ended 30 June 2019, basic earnings per share of the Company were RMB0.17.

Management Discussion and Analysis

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 2019, the Group recorded a net cash inflow from operating activities of approximately RMB793 million, a net cash outflow from investing activities of approximately RMB273 million and a net cash outflow from financing activities of approximately RMB162 million.

As of 30 June 2019, cash and cash equivalents of the Group were approximately RMB9,955 million, representing an increase of approximately 3.7% from approximately RMB9,597 million as of 31 December 2018, mainly attributable to net cash inflow generated from operating activities of the Group during the Period. The Group will continue to take effective measures to ensure adequate liquidity and financial resources to satisfy its business needs so as to maintain a sound and stable financial position.

For the six months ended 30 June 2019, the average turnover days of the Group's receivables were 10 days, which was in line with that of the corresponding period of last year.

For the six months ended 30 June 2019, the inventory turnover days of the Group were 80 days, representing an increase of 19 days from 61 days for the same period of 2018, mainly attributable to the decrease in the sales of textile products due to the effect of several adverse factors such as the emerging trade protectionism during the Period.

For the six months ended 30 June 2019, the Group did not use financial derivative instruments and the Group also did not use financial instruments for the corresponding period of last year.

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. The Group continued to maintain an appropriate mix of equity and debt to ensure an efficient capital structure in order to reduce capital cost.

As at 30 June 2019, the debts of the Group were mainly bank loans totaling of approximately RMB2,015 million (31 December 2018: approximately RMB1,925 million) and corporate bonds amounting to approximately RMB963 million (31 December 2018: approximately RMB963 million). As at 30 June 2019, the Group's gearing ratio (net debt (after deducting interest-bearing bank and other borrowings of cash and cash equivalents) divided by total equity) was approximately -37.9% (31 December 2018: approximately -36.4%).

Details of the outstanding bank loans as at 30 June 2019 are set out in Note 19 to the unaudited interim condensed consolidated financial statements. The Group manages its interest expenses through a fixed rate and floating rate liabilities portfolio. As at 30 June 2019, approximately 82.6% of the Group's bank loans were subject to fixed interest rates while the remaining of approximately 17.4% were subject to floating interest rates.

As at 30 June 2019, the Group's loans 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 2.4% of the total amount.

Management Discussion and Analysis

Employees and Remuneration Policies

As at 30 June 2019, the Group had a total of approximately 52,000 employees, representing a decrease of approximately 2,000 employees as compared with that of the corresponding period of last year. Decrease in the number of the staff was mainly normal employee turnover during the Period. Total staff costs of the Group during the Period amounted to approximately RMB1,624 million, representing an increase of approximately 2.8% from approximately RMB1,580 million as recorded for the corresponding period of last year, which was mainly attributable to the increase in staff salaries by the Group during the Period.

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 remuneration policies and packages. In addition, the management also grants bonuses and rewards to the employees based on their performance to encourage and motivate them to engage in technological innovation and technique improvement. The Group also provides relevant trainings, such as safety trainings and skills trainings, to the employees based on the technical requirements of different positions.

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 settled in US dollars, and a portion of bank deposits are denominated in US dollars. For the six months ended 30 June 2019, approximately 32.2% of the Group's revenue and approximately 29.6% of the costs of the procurement of cotton were denominated in US dollars. For the six months ended 30 June 2019, the Group recorded the exchange gain of approximately RMB3 million due to the depreciation 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 2019, the Company did not have any material acquisition or disposal of subsidiaries, associates and joint ventures.

Significant Investments Held

During the six months ended 30 June 2019, 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 2019 and as of the date of this interim report, there was no plan authorized by the Group for any material investments or capital assets.

Management Discussion and Analysis

Pledged Assets

Details of pledged assets of the Group are set out in Note 19 to the unaudited interim condensed consolidated financial statements.

Capital Commitments

Details of capital commitments of the Group are set out in Note 21 to the unaudited interim condensed consolidated financial statements.

Contingent Liabilities

As at 30 June 2019, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2019, no significant event has taken place in the Group.

OUTLOOK

Looking forward to the second half of 2019, China's economic growth will remain stable with increasing contribution from consumption despite persistently negative impact brought by international trade friction. Driven by domestic consumption and industrial transformation, the textile industry is expected to maintain stable performance. Given a wide range of lingering operational pressures such as rising labor costs and insufficient demand, it has become a trend for the industry to accelerate high-quality development and realize intelligent manufacturing in all aspects.

