Contents

Summary

Interim results for the six months ended 30 June 2008.

- Revenue was approximately RMB8,888 million, representing a decrease by 4.1% over the same period of last year.
- Gross profit was approximately RMB676 million, representing a decrease by 55.4% over the same period of last year.
- Net profit attributable to equity holders of the Company was approximately RMB273 million, representing a decrease by 59.3% over the same period of last year.
- The Group continued to implement its energy saving measures and strived to control production costs more effectively and minimize the effects to the environment.
- Adopting the principle of "Reduction in profits rather than giving up market share" and maintaining a strong sales network and customer base in order to reap maximum revenue when the market recovers.
- The Group continued to maintain its leading position in the PRC cotton textile industry.

Corporate Information

EXECUTIVE DIRECTORS
Zhang Hongxia *(Chairman)*
Zhang Yanhong
Qi Xingli
Zhao Suwen

NON-EXECUTIVE DIRECTORS
Zhang Shiping
Wang Zhaoting
Zhao Suhua
Wang Xiaoyun

INDEPENDENT NON-EXECUTIVE DIRECTORS
Wang Naixin
Xu Wenying
Chan Wing Yau, George

SUPERVISORS
Liu Mingping
Lu Tianfu
Wang Wei

COMPANY SECRETARY
Zhao Suwen

AUDIT COMMITTEE
Wang Naixin
Xu Wenying
Chan Wing Yau, George

REMUNERATION COMMITTEE
Zhang Hongxia
Wang Naixin
Xu Wenying

AUTHORISED REPRESENTATIVES
Qi Xingli
Zhao Suwen

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Chairman's Statement

I hereby present the unaudited consolidated interim results of Weiqiao Textile Company Limited ("Weiqiao Textile" or the "Company") and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2008 (the "Period").

During the Period, due to the rapid appreciation of the Renminbi, the rise in raw materials and energy costs, the adjustment of State's macroeconomic policies and the slowdown in foreign demand, the cotton textile market of China remained in a depression while market competition further intensified. By leveraging on its brand advantage, large sales network and good customer relations, the Group was able to maintain stable production and sales volume for its products under severe conditions of the industry. Output of the Group's cotton yarn, grey fabric in the first half year was approximately 422,000 tons and 751,000,000 metres, respectively, representing a decrease of 3.4% and 3.8% over the same period last year. Output of denim was approximately 88,000,000 metres, which leveled with the same period last year. In the first half of the year, the Group's revenue reaches approximately RMB8,888,000,000, representing a decrease of 4.1% over the same period in 2007. On the other hand, net profit attributable to equity holders of the Company decreased to approximately RMB273,000,000, representing a decrease of 59.3% from the same period last year. Earnings per share was RMB0.23, representing a decrease of 58.9%, which was mainly due to that in order to maintain the Group's market share in the domestic and international markets and stabilize its workforce based on the future long-term development of the Group, the management of the Group adopted the sales strategy of price reduction which further narrowed profit margins.

To ensure that the Group to maintain its leading position in this challenging environment, the Group has adopted the important operating principle of "Reduction in profits rather than giving up market share" for this important strategic adjustment period to continue to maintain a strong sales network in order to reap maximum revenue when the market recovers. Despite the fall in profits, the Group could still maintain basically stable sales result, which demonstrated that the Group has established good relationships with its customers and also established a positive brand image.

FIRMLY GRASP OBJECTIVES AND CONTINUE TO MAINTAIN A LEADING POSITION IN THE MARKET

The Group's stable sales revenue in the first half year was due to the formulation of the right long-term development objective by the management of the Group many years ago, and by upgrading equipment standard and optimizing product structure in accordance with the growth in market demand, thus establishing a good development platform. In addition, the sincere work attitude of each employee of the Group, a well established management system and a headmost operation concept have further manifested the economies of scale of the Group. Meanwhile, the Group adopted a series of effective measures to strictly control the cost of production, sales, management and financing. The Group also maintained appropriate production speed and stable product quality under the current downturn of the textile industry of China. The Group effectively continues to maintain good customer relation with its customers and to expand the large sales network of the Group, and is committed to satisfying the demand in respect of different orders from customers and ensure the delivery of quality products in a timely manner so as to enable the Group to maintain its leading position in the cotton textile industry of China.

FUTURE OUTLOOK AND STRATEGIES

The textile industry of China is transitioning from volume growth to quality growth and the pace of integration of the industry has accelerated further. The Group is taking effective measures to actively respond to market changes with its experience accumulated over the years and its good customer base. Each segment of the industrial chain of the Group, from production, research and development to marketing and sales, has abundant human resources as safeguards. The management of the Group believes that the temporary difficulty faced by the PRC cotton textile industry also provides a good opportunity for restructuring and upgrading of the entire industry, which is beneficial to the elimination of laggard enterprises and production technology while promote the continuing healthy development of quality enterprises.

To improve the predicament of the textile industry of China, the Ministry of Finance and the State Administration of Taxation of the PRC issued a notice on 31 July 2008, raising the export tax returns on some textile products and garment from 11% to 13%, which provides support to exporters of cotton textile products in China. The adjustment of export tax returns can alleviate, to some extent, the pressure on cost on exporting enterprises of the cotton textile industry.

As a leading enterprise in the PRC textile industry, Weiqiao Textile will continue to carry out technological reforms proactively and follow the path of industrial upgrade. The Group will continue to improve the technological standard of its production, to produce quality products that are in line with international standards, and make this as the major safeguard for the Group's future development.

APPRECIATION

Thanks to the joint dedication of the management and all employees of the Group and the trust given by and the co-operation with customers, the Group was able to achieve its most possible production and market objectives under this extremely challenging market environment. They contributed to the sustained development of the Group. I would like to take this opportunity to gratefully thank all shareholders, investors and business partners for their trust and support.

Zhang Hongxia
Chairman

Shandong, China
12 September 2008

INDUSTRY OVERVIEW

In the first half year of 2008, the PRC economy maintained an overall upward momentum. However, under the effect from the slowdown in foreign economic growth, the rapid appreciation of Renminbi, the adjustment of various macroeconomic policies by the State, the rise in energy prices and labour costs, the PRC textile market remained in a downturn and market competition intensified and the cotton textile industry of China faced serious challenges.

In the first half of this year, domestic and foreign cotton price remained high. Cotton price recorded an increase compared to the same period last year. The national cotton price index A of China reached the high of approximately RMB14,474 per ton, while the Cotlook A (NE) index remained at an average price of approximately 77.29 US cents per pound.

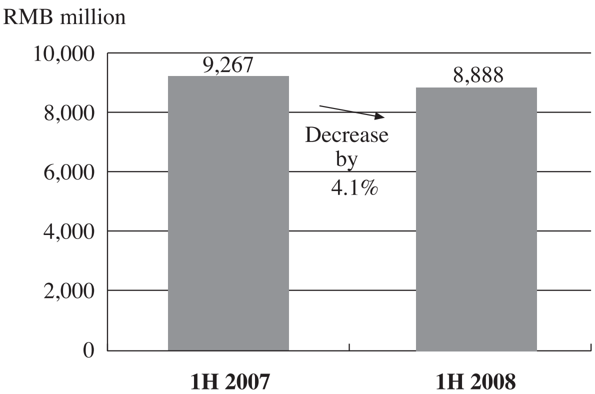
In respect of sales, the textile industry of China is facing pressure in both price and sales volume in terms of domestic and foreign sales. In respect of foreign sales, according to statistical information from China Customs, in the first half of 2008, the export amount of China foreign trade amounted to US$666.6 billion, representing a year-on-year growth of 21.9%, an evident decrease from 27.6% recorded in the same period last year. During the first half of the year, export growth of textile and garment from China slowed down significantly with total export amounted to US$81.69 billion, an increase of only 11.1%, representing a decrease in growth of 6.36 percentage points compared to the same period last year. Breaking down by major markets, the China's export of textile garment to the European Union amounted to US$17.42 billion, representing an increase of 44%, which was quite prominent. It was mainly due to the removal of quotas on textile products between China and Europe, and the effective depreciation of Renminbi against the Euro which drove up exports to the European Union. Total export to the United States and Japanese markets amounted to US$10.81 billion and US$9.32 billion, respectively, representing only an increase of 0.3% and 7.0%. The adverse effects from the slowdown in exports and the "foreign-turn-domestic" sale of textile products has further increased the price pressure on domestic sales of cotton textile. Prices of the textile garment segment decreased by 2.2%. The fixing of domestic prices for the textile garment industry clearly suffered.