In the face of increasingly complicated international and domestic market environment, and in active response to the government policy, the Group will step up efforts to promote industrial upgrading and innovation, so as to achieve high-quality growth. On the production front, the Group will continue to accelerate the application of automatic and intelligent production lines, with an aim to relieve heavy workload, reduce labor costs and improve product quality. On the product front, the Group will increase the proportion of mid-to-high-end products based on market demands, and give full play to its advantages in research and development covering the whole industry chain, optimize its product mix based on the target market positioning, and develop new technologies and new products catering to market demands and development trends. On the sales front, while continuing to consolidate its existing market shares in both the domestic and overseas markets, the Group will make greater efforts to explore new markets and adhere to the strategy of placing equal emphasis on domestic sales and overseas exports, with an aim to steadily expand its market share.

Supplementary Information

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, so far as known to any Directors, supervisors and chief executives of the Company, the following persons (other than a Director, supervisor and 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 (the "SFO") or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Interests in the domestic shares of the Company:

Name of shareholders	**Number of domestic shares** *(Note 1)*	**Approximate percentage of total issued domestic share capital as at 30 June 2019** (%)	**Approximate percentage of total issued share capital as at 30 June 2019** (%)
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) *(Note 2)*	97.07	63.45

Interests in the H shares of the Company:

Name of shareholders	**Type of interest**	**Number of H shares** *(Note 3)*	**Approximate percentage of total issued H share capital as at 30 June 2019** (%)	**Approximate percentage of total issued share capital as at 30 June 2019** (%)
Brandes Investment Partners, L.P.	Investment manager	57,891,102 (Long position) *(Note 4)*	13.99	4.85
Mellon Financial Corporation	Interest of a controlled corporation	41,073,100 (Long position) *(Note 5)*	9.93	3.44

Supplementary Information

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 interest published on the website of the Stock Exchange by Brandes Investment Partners, L.P., these 57,891,102 H shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.

Note 5: According to the disclosure of interest 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, so far as known to the Directors, supervisors and chief executives of the Company, as at 30 June 2019, there was no other person (other than a Director, supervisor and 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 provision of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2019, the interests of the Directors, supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company and 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 deemed or taken to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed 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:

Name of shareholder	Type of interest	Number of domestic shares *(Note 1)*	Approximate percentage of total issued domestic share capital as at 30 June 2019 (%)	Approximate percentage of total issued share capital as at 30 June 2019 (%)
Zhang Hongxia *(Executive Director/ Chairman)*	Beneficial interests	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 2019 (%)
Zhang Hongxia *(Executive Director)*	Holding Company	Beneficial interests and spouse interests *(Note 1)*	9.73 *(Note 1)*
Zhang Yanhong *(Executive Director)*	Holding Company	Beneficial interests	5.63
Zhao Suwen *(Executive Director)*	Holding Company	Beneficial interests	0.38
Zhao Suhua *(Non-executive Director)*	Holding Company	Spouse interests *(Note 2)*	4.93 *(Note 2)*

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

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

Save as disclosed above, as at 30 June 2019, none of the Directors, supervisors and chief executives of the Company and their respective associates had any interest or short position 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 was 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 deemed or taken to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

Supplementary Information

INTERIM DIVIDEND

The Board did not recommend any payment of the interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

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 purpose of reviewing and supervising the Group's financial reporting process. The Audit Committee is comprised of three independent non-executive Directors. An audit committee meeting was convened on 16 August 2019 to review the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2019 and give opinions and recommendations to the Board. The Audit Committee also engaged an external auditor to review the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2019.

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 15 March 2019, at which the resolution with regard to Directors' payroll and bonus as well as supervisors' remuneration for the year of 2019 was passed.

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 EXECUTIVES

On 23 May 2019, Mr. Zhang Shiping, a non-executive Director, passed away and ceased to be a non-executive Director.

Save as disclosed above, during the six months ended 30 June 2019, there was no other change in the Directors, supervisors and chief executives of the Company, and the Company is not aware of any change in the information of the Directors, supervisors and chief executives of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Supplementary Information

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions and, where applicable, adopted the recommended best practices as set out in the CG Code throughout the six-month period ended 30 June 2019.

SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code for securities transactions on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules. Following specific enquiry made with the Directors, the Company has confirmed that each of the Directors complied with the Model Code during the six months ended 30 June 2019.

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 2019 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 2019.

Independent Review Report

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRCETORS 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 22 to 46 which comprise the condensed consolidated statement of financial position as at 30 June 2019, and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated 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 interim 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.

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 interim 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
16 August 2019

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	*4*	**7,783,952**	8,410,118
Cost of sales		**(7,175,797)**	(7,532,126)
Gross profit		**608,155**	877,992
Other income	*6*	**73,122**	67,522
Selling and distribution expenses		**(68,391)**	(92,167)
Administrative expenses		**(134,236)**	(119,337)
Other expenses		**(10,887)**	(21,236)
Finance costs	*7*	**(75,006)**	(219,083)
Share of profit of an associate		**656**	489
Profit before taxation		**393,413**	494,180
Income tax expenses	*8*	**(188,085)**	(191,892)
Profit and total comprehensive income for the period	*9*	**205,328**	302,288
Attributable to:			
Owners of the Company		**206,330**	302,524
Non-controlling interests		**(1,002)**	(236)
		205,328	302,288
Earnings per share attributable to the Owners of the Company			
Basic and diluted (RMB)	*11*	**0.17**	0.25

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*12*	**10,407,555**	10,895,451
Right-of-use assets	*13*	**417,284**	–
Investment properties		**21,153**	21,522
Prepaid lease payments		**–**	330,652
Other intangible assets		**83**	91
Investment in an associate		**75,387**	74,731
Deposits paid for purchase property, plant and equipment		**7,658**	5,457
Prepayments		**–**	1,892
Deferred tax assets		**79,925**	85,711
Total non-current assets		**11,009,045**	11,415,507
Current assets			
Inventories	*14*	**3,098,756**	3,161,164
Trade receivables	*15*	**434,739**	431,654
Deposits, prepayments and other receivables	*16*	**206,769**	202,415
Pledged deposits		**403,715**	140,388
Cash and cash equivalents		**9,954,527**	9,596,558
		14,098,506	13,532,179
Non-current assets classified as held for sale	*12*	**5,858**	5,084
Total current assets		**14,104,364**	13,537,263
Current liabilities			
Trade payables	*17*	**1,250,341**	1,228,881
Other payables and accruals	*18*	**1,099,777**	1,118,338
Contract liabilities		**119,548**	132,216
Lease liabilities	*13*	**13,190**	–
Income tax payable		**994,541**	993,071
Bank and other borrowings	*19*	**2,978,105**	2,888,105
Deferred income		**17,986**	17,961
Total current liabilities		**6,473,488**	6,378,572
Net current assets		**7,630,876**	7,158,691
Total assets less current liabilities		**18,639,921**	18,574,198

Interim Condensed Consolidated Statement of Financial Position *(Continued)*

As at 30 June 2019

	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Equity			
Issued capital	*20*	**1,194,389**	1,194,389
Reserves		**17,208,549**	17,200,010
		18,402,938	18,394,399
Non-controlling interests		**13,449**	14,451
Total equity		**18,416,387**	18,408,850
Non-current liabilities			
Lease liabilities	*13*	**67,915**	–
Deferred income		**150,078**	159,495
Deferred tax liabilities		**5,541**	5,853
Total non-current liabilities		**223,534**	165,348
		18,639,921	18,574,198

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the Company						
	Issued capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000 *(Note)*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2018 (Audited)	**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 period	**–**	**–**	**–**	**206,330**	**206,330**	**(1,002)**	**205,328**
Final 2018 dividend declared and paid	**–**	**–**	**–**	**(197,791)**	**(197,791)**	**–**	**(197,791)**
At 30 June 2019 (Unaudited)	**1,194,389**	**6,692,394**	**1,845,222**	**8,670,933**	**18,402,938**	**13,449**	**18,416,387**
At 31 December 2017 (Audited)	1,194,389	6,692,079	1,766,140	8,277,641	17,930,249	28,862	17,959,111
Effect of changes in accounting policies	–	–	–	(913)	(913)	–	(913)
At 1 January 2018 (As restated)	1,194,389	6,692,079	1,766,140	8,276,728	17,929,336	28,862	17,958,198
Profit and total comprehensive income for the period	–	–	–	302,524	302,524	(236)	302,288
Final 2017 dividend declared and paid	–	–	–	(179,158)	(179,158)	–	(179,158)
At 30 June 2018 (Unaudited)	1,194,389	6,692,079	1,766,140	8,400,094	18,052,702	28,626	18,081,328

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.*

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**793,304**	1,225,685
INVESTING ACTIVITIES		
Increase in pledged deposits	**(263,327)**	(41,923)
Purchase of property, plant and equipment	**(30,660)**	(105,890)
Prepayment for purchase of property, plant and equipment	**(8,558)**	–
Bank interest income received	**17,049**	19,979
Proceeds from disposal of property, plant and equipment	**8,577**	3,457
Proceeds from disposal of non-current assets held for sale	**3,526**	31,345
NET CASH USED IN INVESTING ACTIVITIES	**(273,393)**	(93,032)
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(1,031,350)**	(1,214,350)
Dividend paid	**(197,791)**	(179,158)
Interest paid	**(46,272)**	(219,083)
Payment of lease liabilities	**(8,479)**	–
Government grant received	**600**	4,001
New bank borrowings raised	**1,121,350**	972,000
NET CASH USED IN FINANCING ACTIVITIES	**(161,942)**	(636,590)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**357,969**	496,063
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**9,596,558**	12,723,317
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD REPRESENTED BY CASH AND CASH EQUIVALENT	**9,954,527**	13,219,380

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Weiqiao Textile Company Limited (the "Company") is a limited company incorporated in the People's Republic of China (the "PRC"). The registered office of the Company is located at No. 34, Qidong Road, Weiqiao Town, Zouping County, Shandong Province, the PRC. The immediate holding company and the ultimate holding company of the Group are 山東魏橋創業集團有限公司 Shandong Weiqiao Chuangye Group Company Limited* (the "Holding Company") and 山東魏橋投資控股有限公司 Shandong Weiqiao Investment Holdings Company Limited* ("Weiqiao Investment"), both of which are limited liability companies established in the PRC.

The Group was principally engaged in the manufacture and sale of cotton yarn, grey fabric, denim and generation and sales of electricity and steam.

The condensed consolidated financial statements of the Group for the six months ended 30 June 2019 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and 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 operates (the functional currency of the principal subsidiaries).

2. PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated 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 2018 except as described below.

* *For identification purpose only*

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

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2019.

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

The adoption of HKFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. The new accounting policies are set out in Note 3 below. The application of other new and amendments to HKFRSs in the current interim period 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 condensed consolidated financial statements.

2.1 Impacts on adoption of HKFRS 16 *Leases*

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in Note 3. The Group has applied HKFRS 16 *Leases* retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 *Leases*.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) - 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The major impacts of the adoption of HKFRS 16 on the Group's condensed consolidated financial statements are described below.

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

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts on adoption of HKFRS 16 *Leases* (continued)

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 *Leases* (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.6%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group as lessor

The Group leases some of the properties. The accounting policies applicable to the Group as lessor are not different from those under HKAS 17.

The following table summarises the impact of transition to HKFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Notes	**As at 31 December 2018** RMB'000 (Audited)	**Impact on adoption of HKFRS 16** RMB'000	**As at 1 January 2019** RMB'000 (Unaudited)
Right-of-use assets	*(a),(b)*	–	425,485	425,485
Prepaid lease payments	*(b)*	339,491	(339,491)	–
Rental prepayments	*(b)*	2,277	(2,277)	–
Lease liabilities	*(a)*	–	83,717	83,717

Notes:

(a) As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liability of approximately RMB83,717,000.

(b) Prepaid lease payments of approximately RMB339,491,000 which represent the upfront payments for leasehold lands in the PRC and the rental prepayment of approximately RMB2,277,000 as at 31 December 2018 were adjusted to right-of-use assets.

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

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts on adoption of HKFRS 16 *Leases* (continued)

The Group as lessor *(continued)*

Differences between operating lease commitment as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

	RMB'000
Operating lease commitment disclosed as at 31 December 2018	101,431
Less: Short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(552)
	100,879
Discounted using the incremental borrowing rate	(17,162)
Lease liabilities recognised as at 1 January 2019	83,717
Current portion	11,760
Non-current portion	71,957
	83,717

2.2 Practical expedients applied

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) - 4 Determining whether an arrangement contains a lease,
- reliance on previous assessments on whether leases are onerous by applying HKAS 37 as an alternative to performing an impairment review,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

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

For the six months ended 30 June 2019

3. CHANGE IN ACCOUNTING POLICIES

Leases

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in substance fixed payments).