The textile industry of China as a whole currently still faces challenges presented by the adjustment of State's macroeconomic policies, the continuing appreciation of Renminbi and rising production costs. Smaller textile companies are facing a even more difficult operating environment and integration of the industry continues.

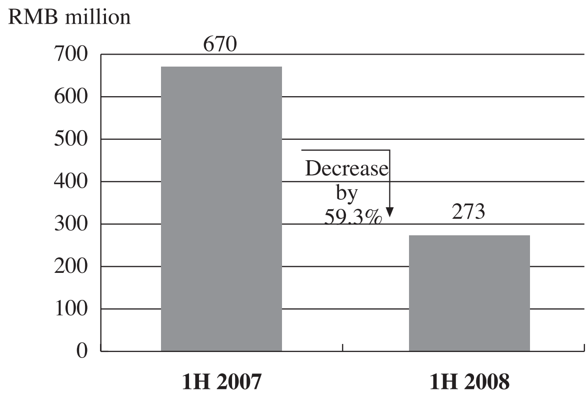
BUSINESS REVIEW

Weiqiao Textile recorded relatively stable sales revenue during the Period. Despite the adverse effect of the adjustment of State's macroeconomic policies, rise in energy prices and increase in the cost of raw materials, etc. which have resulted in the rise in operating costs of the Group, in order to secure market share and stabilise its labour force, the Group adopted the sales strategy of price reduction although it faced significant increase in costs. The Group considers that the strategy of "Reduction in profits rather than giving up market share" would secure a stable customer base for the Group to the greatest extent, and enable it to achieve greater results by leveraging on its solid customer base and long-term trading relatonships when the environment of the cotton textile industry returns to the right track. For the six months ended 30 June 2008, Weiqiao Textile's revenue and net profit attributable to the equity holders of the Company are as follows:

Revenue



Net profit attributable to equity holders of the Company

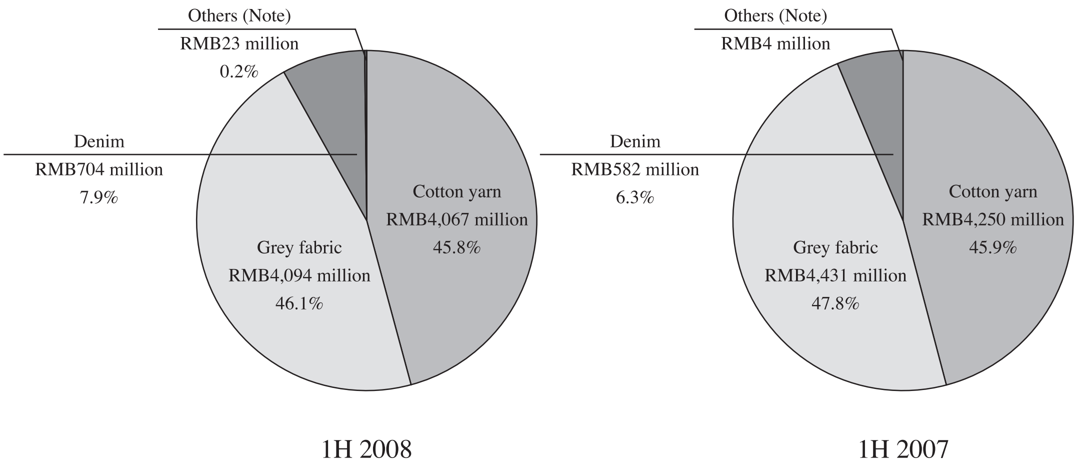


For the six months ended 30 June 2008, revenue decreased slightly over the same period last year which was mainly due to the depression for the textile industry arising from the rapid appreciation of the Renminbi and the decrease of VAT rebate rate. As the response to the market conditions, the Group adopted more flexible sales strategies and adjusted the unit sales price slightly while the sales volume remained basically the same.

For the six months ended 30 June 2008, net profit attributable to the equity holders of the Company decreased significantly by 59.3% from the same period last year, which was mainly due to the continuing depression of the textile market, the Group adopted the sales strategy of price reduction, which narrowed down the profit margin while the costs of group increased significantly.

The following charts provide the comparison of revenue in terms of products segment for the six months ended 30 June 2008 and the corresponding period in 2007:

A breakdown of revenue in terms of product

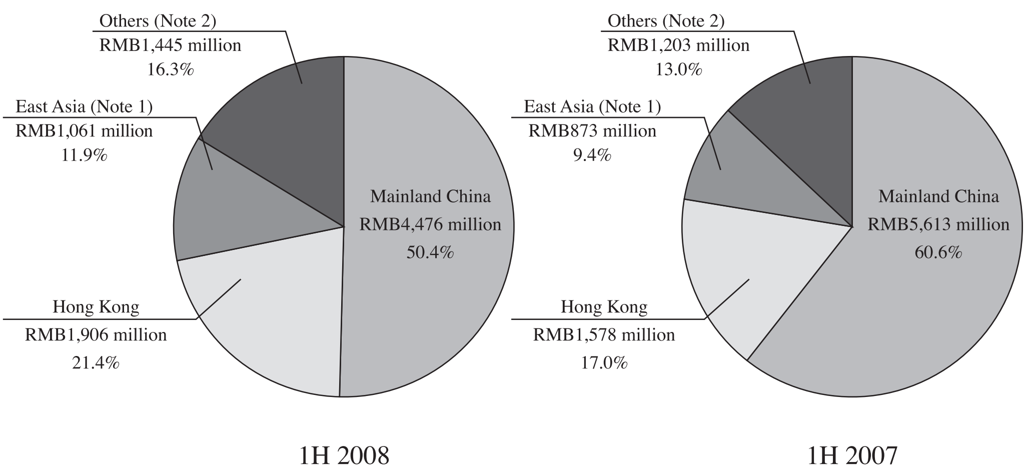


Note: Others include cotton seeds and other by-products.

For the six months ended 30 June 2008, the proportion of revenue from cotton yarn and grey fabric basically levelled that of the same period last year. The proportion of the revenue from denim increased slightly due to the increase in denim sales by the Company to suit the changes in market demand of denim.

The following charts show the Group's revenue in terms of geographical location for the six months ended 30 June 2008 and the corresponding period in 2007:

A breakdown of revenue in terms of geographical locations



Note 1: East Asia comprises of Japan and Korea;

Note 2: Others mainly comprises of Southeast Asia, the United States and Europe.

For the six months ended 30 June 2008, the Group's domestic sales volume decreased compared to the same period last year, and the decrease in its proportion of total revenue was due to the decrease in demand of textile products from downstream enterprises in the country under the effect of domestic economic situations. The Group's export sales benefited from a broad overseas sales network and customer resources, resulting in an increase of sales volume.

Furthermore, the Group continued to maintain good customer relations and possess extensive customer resources. As at 30 June 2008, the Group has over 8,200 customers in 30 provinces and cities in the PRC and over 800 customers in 30 countries and regions, representing an increase of 5.1% and 6.7%, respectively, when compared with the first half of 2007. Such growth is due to the Group's enhancement of its efforts in the exploration of domestic and overseas markets.

With its large production scale, extensive sales network, high quality product and service and reputable brand image, the Group enjoys market leading position in the textile industry in the PRC. The Group will continue to improve its own corporate system, technological control and product quality, continue to adhere to its market orientation principle, and will further increase the Group's market share through technological reforms and innovations and by leveraging on advantages from the consolidation of the textile industry.

FINANCIAL REVIEW

Gross profit and gross profit margin

The following table is an analysis of gross profit and gross profit margin of the Group's major products in the first six months of 2007 and 2008, respectively:

	For the six months ended 30 June			
	2008		2007	
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %
Product categories				
Cotton yarn	**272,337**	**6.7**	712,060	16.8
Grey fabric	**318,259**	**7.8**	710,608	16.0
Denim	**85,514**	**12.2**	91,060	15.7
Others	**301**	**1.3**	396	8.9
Total	**676,411**	**7.6**	1,514,124	16.3

For the six months ended 30 June 2008, the profit margin of the Group decreased to 7.6% from the same period last year, which was mainly due to the slowdown of economic growth, the rise in energy costs and the cost of raw materials. And in view of the decrease in demand for textile products from downstream enterprises, the Group adopted the strategy of price reduction, resulting in a significant decrease in overall profit margin.

Selling and Distribution Costs

During the first half of 2008, the Group's selling and distribution costs decreased by 8.0% from approximately RMB200 million in the first half of 2007 to approximately RMB184 million, of which transportation costs decreased by 7.5% from approximately RMB160 million in the same period last year to approximately RMB148 million due to the decrease in transportation costs of sales born by the Group. Sales commission decreased 17.6% from approximately RMB17 million in the first half year of 2007 to approximately RMB14 million due to the reduction in the commission rate by the Group in the circumstances of the downturn of the textile market.

Administrative Expenses

For the six months ended 30 June 2008, the Group's administrative expenses were approximately RMB99 million, representing an increase of 22.2% as compared with approximately RMB81 million in the same period last years, which was mainly due to the improvement of staff benefits expenses by the Group.

Finance Costs

For the six months ended 30 June 2008, finance costs were approximately RMB367 million as compared with RMB373 million over the same period last year. The decrease in the Group's interest bearing bank borrowings resulted in a decrease in interest expense, which has basically offset the increase in interest resulting from the increase in interest rate of borrowings.

Liquidity and Financial Resources

The cash and cash equivalents of the Group were approximately RMB1,390 million as at 30 June 2008, representing an decrease of approximately RMB2,624 million as compared with that as at 31 December 2007. It was mainly due to the purchase of the thermal power assets of the Shandong Weiqiao Chuangye Group Limited ("Holding Company") by the Group in the first half year of 2008 for RMB2,210 million. For the six months ended 30 June 2008, the Group had a net cash outflow from investing activities of approximately RMB2,176 million and a net cash inflow of approximately RMB607 million from operating activities. The Group principally satisfies its demand for operating capital with cash inflow from operation and bank borrowings. The Directors believe that the Group will maintain a sound and stable financial position, with sufficient liquid capital and financial resources to satisfy its business needs.

The turnover days of the Group's trade receivables were 21 days for the six months ended 30 June 2008, which leveled with the 22 days recorded in the same period in 2007.

Inventory turnover days increased to 82 days for the six months ended 30 June 2008 from 72 days for the same period last year. The increase in inventory turnover days was mainly due to the strained supply of electricity and coal all over the country, resulting in the increase of coal reserve by the Company, and also due to the increase in product inventory caused by the downturn of the cotton textile market.

During the six months ended June 2008, the Group used financial instruments to reduce the risks of changes in interest rates.

Net Profit Attributable to Equity Holders of the Company and Earnings Per Share

During the six months ended 30 June 2008, the Group's net profit attributable to equity holders of the Company was approximately RMB273 million, representing a decrease of 59.3% as compared with RMB670 million during the corresponding period in 2007.

During the six months ended 30 June 2008, basic earnings per share of the Company were RMB0.23.

Capital Structure

The Group continued to strive to maintain an appropriate mix of equity and debt to ensure an efficient capital structure in order to reduce capital costs. As of 30 June 2008, the debts of the Group mainly included bank borrowings totalling approximately RMB8,675 million and cash and cash equivalents amounted to approximately RMB1,390 million. Debt to equity ratio was 55.4% (total liabilities (bank borrowings deducted by the net amount of cash and cash equivalents) divided by net total asset).

Details of the outstanding bank borrowings as at 30 June 2008 are set out in note 17 of the financial statements. As at 30 June 2008, 25.2% of the Group's bank borrowings was subject to fixed interest rates while the remaining 74.8% was subject to floating interest rates.

The Group maintained a balance between the continuity and flexibility of capital by using bank borrowings. In any 12-month period, borrowings due shall not exceed 50%. On 30 June 2008, 41.2% of the Group's debt will mature within a year.

As at 30 June 2008, the Group's borrowings were primarily denominated in RMB and US dollars, of which borrowings in US dollars represented 32.8% of the total borrowings, which its cash and cash equivalents were mainly denominated in Renminbi and US dollars, of which cash and cash equivalents denominated in US dollars represented approximately 4.6% of the total amount.

Details of Pledged Assets of the Group

Details are set out in note 17 to the unaudited condensed consolidated interim financial statements.

Exposure to Foreign Exchange Risks

The Group adopted strict and cautious policies in managing its exchange rate risks. Revenue and most of the expenditure of the Group are denominated in RMB and US dollars. For the six months ended 30 June 2008, 49.6% of the Group's revenue and 33.9% of the Group's cost of lint cotton procurement were denominated in US dollars. Since export trade payments denominated in US dollars are usually settled within a month, and the repayment period of purchases and bank borrowings denominated in US dollars are usually longer, the Group recorded gains from the appreciation of Renminbi during the Period. During the six months ended 30 June 2008, the Group has recorded gains of approximately RMB151 million and has not experienced any significant difficulties or impact on its operations or liquidity as a result of fluctuations in currency exchange rates during the Period. The Board believes that the Group will have sufficient foreign currency to meet its requirements.

Material Acquisition

On 14 January 2008, the Company entered into an asset transfer agreement with the Holdings Company, pursuant to which the Company agreed to acquire the thermal power assets at a consideration of RMB2,210 million. The acquisition was approved by the shareholders on 18 March 2008 and the payment of the consideration was completed in the first half year of this year.

Commitments

Details are set out in note 22 to the unaudited condensed consolidated interim financial statements.

Contingent Liabilities

Details are set out in note 23 to the unaudited condensed consolidated interim financial statements.

Employees and Emolument Policies

As at 30 June 2008, the Group had a total of approximately 132,000 employees, representing a decrease of approximately 3,000 employees as compared with the amount of employees as at 31 December 2007. The change in the number of employees was mainly due to the technological reforms on equipment carried out by the Group, which resulted in a decrease workforce in each unit. Total staff costs of the Group amounted to approximately RMB1,113 million during the Period, representing 12.5% of the Group's revenue. Employees remuneration and bonuses are based on their performances, experience and the prevailing industry Practice. The Group's remuneration policies and packages were reviewed periodically by the management of the Company. The Group provides relevant training to its employees in accordance with the skill requirements of different positions.

Taxation

Income tax charged for the same period last year by RMB381 million whereas it credited for the period by RMB2 million. This decrease in tax was primarily due to the significant decrease in the Group's profit before tax during the Period, the reduction of income tax rate from 33% to 25% since the beginning of this year, and the tax credits amounting to RMB84 million given to a subsidiary of the Group during the Period due to its purchase of PRC made equipment in previous years.