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

For the six months ended 30 June 2019

3. CHANGE IN ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as lessee (continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Property, plant and equipment" policy as stated in the Group's annual consolidated financial statements for the year ended 31 December 2018.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

The Group as lessor

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

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

For the six months ended 30 June 2019

4. 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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
– Sales of textile products		
• Cotton yarn	**1,970,116**	2,303,211
• Grey fabric	**2,637,452**	2,815,456
• Denim	**410,936**	482,905
– Sales of electricity and steam	**2,765,448**	2,808,546
	7,783,952	8,410,118

5. 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 2019

5. SEGMENT INFORMATION (continued)

Segment revenue 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 2019

	Textile products RMB'000 (Unaudited)	Electricity and steam RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
External revenue	5,018,504	2,765,448	7,783,952
Inter-segment revenue	–	366,846	366,846
Segment revenue	5,018,504	3,132,294	8,150,798
Eliminations			(366,846)
Group revenue			7,783,952
Segment (loss) profit	(161,362)	683,360	521,998
Unallocated income			73,122
Unallocated corporate expenses			(127,357)
Unallocated finance costs			(75,006)
Share of profit of an associate			656
Profit before taxation			393,413

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

For the six months ended 30 June 2019

5. SEGMENT INFORMATIONN (continued)

Segment revenue and results (continued)

For the six months ended 30 June 2018

	Textile products RMB'000 (Unaudited)	Electricity and steam RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
External revenue	5,601,572	2,808,546	8,410,118
Inter-segment revenue	–	382,770	382,770
Segment revenue	5,601,572	3,191,316	8,792,888
Eliminations			(382,770)
Group revenue			8,410,118
Segment profit	118,454	650,187	768,641
Unallocated income			67,522
Unallocated corporate expenses			(123,389)
Unallocated finance costs			(219,083)
Share of profit of an associate			489
Profit before taxation			494,180

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, other income, finance costs and share of 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 2019

5. 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 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Textile products	**7,663,507**	7,600,901
Electricity and steam	**6,787,498**	7,302,228
Total segment assets	**14,451,005**	14,903,129
Investment in an associate	**75,387**	74,731
Corporate and other assets	**10,587,017**	9,974,910
Total assets	**25,113,409**	24,952,770

Segment liabilities

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Textile products	**1,518,961**	1,535,918
Electricity and steam	**865,137**	807,722
Total segment liabilities	**2,384,098**	2,343,640
Corporate and other liabilities	**4,312,924**	4,200,280
Total liabilities	**6,697,022**	6,543,920

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

For the six months ended 30 June 2019

5. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

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

– All assets are allocated to operating segment, other than other intangible assets, investment in an associate, deferred tax assets, unallocated deposits, prepayments and other receivables, pledged bank deposits, bank balances and cash and other corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

– All liabilities are allocated to operating segments, other than unallocated other payables and accruals, income tax payable, bank and other borrowings, deferred income, deferred tax liabilities and other corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

6. OTHER INCOME

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income from bank deposits	**17,049**	19,979
Release of deferred income	**9,392**	9,569
Government grants *(note)*	**600**	1,936
Compensation from suppliers on the supply of sub-standard goods	**14,103**	6,403
Gross rental income	**400**	400
Exchange gain, net	**3,220**	5,331
Gain on sale of waste and spare parts	**21,581**	11,183
Gain on disposal of property, plant and equipment	**3,447**	676
Gain on disposal of non-current assets held for sale	**2,679**	11,487
Reversal of impairment loss on trade and other receivables	**387**	–
Others	**264**	558
	73,122	67,522

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 2019

7. FINANCE COSTS

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on:		
– bank loans	**46,152**	87,607
– corporate bonds	**26,475**	131,476
– lease liabilities	**2,379**	–
	75,006	219,083

8. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	**182,611**	161,840
Deferred tax	**5,474**	30,052
	188,085	191,892

Notes:

(a) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

(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 2019

9. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**518,162**	569,440
Depreciation of right-of-use assets	**11,689**	–
Depreciation of investment properties	**368**	368
Amortisation of prepaid lease payments	**–**	4,420
Amortisation of other intangible assets	**8**	7
Impairment loss on trade and other receivables (included in administrative expenses)	**–**	1,679
Reversal of allowance for inventories (included in cost of sales)	**(706)**	(3,753)
Allowance for inventories (included in cost of sales)	**92,399**	38,400
Amount of inventories recognised as an expense	**7,075,138**	7,497,479
Operating leases rental relates to office premises	**–**	8,985

10. DIVIDEND

The proposed final dividend of RMB197,791,000 for the year ended 31 December 2018 was approved by the shareholders of the Company on 30 May 2019.