Subsequent Events

On 4 September 2008, the Company entered into an asset swap agreement with Zouping Gaoxin Thermal Power Co., Ltd. (the "Gaoxin Thermal Power"), pursuant to which the Company acquired the thermal power assets owned by Gaoxin Thermal Power at a consideration of approximately RMB1,599 million, and transfer the assets making up the Weiqiao First Thermal Power Plant of the Company to Gaoxin Thermal Power for approximately RMB291 million as payment of part of the consideration, and the remained consideration would be offset by supplying electricity to Gaoxin Thermal Power.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, so far as known to the directors, supervisors and chief executive of the Company, the following persons (other than a director, supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the provisions of Division 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"):

Interests in the domestic shares of the Company:

	Number of Domestic Shares *(Note 1)*	**Approximate percentage of total issued Domestic share capital** *(%)*	**Approximate percentage of total issued share capital** *(%)*
Holding Company	738,895,100 (long position)	94.64	61.86
Zouping County Supply and Marketing Cooperation Union ("ZCSU")	738,895,100 (long position) *(Note 2)*	94.64	61.86
CITIC Trust Co., Ltd.	738,895,100 (long position) *(Note 3)*	94.64	61.86

Interests in the H Shares of the Company:

	Number of H Shares *(Note 4)*	Approximate percentage of total issued H share capital *(%)*	Approximate percentage of total issued share capital *(%)*
Brandes Investment Partners, L.P.	83,039,000 *(long position)* *(note 5)*	20.08	6.95
The Bank of New York	66,261,610 *(long position)*	16.02	5.55
	60,084,804 *(lending pool)* *(note 6)*	14.53	5.03
The Bank of New York Mellon Corporation	66,261,610 *(long position)*	16.02	5.55
	60,084,804 *(lending pool)* *(note 7)*	14.53	5.03
BNY Mellon Asset Servicing B.V.	60,450,705 *(long position)*	14.62	5.06
	59,161,804 *(lending pool)* *(note 8)*	14.30	4.95
Mellon Bank NA	60,450,705 *(long position)*	14.62	5.06
	59,161,804 *(lending pool)* *(note 9)*	14.30	4.95
Mellon Financial Corporation	41,073,100 *(long position)* *(note 10)*	9.93	3.44
AllianceBernstein L.P.	34,563,500 *(long position)* *(note 11)*	8.36	2.89

	Number of H Shares *(Note 4)*	Approximate percentage of total issued H share capital *(%)*	Approximate percentage of total issued share capital *(%)*
Citigroup Inc.	20,686,660 *(long position)*	5.00	1.73
	159,506 *(Short position)*	0.04	0.01
	15,110,160 *(lending pool)* *(note 12)*	3.65	1.27

Notes:

1. Unlisted shares.

2. These 738,895,100 Domestic Shares in which ZCSU was deemed interested under the SFO were directly held by the Holding Company, in which ZCSU had a controlling interest.

3. These 738,895,100 Domestic Shares in which CITIC Trust Co., Ltd. was deemed interested under the SFO were directly held by the Holding Company, in which ZCSU had a controlling interest. CITIC Trust Co., Ltd. is a trustee of ZCSU.

4. Shares listed on the Main Board of the Stock Exchange.

5. 83,039,000 H Shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.

6. 61,373,705 H Shares in which The Bank of New York was deemed interested under the SFO were directly held by the BNY Mellon Asset Servicing B.V., which was a corporation 50% controlled by The Bank of New York. 4,887,905 H Shares was held by The Bank of New York as a custodian corporation/approved lending agent.

7. 61,373,705 H shares in which The Bank of New York Mellon Corporation, with the registered office situated at One Wall Street, New York, New York 10286, was deemed interested under SFO were directly held by BNY Mellon Asset Servicing B.V. which is a corporation 50% controlled by Mellon Bank NA, the whole subsidiary of The Bank of New York Mellon Corporation. 4,887,905 H shares in which The Bank of New York Mellon Corporation was deemed interested under SFO were directly held by The Bank of New York which is a corporation wholly controlled by the Bank of New York Mellon Corporation.

8. On 25 June 2008, 60,450,705 H shares were held by the BNY Mellon Asset Servicing B.V. as a custodian corporation/approved lending agent. On 30 June 2008, 61,373,705 H shares in which The Bank of New York Mellon Corporation was deemed interested under the SFO were directly held by BNY Mellon Asset Servicing B.V., which was a corporation 50% controlled by Mellon Bank NA, a wholly-owned subsidiary of The Bank of New York Mellon Corporation, and 50% was controlled by The Bank of New York, also a wholly-owned subsidiary of The Bank of New York Mellon Corporation.

9. 60,450,705 H shares in which Mellon Bank NA was deemed interested under SFO on 25 June 2008 was directly held by BNY Mellon Asset Servicing B.V., which was a corporation 50% controlled by Mellon Bank NA. On 30 June 2008, 61,373,705 H shares in which The Bank of New York Mellon Corporation was deemed interested under the SFO were directly held by the BNY Mellon Asset Servicing B.V., which was a corporation 50% controlled by Mellon Bank NA, a wholly-owned subsidiary of The Bank of New York Mellon Corporation.

10. 41,073,100 H shares in which Mellon Financial Corporation was deemed interested under SFO were directly held by the Boston Company Asset Management LLC, an 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.

11. 1,193,000 H shares in which AllianceBernstein L.P. was deemed interested under SFO were held by AllianceBernstein Corporation of Delaware which is a corporation wholly controlled by AllianceBernstein L.P. 757,900 H shares and 435,100 H shares in which AllianceBernstein L.P. was deemed interested under SFO were held by AllianceBernstein Limited and AllianceBernstein Investment Management Australia Limited respectively which is a corporation wholly controlled by AllianceBernstein Corporation of Delaware.

12. 3,792,000 H shares in which Citigroup Inc., with the registered office situated at 399 Park Avenue, New York, 10043, USA, was deemed interested under the SFO by way of having interests in controlled corporation. 1,784,500 H shares were held by Citigroup Inc. as a person having a security interest in shares. Short position in 159,506 H shares in which Citigroup Inc. was deemed interested under the SFO by way of having interests in controlled corporation.

Save as disclosed above, so far as known to the directors, supervisors and the chief executive of the Company, as at 30 June 2008, there was no other person (not being a director, supervisor or chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS, SUPERVISORS OR THE COMPANY'S CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30 June 2008, the interests of the directors, supervisors or 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 are taken or deemed to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Interests in the Domestic Shares of the Company:

	Type of interest	**Number of Domestic Shares** *(Note 1)*	**Approximate percentage of total issued Domestic share capital** *(%)*	**Approximate percentage of total issued share capital** *(%)*
Zhang Hongxia *(Executive Director/Chairman)*	Beneficial	17,700,400 (long position)	2.27	1.48
Qi Xingli *(Executive Director)*	Beneficial	6,042,500 (long position)	0.77	0.51
Zhang Shiping *(Non-executive Director)*	Beneficial	5,200,000 (long position)	0.67	0.44

Note:

1. Unlisted shares

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

	Name of associated corporation	Type of interest	Approximate percentage of total issued share capital *(%)*
Zhang Shiping *(Non-executive Director)*	Holding Company	Beneficial	23.52
Zhang Hongxia *(Executive Director)*	Holding Company	Beneficial and spouse *(note 1)*	5.73 *(note 1)*
Zhang Yanhong *(Executive Director)*	Holding Company	Beneficial	1.63
Qi Xingli *(Executive Director)*	Holding Company	Beneficial	0.75
Wang Zhaoting *(Non-executive Director)*	Holding Company	Beneficial	0.25
Zhao Suwen *(Executive Director)*	Holding Company	Beneficial	0.38
Liu Mingping *(Supervisor)*	Holding Company	Beneficial	0.14
Zhao Suhua *(Non-executive Director)*	Holding Company	Beneficial and spouse *(note 2)*	3.09 *(note 2)*
Wang Xiaoyun *(Non-executive Director)*	Holding Company	Beneficial	0.25

Note 1:

48,000,000 shares of the Holding Company will be beneficially owned by Ms Zhang Hongxia, who is deemed to be interested in the 43,676,000 shares directly held by her husband, Mr. Yang Congsen under the SFO.

Note 2:

4,500,000 shares of the Holding Company will be beneficially owned by Ms Zhao Suhua, who is deemed to be interested in the 44,911,000 shares directly held by her husband, Mr. Wei Yingzhao under the SFO.

Save as disclosed above, as at 30 June 2008, none of the directors, supervisors or chief executive of the Company had an interest or short position 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 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 are taken or deemed to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2008.