No dividend was proposed during the six months ended 30 June 2019, nor has any dividend been proposed since the end of the interim period (six months ended 30 June 2018: nil).

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

For the six months ended 30 June 2019

11. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**206,330**	302,524
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000 shares)	**1,194,389**	1,194,389

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

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group spent approximately RMB37,017,000 (six months ended 30 June 2018: approximately RMB111,268,000) on purchase of property, plant and equipment.

During the six months ended 30 June 2019, the Group has disposed of certain property, plant and equipment with an aggregate carrying values of approximately RMB5,130,000 (six months ended 30 June 2018: approximately RMB2,781,000) for cash proceeds of approximately RMB8,577,000 (six months ended 30 June 2018: approximately RMB3,457,000), resulting in a gain on disposal of approximately RMB3,447,000 (six months ended 30 June 2018: gain on disposal of approximately RMB676,000).

Non-current assets classified as held for sale

At 30 June 2019, the non-current assets held for sale were certain items of machinery under sales agreements entered into in 2019 and expected to be fulfilled in the second half of 2019.

At 31 December 2018, the non-current assets held for sale were certain items of machinery under sales agreements entered into during 2018.

During the six months ended 30 June 2019, the non-current assets held for sales were sold for cash proceeds of approximately RMB3,526,000 (six months ended 30 June 2018: approximately RMB31,345,000), resulting a gain on disposal of approximately RMB2,679,000 (six months ended 30 June 2018: approximately RMB11,487,000).

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

For the six months ended 30 June 2019

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

Upon adoption of HKFRS 16, on 1 January 2019, the Group recognised right-of-use assets of approximately RMB425,485,000 in respect of the leased properties (Note 2). As at 30 June 2019, the carrying amounts of right-of-use assets were approximately RMB417,284,000 in respect of the leased properties.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for office premises. The leases contain minimum lease payment terms during the contract period. On lease commencement, the Group recognised right-of-use assets of approximately RMB3,488,000.

(ii) Lease liabilities

Upon adoption of HKFRS 16, on 1 January 2019, the Group recognised lease liabilities of approximately RMB83,717,000 (Note 2). As at 30 June 2019, the carrying amount of lease liabilities was approximately RMB81,105,000.

During the six months ended 30 June 2019, the Group entered into a number of new lease agreements for office premises and recognised lease liability of approximately RMB3,488,000.

(iii) Amount recognised in profit or loss

	For the six months ended 30 June 2019 RMB'000
Depreciation of right-of-use assets	**11,689**
Interest expense on lease liabilities	**2,379**
Expense relating to short-term leases	**229**

(iv) Others

As at 30 June 2019, the Group is committed to approximately RMB35,000 for short-term leases.

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

For the six months ended 30 June 2019

14. INVENTORIES

As at 30 June 2019, the carrying amounts of the Group's inventories were net of impairment provisions of approximately RMB104,007,000 (31 December 2018: approximately RMB120,489,000).

During the six months ended 30 June 2019, an allowance for inventories of approximately RMB92,399,000 (2018: approximately RMB38,400,000) has been recognised and included in cost of sales.

During the six months ended 30 June 2019, there was an decrease in allowance of approximately RMB108,175,000 (2018: approximately RMB77,045,000) for inventories due to elimination of allowances upon the subsequent sales of inventories during the current period.

During the six months ended 30 June 2019, 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 RMB706,000 (2018: approximately RMB3,753,000) has been recognised and included in cost of sales in the current period.

15. TRADE RECEIVABLES

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

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Within 90 days	**428,497**	421,145
91 to 180 days	**2,248**	6,388
181 to 365 days	**3,978**	3,703
Over 365 days	**16**	418
Total	**434,739**	431,654

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 2019

16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Prepayments to suppliers	**42,003**	43,306
Rental prepayments	**–**	2,277
Prepaid lease payments	**–**	8,839
Other taxes recoverable	**159,591**	139,498
Interest receivables	**2,388**	251
Deposits	**32**	32
Other receivables	**3,131**	10,470
	207,145	204,673
Less: loss allowance of other receivables	**(376)**	(366)
	206,769	204,307
Analysis for reporting purposes as:		
– Non-current portion	**–**	1,892
– Current portion	**206,769**	202,415
	206,769	204,307

17. 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 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Within 90 days	**1,123,067**	903,072
91 to 180 days	**86,054**	290,732
181 to 365 days	**12,651**	8,940
Over 365 days	**28,569**	26,137
Total	**1,250,341**	1,228,881

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.

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

For the six months ended 30 June 2019

18. OTHER PAYABLES AND ACCRUALS

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Payroll payable	**321,244**	394,699
Accrued staff benefits	**472,638**	428,323
Other taxes payable	**129,775**	125,187
Interest payable	**36,963**	10,608
Other payables	**139,157**	159,521
	1,099,777	1,118,338

19. BANK AND OTHER BORROWINGS

Set out below is the information relating to the Group's interest-bearing bank and other borrowings as at 30 June 2019:

a) As at 30 June 2019 and 31 December 2018, all Group's bank loans are denominated in RMB.

b) As at 30 June 2019, certain of the Group's bank loans amounting to approximately RMB495,350,000 (31 December 2018: approximately RMB405,350,000) were secured by certain of the Group's buildings, machinery and equipment and right-of-use assets of an aggregate carrying value of approximately RMB182,348,000 and RMB56,955,000 respectively (31 December 2018: approximately RMB185,341,000 and RMB57,768,000 respectively).

c) In October 2013 and November 2014, the Company issued two domestic corporate bonds, (namely "2013 Bond" and "2014 Bond" respectively) each with a principal amount of RMB3,000,000,000. These corporate bonds carry nominal interest rates of 7.00% and 5.50% per annum respectively, with denomination and issue price of RMB100 and periods of five years.

The Company has the right to raise the nominal interest rate by the end of third year and the bond holders have the right to redeem the corporate bonds within the first three working days only at the beginning of fourth year after the bond issue date (the "Redemption period"). After the Redemption Period, the rights of redemption are forfeited immediately. No right of redemption is granted by the Company after the redemption period to the maturity of the corporate bonds.

Subsequent to the completion of the issue, the corporate bonds were listed on the Shanghai Stock Exchange on 6 November 2013 and 26 November 2014 respectively.

The outstanding amount of 2013 Bond of RMB3,000,000,000 was fully repaid in October 2018.

On 7 November 2017, the bond holders of 2014 Bond, represented an aggregate amount of approximately RMB2,037,245,000, has exercised the right of redemption. The Company has cancelled the register of redeemed bonds. The remaining outstanding balance would be repayable in November 2019.

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

For the six months ended 30 June 2019

20. SHARE CAPITAL

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (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	**413,619**	413,619
	1,194,389	1,194,389

21. CAPITAL COMMITMENTS

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Capital expenditure in respect of the purchase of machinery contracted for but not provided in the condensed consolidated financial statements	**297,712**	22,558

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

For the six months ended 30 June 2019

22. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

Related parties	Nature of transactions	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
The Holding Company	Sales of electricity	**1,255,880**	1,126,251
	Gross rental income	**367**	364
	Expenses on land use rights and property leasing	**8,534**	8,543
	Purchases of water	**10,923**	–
Fellow subsidiaries	Sales of textile products	**198,859**	211,316
濱州市宏諾新材料有限公司 Binzhou City Hongnuo New Material Co., Limited* (Former name as 濱州市濱北新材料有限公司 Binzhou City Binbei New Material Co., Limited*)	Purchases of steam	**6,507**	13,031
濱州綠動熱電有限公司 Binzhou Lvdong Thermal Power Co., Ltd*	Purchases of steam	**1,701**	–
鄒平縣宏利熱電有限公司 Zouping County Hongli Thermal Power Co., Ltd*	Purchases of steam	**1,835**	2,516

(b) Commitments with related parties

At the end of the reporting period, in addition to the lease agreements in Note 22(a), the Group entered into sales agreements with certain fellow subsidiaries for sale commitments which are expected to be fulfilled before the end of 2019.

(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 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Short-term benefits	**2,556**	2,523
Post-employment benefits	**77**	77
	2,633	2,600

* *For identification purpose only*