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 2008.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") in accordance with the requirements of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 of the Listing Rules for the purpose of reviewing and supervising the Group's financial reporting process. The Audit Committee comprises of the three independent non-executive directors of the Company. An audit committee meeting was held on 12 September 2008 to review the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2008. The Audit Committee is of the opinion that the financial statements of the Group for the first half year of 2008 are prepared in accordance with the applicable accounting standards and have made sufficient disclosure.

REMUNERATION COMMITTEE

The Company has established a remuneration committee in accordance with the corporate governance requirements of listed companies of the Hong Kong Stock Exchange. The objective of this committee is to set out and suggest the appraisal standards for directors and management, and study and review directors' and senior management's remuneration policies and arrangements. The Remuneration Committee is composed of three directors of the Company. The remuneration committee meeting was held on 28 March 2008 at which the resolution with regard to directors' payroll and bonus as well as supervisors' payment for the year of 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

To the best knowledge of the directors of the Company, other than the deviation from Code Provision A.2.1, the Company has complied with the code provisions of the Code contained in Appendix 14 of the Listing Rules, throughout the six months ended 30 June 2008.

Code Provision A.2.1 requires that the roles of the chairman and the chief executive officer shall be separated and not be performed by the same individual. Currently, Ms. Zhang Hongxia is the Chairman and chief executive officer of the Company. The Board is of the opinion that this arrangement will not affect the equilibrium of powers and functions between the Board and the management. The Board of the Company is comprised of the most experienced and talented members, and will regularly meet to discuss on matters that may affect the operations of the Company. The operations of the Board is sufficient to ensure the equilibrium of powers and functions. The Board believes that such arrangement will be helpful in establishing a steady and consistent leading power, which enables the Company to make and implement various decisions efficiently and effectively. The Board believes that the arrangement that Ms. Zhang Hongxia takes up the position of chairman and chief executive officer of the Company will be beneficial for the business development of the Company and better coordinates the Board and the administrative management personnel.

Save as disclosed above, none of the directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not for any part of the Period, in compliance with the code provisions of the Code.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code for securities transactions on terms no less exacting than the required standard of the Model Code as set out in Appendix 10 to the Listing Rules. Following specific enquiry made with directors of the Company, the Company has confirmed that each of the directors of the Company complied with the Model Code.

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To the Board of Directors
Weiqiao Textile Company Limited
(A joint stock company incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 25 to 52 which comprises the condensed consolidated balance sheet of Weiqiao Textile Company Limited and its subsidiaries (collectively, the "Group") as at 30 June 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The directors are responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made 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 interim 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
12 September 2008

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six-month period ended 30 June 2008

	Notes	**Six-month period ended 30 June 2008 (unaudited) RMB'000**	Six-month period ended 30 June 2007 (unaudited) RMB'000
Revenue	4	**8,888,187**	9,267,339
Cost of sales		**(8,211,776)**	(7,753,215)
Gross profit		**676,411**	1,514,124
Other income and gains	4	**295,966**	218,157
Selling and distribution costs		**(184,211)**	(199,956)
Administrative expenses		**(98,567)**	(81,388)
Other expenses		**(50,413)**	(23,114)
Finance costs	6	**(367,267)**	(372,950)
Profit before tax	5	**271,919**	1,054,873
Tax	7	**1,794**	(381,244)
Profit for the period		**273,713**	673,629
Attributable to:			
Equity holders of the parent		**272,566**	669,543
Minority interests		**1,147**	4,086
		273,713	673,629
Dividend	9	**Nil**	Nil
Earnings per share attributable to ordinary equity holders of the parent			
Basic (RMB) – for profit for the period	8	**0.23**	0.56

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2008

	Notes	30 June 2008 (unaudited) RMB'000	31 December 2007 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**17,584,696**	16,099,869
Prepaid land lease payments		**124,818**	126,225
Other intangible assets		**5,101**	5,701
Deferred tax assets	18	**89,575**	70,088
TOTAL NON-CURRENT ASSETS		**17,804,190**	16,301,883
CURRENT ASSETS			
Inventories		**3,811,472**	3,587,791
Trade receivables	11	**1,182,321**	902,185
Amounts due from a related party	12	**297**	1
Amount due from the immediate holding company	12	**46,876**	1,579
Prepayments, deposits and other receivables		**90,442**	96,437
Derivative financial instruments		**658**	5,983
Pledged deposits		**355,574**	154,080
Non-pledged time deposits maturing over three months		**1,324,152**	1,684,688
Cash and cash equivalents		**1,390,456**	4,014,049
		8,202,248	10,446,793
Non-current assets classified as held for sale	13	**291,468**	—
TOTAL CURRENT ASSETS		**8,493,716**	10,446,793
CURRENT LIABILITIES			
Trade payables	14	**2,292,204**	1,375,533
Bills payable	15	**737,900**	649,151
Amounts due to related parties	12	**10,831**	16,882
Amount due to the immediate holding company	12	**1,000**	37,793
Other payables and accruals	16	**908,055**	761,942
Derivative financial instruments		**2,247**	219
Interest-bearing bank loans, current portion	17	**3,576,051**	4,278,627
Tax payable		**393,678**	965,295
Dividend payable		**—**	104,223
Deferred income, current portion		**7,651**	7,651
TOTAL CURRENT LIABILITIES		**7,929,617**	8,197,316
NET CURRENT ASSETS		**564,099**	2,249,477
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,368,289**	18,551,360

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) (Continued)

As at 30 June 2008

	Notes	**30 June 2008 (unaudited) RMB'000**	31 December 2007 (audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans, long term portion	17	**5,098,559**	4,948,133
Deferred income		**120,973**	124,798
Deferred tax liabilities	18	**5,598**	5,773
TOTAL NON-CURRENT LIABILITIES		**5,225,130**	5,078,704
NET ASSETS		**13,143,159**	13,472,656
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	19	**1,194,389**	1,194,389
Reserves	20	**11,851,043**	11,578,477
Proposed final dividend		**—**	597,813
		13,045,432	13,370,679
Minority interests		**97,727**	101,977
TOTAL EQUITY		**13,143,159**	13,472,656

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six-month period ended 30 June 2008

	Attributable to equity holders of the parent							
	Issued capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
As at 1 January 2007	1,194,389	6,678,052	819,437	2,810,330	525,531	12,027,739	94,062	12,121,801
Final 2006 dividend declared	—	—	—	—	(525,531)	(525,531)	—	(525,531)
Dividend paid to minority shareholders	—	—	—	—	—	—	(1,720)	(1,720)
Transfer from capital reserve to retained profits (i)	—	(4,672)	—	4,672	—	—	—	—
Net profit for the period	—	—	—	669,543	—	669,543	4,086	673,629
As at 30 June 2007	1,194,389	6,673,380(iii)	819,437(iii)	3,484,545(iii)	—	12,171,751	96,428	12,268,179

	Attributable to equity holders of the parent							
	Issued capital RMB'000	**Capital reserve RMB'000**	**Statutory surplus reserve RMB'000**	**Retained profits RMB'000**	**Proposed final dividend RMB'000**	**Total RMB'000**	**Minority interests RMB'000**	**Total equity RMB'000**
As at 1 January 2008	**1,194,389**	**6,673,380**	**972,658**	**3,932,439**	**597,813**	**13,370,679**	**101,977**	**13,472,656**
Final 2007 dividend declared	**—**	**—**	**—**	**—**	**(597,813)**	**(597,813)**	**—**	**(597,813)**
Dividend paid to minority shareholders	**—**	**—**	**—**	**—**	**—**	**—**	**(4,884)**	**(4,884)**
Transfer of minority interests of a subsidiary to the Company (ii)	**—**	**—**	**—**	**—**	**—**	**—**	**(513)**	**(513)**
Net profit for the period	**—**	**—**	**—**	**272,566**	**—**	**272,566**	**1,147**	**273,713**
As at 30 June 2008	**1,194,389**	**6,673,380(iii)**	**972,658(iii)**	**4,205,005(iii)**	**—**	**13,045,432**	**97,727**	**13,143,159**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (Continued)

For the six-month period ended 30 June 2008

(i) One of the subsidiaries, Binzhou Weiqiao Technology Industrial Park Company Limited ("Binzhou Industrial Park"), had received government grants of approximately RMB106 million which were credited to the capital reserve in accordance with the accounting principles generally accepted in the People's Republic of China ("PRC GAAP") as a non-distributable reserve during years prior to 2007. In accordance with HKAS 20, these government grants were treated as deferred income and recognised in the consolidated income statement over the expected useful lives of the relevant items of property, plant and equipment to which the grants were related by equal annual instalments. The Group's share of deferred income recognised in the consolidated income statement during the prior years has been transferred to the capital reserve.

In accordance with the new Chinese Accounting Standards effective from 1 January 2007, the government grants received were no longer required to be credited to capital reserve. The deferred income recognised in the consolidated income statements of prior years in accordance with HKAS 20 and transferred to capital reserve was then transferred back to retained profits in 2007.

(ii) In April 2008, Mr. Liu Guangmin, the minority shareholder of Weihai Weiqiao Technology Industrial Park Company Limited ("Weihai Industrial Park") transferred his entire share to the Company for a consideration of RMB0.5 million, making the subsidiary wholly owned by the Company.

(iii) These reserve accounts comprise the consolidated reserves of RMB11,851,043,000 and RMB10,977,362,000 in the condensed consolidated balance sheet as at 30 June 2008 and 30 June 2007, respectively.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six-month period ended 30 June 2008

	Six-month period ended 30 June 2008 (unaudited) RMB'000	Six-month period ended 30 June 2007 (unaudited) RMB'000
Net cash inflow from operating activities	**607,325**	2,229,861
Net cash outflow from investing activities	**(2,175,747)**	(2,234,110)
Net cash outflow before financing activities	**(1,568,422)**	(4,249)
Net cash outflow from financing activities	**(1,044,133)**	(440,571)
Net decrease in cash and cash equivalents	**(2,612,555)**	(444,820)
Cash and cash equivalents at beginning of the period	**4,014,049**	4,209,714
Effect of foreign exchange rate changes, net	**(11,038)**	849
Cash and cash equivalents at end of the period	**1,390,456**	3,765,743
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**1,336,856**	3,697,924
Non-pledged time deposits with original maturity of less than three months when acquired	**53,600**	67,819
	1,390,456	3,765,743

1. CORPORATE INFORMATION

The registered office of Weiqiao Textile Company Limited (the "Company") is located at No. 34, Qidong Road, Weiqiao Town, Zouping County, Shandong Province, the People's Republic of China (the "PRC").

The Company and its subsidiaries (collectively, the "Group") are principally engaged in the manufacture and sale of cotton yarns, grey fabrics and denims in the PRC and overseas.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Group are Shandong Weiqiao Chuangye Group Company (the "Holding Company"), a limited liability company established in the PRC, and Zouping County Supply and Marketing Corporation Union ("ZCSU"), a collectively-owned enterprise formed in the PRC, respectively.

As at 30 June 2008, the Company had direct interests in the following subsidiaries and joint ventures:

Company name	Place and date of incorporation/ registration and operations	Legal status	Paid-up capital/ registered capital	Percentage of equity interests directly attributable to the Company	Principal activities
Subsidiaries					
Weihai Weiqiao Textile Company Limited ("Weihai Weiqiao")	Weihai, the PRC 25 July 2001	Limited liability company	RMB148,000,000	87.2	Production and sale of cotton yarns
Binzhou Industrial Park	Binzhou, the PRC 26 November 2001	Limited liability company	RMB600,000,000	98.5	Production and sale of cotton yarns and fabrics
Shandong Weiqiao Mianye Company Limited	Zouping, the PRC 30 September 2003	Limited liability company	RMB5,000,000	92	Purchase, processing and sale of raw cotton, cotton seeds and lint cotton
Weihai Industrial Park	Weihai, the PRC 30 January 2004	Limited liability company	RMB260,000,000	100	Production and sale of cotton yarns and fabrics

1. CORPORATE INFORMATION (Continued)

Company name	Place and date of incorporation/ registration and operations	Legal status	Paid-up capital/ registered capital	Percentage of equity interests directly attributable to the Company	Principal activities
Joint ventures					
Shandong Luteng Textile Company Limited ("Luteng Textile")	Zouping, the PRC 12 September 2002	Sino-foreign equity joint venture	US$9,790,000	75	Production and sale of polyester yarns and related products
Shandong Binteng Textile Company Limited ("Binteng Textile")	Zouping, the PRC 12 March 2004	Sino-foreign equity joint venture	US$15,430,000	75	Production and sale of compact yarns and related products

The Company has unilateral control over the Group's joint ventures, Luteng Textile and Binteng Textile since their incorporation on 12 September 2002 and 12 March 2004, respectively.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2007 annual financial statements.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007, except as described below.

In the current interim period, the Group has applied, for the first time, a number of new interpretations issued by the HKICPA as follows:

	Applicable for periods beginning on or after
HK(IFRIC) – Int 11 HKFRS 2 – Group and Treasury Share Transactions	1 March 2007
HK(IFRIC) – Int 12 Service Concession Arrangements	1 January 2008
HK(IFRIC) – Int 14 HKAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

The adoption of these interpretations did not affect the Group's results of operations or financial position.

The Group has not early applied the following new standards, amendments and interpretations (collectively referred to as the "HKFRSs") that have been issued but are not yet effective. The directors of the Company anticipate that the application of these HKFRSs, will have no material impact on the financial position and results of the Group.

	Applicable for periods beginning on or after
HK(IFRIC) – Int 13 Customer Loyalty Programmes	1 July 2008
HKAS 1 (Revised) Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised) Borrowing Costs	1 January 2009
HKAS 32 Financial Instruments: Presentation	1 January 2009
HKFRS 2 Amendment Share-based Payment – Vesting Conditions and Cancellations	1 January 2009
HKFRS 8 Operating Segments	1 January 2009
HKAS 27 (Revised) Consolidated and Separate Financial Statements	1 July 2009
HKFRS 3 (Revised) Business Combinations	1 July 2009

3. SEGMENT INFORMATION

The Group has only one business segment, which is the manufacture and sale of cotton yarns, grey fabrics and denims. The Group conducts the majority of its business activities in four geographical areas, namely, Mainland China, Hong Kong, East Asia (principally comprising Japan and Korea) and others. All of the Group's assets are located in Mainland China.

An analysis by geographical segment, as determined by the location of the Group's operations, is as follows:

	Six-month period ended 30 June 2008		
	Sales to external customers (unaudited) RMB'000	**Cost of sales (unaudited) RMB'000**	**Gross profit (unaudited) RMB'000**
Mainland China	**4,476,168**	**3,955,046**	**521,122**
Hong Kong	**1,906,014**	**1,835,302**	**70,712**
East Asia	**1,061,236**	**1,026,230**	**35,006**
Others	**1,444,769**	**1,395,198**	**49,571**
	8,888,187	**8,211,776**	**676,411**

	Six-month period ended 30 June 2007		
	Sales to external customers (unaudited) RMB'000	Cost of sales (unaudited) RMB'000	Gross profit (unaudited) RMB'000
Mainland China	5,613,392	4,614,498	998,894
Hong Kong	1,578,389	1,337,077	241,312
East Asia	873,150	766,296	106,854
Others	1,202,408	1,035,344	167,064
	9,267,339	7,753,215	1,514,124

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, after allowances for trade discounts and returns, and excludes sales taxes and intra-group transactions.

An analysis of revenue, other income and gains is as follows:

	Six-month period ended 30 June 2008 (unaudited) RMB'000	Six-month period ended 30 June 2007 (unaudited) RMB'000
Revenue		
Sale of textile goods	**8,888,187**	9,267,339
Other income		
Bank interest income	**37,024**	39,415
Compensation from suppliers on supply of sub-standard goods	**11,897**	23,643
Penalty income from employees	**3,057**	3,213
Recognition of deferred income	**3,825**	2,575
Revenue on plant and equipment leasing	**917**	500
Others	**1,031**	1,259
	57,751	70,605
Gains		
Sale of electricity and steam	**438,105**	94,830
Less: cost thereon	**(358,921)**	(68,694)
Gains on sale of electricity and steam	**79,184**	26,136
Gains on sale of waste and spare parts	**4,625**	7,655
Foreign exchange differences, net	**151,470**	94,535
Realised gains on derivative financial instrument transactions	**2,936**	7,893
Fair value gains, net:		
Derivative financial instruments - transactions not qualifying as hedges	**—**	11,333
	238,215	147,552
	295,966	218,157

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six-month period ended 30 June 2008 (unaudited) RMB'000	Six-month period ended 30 June 2007 (unaudited) RMB'000
Cost of goods sold	**8,038,703**	7,677,038
Staff costs (excluding directors' and supervisors' remuneration):		
Wages, salaries and social security costs	**1,069,591**	1,046,402
Retirement benefits scheme contributions	**40,866**	24,749
	1,110,457	1,071,151
Depreciation *(note 10)*	**581,256**	530,805
Recognition of prepaid land lease payments	**1,407**	1,407
Losses on disposal of items of property, plant and equipment	**22,957**	729
Amortisation of intangible assets	**600**	600
Auditors' remuneration	**1,850**	1,750
Directors' and supervisors' remuneration	**2,315**	1,883
Foreign exchange differences, net	**(151,470)**	(94,535)
Provision against inventories	**5,900**	7,700
Reversal of provision against trade receivables	**(12,000)**	—
Minimum lease payments under operating leases:		
Land and buildings	**12,382**	10,659

6. FINANCE COSTS

	Six-month period ended 30 June 2008 (unaudited) RMB'000	Six-month period ended 30 June 2007 (unaudited) RMB'000
Interest on bank loans wholly repayable within five years	**368,257**	373,868
Less: Interest capitalised	**(990)**	(8,815)
	367,267	365,053
Other finance costs:		
Increase in discounted amounts of long term payable to the immediate holding company	**—**	7,897
	367,267	372,950

7. TAX

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the six-month period ended 30 June 2008 (six-month period ended 30 June 2007: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six-month period ended 30 June 2008 (unaudited) RMB'000	Six-month period ended 30 June 2007 (unaudited) RMB'000
Current - Mainland China	**17,868**	375,747
Deferred *(note 18)*	**(19,662)**	5,497
Total tax (credited)/charged for the period	**(1,794)**	381,244

7. TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the locations in which the Company, its subsidiaries and joint ventures are situated to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Six-month period ended 30 June 2008 (unaudited) RMB'000	**%**	Six-month period ended 30 June 2007 (unaudited) RMB'000	%
Profit before tax	**271,919**		1,054,873	
Tax at PRC statutory tax rate	**67,980**	**25.0**	348,108	33.0
Expenses not deductible for tax	**2,123**	**0.8**	9,105	0.9
Tax loss not recognised	**395**	**0.1**	716	0.1
Tax exemption (i)	**(309)**	**(0.1)**	(2,922)	(0.3)
Tax concession in respect of purchase of PRC manufactured machinery and equipment	**(83,878)**	**(30.8)**	—	—
Change in tax rates	**—**	**—**	10,373	1.0
Others	**11,895**	**4.3**	15,864	1.4
Tax charge at the Group's effective rate	**(1,794)**	**(0.7)**	381,244	36.1

Under the PRC income tax law, the companies comprising the Group are subject to corporate income tax ("CIT") at a rate of 25% on the taxable income as reported in their statutory accounts, which have been prepared in accordance with PRC GAAP.

(i) Being a Sino-foreign joint venture enterprise, Binteng Textile is subject to a CIT rate of 25% and is entitled to a full exemption for the first two years and a 50% reduction in the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years. Binteng Textile was entitled to a 50% reduction in the CIT rate for the current period.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the net profit for the period attributable to ordinary equity holders of the parent, and 1,194,389,000 ordinary shares in issue during the period.

Diluted earnings per share amounts for the six-month periods ended 30 June 2008 and 2007 have not been disclosed as no diluting events existed during these periods.

9. DIVIDEND

The proposed final dividend for the year ended 31 December 2007 was approved by the Company's shareholders on 30 May 2008.

At a meeting of the board of directors held on 12 September 2008, the directors did not recommend to pay an interim dividend to shareholders (six-month period ended 30 June 2007: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired buildings, machinery and equipment, motor vehicles and construction in progress with an aggregate cost of approximately RMB2,396,275,000 (six-month period ended 30 June 2007: RMB924,075,000), disposed of buildings, machinery and equipment with an aggregate net carrying value of approximately RMB38,724,000 (six-month period ended 30 June 2007: RMB1,551,000) and classified buildings, machinery and equipment as held for sale with an aggregate net carrying value of approximately RMB291,468,000 (six-month period ended 30 June 2007: Nil).

The depreciation charge of the Group for the six-month period ended 30 June 2008 was approximately RMB581,256,000 (six-month period ended 30 June 2007: RMB530,805,000).

11. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2008 (unaudited) RMB'000	31 December 2007 (audited) RMB'000
Within 3 months	**1,176,301**	894,169
3 to 6 months	**2,372**	3,176
6 months to 1 year	**2,260**	3,208
1 to 2 years	**1,388**	1,632
	1,182,321	902,185

The Group normally allows a credit period of not more than 45 days to its customers, although an extension of the credit period is not uncommon for customers with a long term relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The trade receivables are non-interest-bearing.

12. AMOUNTS DUE FROM/TO THE IMMEDIATE HOLDING COMPANY/RELATED PARTIES

The balances with the immediate holding company and related parties are unsecured, interest-free and have specific repayment terms.

13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	30 June 2008 (unaudited) RMB'000	31 December 2007 (audited) RMB'000
Property, plant and equipment	**291,468**	—

Under the policies laid down by the relevant authorities of the PRC, the Company made an announcement dated 8 May 2008 that the Weiqiao First Thermal Power Plant of the Company was to be closed down by 30 June 2008. Before the closedown of the Weiqiao First Thermal Power Plant, the Company had agreed with Zouping Gaoxin Thermal Power Co., Ltd. ("Gaoxin Thermal Power") to swap the Weiqiao First Thermal Power Plant with its large scale thermal power generation units, the Gaoxin Thermal Power Assets.

On 4 September 2008, the Company entered into an asset swap agreement with Gaoxin Thermal Power, pursuant to which the Company has agreed to acquire the Gaoxin Thermal Power Assets for an aggregate consideration of RMB1,599 million. The Company will satisfy the payment of this consideration by transferring the thermal power assets making up the Weiqiao First Thermal Plant, with an the aggregate appraised value of RMB291 million, and by setting off the balance of the consideration against the income from the sale of electricity generated by the Gaoxin Thermal Power Assets, which is in excess of the Group's actual electricity consumption requirement, to Gaoxin Thermal Power after the completion of the asset swap (the "Completion").

Upon Completion:

(a) the Group would own and operate the Gaoxin Thermal Power Assets by itself;

(b) the Company would lease from Gaoxin Thermal Power the land use rights in respect of the land on which the Thermal Power Assets are currently located, and;

(c) Gaoxin Thermal Power will purchase from the Company surplus electricity which is generated by the Gaoxin Thermal Power Assets and is in excess of the Group's actual electricity consumption requirement, at a rate to be agreed upon between both parties, from the date of Completion to 31 December 2011.

As the appraised value of the assets of Weiqiao First Thermal Plant of RMB291 million is around its carrying value as at 30 June 2008, no gain or loss is recognised in the consolidated income statement for the six-month period ended 30 June 2008.

14. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the date of transferring the significant risks and rewards of ownership of raw materials and items of property, plant and equipment to the Group, is as follows:

	30 June 2008 (unaudited) RMB'000	31 December 2007 (audited) RMB'000
Within 3 months	**2,058,994**	857,853
3 to 6 months	**23,602**	217,179
6 months to 1 year	**11,349**	240,014
Over 1 year	**198,259**	60,487
	2,292,204	1,375,533

The trade payables are non-interest-bearing and most of the balances are payable in six months.

15. BILLS PAYABLE

	30 June 2008 (unaudited) RMB'000	31 December 2007 (audited) RMB'000
Within 3 months	**557,900**	452,551
3 to 6 months	**180,000**	196,600
	737,900	649,151

Certain of the Group's bills payable amounting to RMB557.9 million as at 30 June 2008 were drawn by the Company in favour of Binzhou Industrial Park and were discounted with banks by Binzhou Industrial Park prior to 30 June 2008.

Certain of the Group's bills payable amounting to RMB180 million as at 30 June 2008 were drawn by Weihai Industrial Park in favour of the Company and were discounted with banks by the Company prior to 30 June 2008.

15. BILLS PAYABLE (Continued)

Certain of the Group's bills payable amounting to RMB477.3 million as at 31 December 2007 were drawn by the Company in favour of Binzhou Industrial Park and were discounted with banks by Binzhou Industrial Park prior to 31 December 2007.

Certain of the Group's bills payable amounting to RMB171.9 million as at 31 December 2007 were drawn by Weihai Industrial Park and Weihai Weiqiao in favour of the Company and were discounted with banks by the Company prior to 31 December 2007.

16. OTHER PAYABLES AND ACCRUALS

	30 June 2008 (unaudited) RMB'000	31 December 2007 (audited) RMB'000
Payroll payable	**220,416**	219,579
Other taxes payable	**138,486**	30,354
Accruals	**30,500**	67,630
Other payables	**518,653**	444,379
	908,055	761,942

The other payables are non-interest-bearing.

17. INTEREST-BEARING BANK LOANS

Set out below is information relating to the security interest and banking guarantees of the Group's bank loans as at 30 June 2008:

(i) Other than certain of the bank loans in the aggregate amount of US$415 million (equivalent to RMB2,847 million) as at 30 June 2008 (31 December 2007: US$481 million, equivalent to RMB3,514 million), all of the Group's bank loans are denominated in Renminbi.

(ii) Certain of the Group's bank loans amounting to approximately RMB5,213 million (31 December 2007: RMB5,252 million) were secured by certain of the Group's buildings, machinery and equipment, and land use rights (prepaid land lease payments) of an aggregate value of approximately RMB10,489 million as at 30 June 2008 (31 December 2007: RMB8,955 million).

(iii) Weihai Civil Aviation Industrial Company Limited, the minority shareholder of Weihai Weiqiao, guaranteed bank loans for Weihai Weiqiao of up to approximately RMB9 million (31 December 2007: RMB9 million) as at 30 June 2008.

(iv) The Company has guaranteed bank loans for certain of its subsidiaries up to approximately RMB263 million (31 December 2007: RMB296 million) as at 30 June 2008.

(v) Certain of the Group's bank loans amounting to RMB115 million (31 December 2007: RMB75 million) were secured by a subsidiary's trade receivables from the Company of RMB148 million (31 December 2007: RMB95 million) as at 30 June 2008, which has been eliminated in the condensed consolidated balance sheet.

18. DEFERRED TAX

The movements in the deferred tax assets and liabilities during the period are as follows:

	Six-month period ended 30 June 2008 (unaudited) RMB'000	Six-month period ended 30 June 2007 (unaudited) RMB'000
Deferred tax assets		
At 1 January	**70,088**	121,044
Credited/(charged) to the consolidated income statement during the period	**19,487**	(7,655)
At 30 June	**89,575**	113,389
Deferred tax liabilities		
At 1 January	**5,773**	8,082
Credited to the consolidated income statement during the period	**(175)**	(2,158)
At 30 June	**5,598**	5,924
Credited/(charged) to the consolidated income statement, net *(note 7)*	**19,662**	(5,497)

18. DEFERRED TAX (Continued)

The principal components of the Group's deferred tax are as follows:

	30 June 2008 (unaudited) RMB'000	31 December 2007 (audited) RMB'000
Deferred tax assets		
Tax deductible losses	**24,907**	2,442
Provision against inventories	**16,155**	14,680
Impairment of trade receivables	**2,777**	5,777
Net fair value (gains)/losses on derivative financial instruments	**397**	(1,441)
Government grants recognised as deferred income	**36,216**	33,113
Interest capitalisation on fixed assets, net of related depreciation	**(6,755)**	(6,928)
Difference in depreciation for tax purposes	**4,032**	4,155
Others	**11,846**	18,290
	89,575	70,088
Deferred tax liabilities		
Interest capitalisation on fixed assets, net of related depreciation	**5,598**	5,773
	5,598	5,773

There was no material unprovided deferred tax during the period.

19. SHARE CAPITAL

Shares	**30 June 2008 (unaudited) RMB'000**	31 December 2007 (audited) RMB'000
Registered, issued and fully paid:		
780,770,000 (31 December 2007: 780,770,000) domestic shares of RMB1.00 each	**780,770**	780,770
413,619,000 (31 December 2007: 413,619,000) H shares of RMB1.00 each	**413,619**	413,619
	1,194,389	1,194,389

The Company does not have any share option scheme.

20. DISTRIBUTABLE RESERVES

As at 30 June 2008, in accordance with the PRC Company Law, an amount of approximately RMB6,673 million standing to the credit of the Company's capital reserve account and an amount of approximately RMB918 million standing to the credit of the Company's statutory surplus reserve, as determined under PRC GAAP, were available for distribution by way of the future capitalisation issue. In addition, the Company's retained profits of approximately RMB3,626 million were available for distribution as dividends. Save as the aforesaid, the Company did not have any reserves available for distribution to its shareholders as at 30 June 2008.

21. RELATED PARTY TRANSACTIONS

The Group is part of a larger group of companies under ZCSU and has extensive transactions and relationships with the members of ZCSU. As such, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties. Related parties refer to entities of which ZCSU is a shareholder and is able to exercise control or significant influence. The transactions were made on terms agreed between the parties.

21. RELATED PARTY TRANSACTIONS (Continued)

During the period, the Group had the following material transactions with related parties:

(a) Transactions with related parties

Name of related parties	Relationship with the Company	Nature of transactions	**Six-month period ended 30 June 2008**	Six-month period ended 30 June 2007
			(unaudited) RMB'000	(unaudited) RMB'000
The Holding Company	The immediate holding company	Expenses on provision of electricity and steam	**—**	39,844
		Purchase of items of property, plant and equipment	**2,210,000**	—
		Expenses on land use rights and property leasing	**12,169**	10,659
		Sale of cotton yarn	**35,018**	—
		Revenue on supply of electricity	**396,304**	81,075
		Revenue on property leasing	**917**	—
Weihai Xijiao Thermal Power Company Limited	A fellow subsidiary*	Expense on provision of electricity and steam	**24,082**	—
		Expenses on land use right leasing	**213**	—
Shandong Weiqiao Dyeing and Weaving Co., Ltd.	A fellow subsidiary**	Sale of cotton yarn	**—**	40,749
		Purchase of equipment	**—**	443
		Revenue on plant and equipment leasing	**—**	500
Shandong Weilian Printing and Dyeing Co., Ltd.	A fellow subsidiary	Sale of grey fabrics	**330,841**	181,875
Shandong Weiqiao Hengfu Knitting Co., Ltd.	A fellow subsidiary	Sale of cotton yarn	**47,788**	31,990
Shandong Weiqiao Bleaching-Dyeing Co., Ltd.	An associate of the Holding Company	Sale of cotton yarn	**53,149**	14,432
Shandong Weiqiao Hongyuan Home Textile Co., Ltd.	A fellow subsidiary	Sale of grey fabrics	**30,363**	3,048

21. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (continued)

Name of related parties	Relationship with the Company	Nature of transactions	**Six-month period ended 30 June 2008**	Six-month period ended 30 June 2007
			(unaudited)	(unaudited)
			RMB'000	RMB'000
Shandong Weiqiao Tekuanfu Co., Ltd.	A fellow subsidiary	Sale of grey fabrics	**222,226**	175,793
Shandong Weiqiao Clothes Co., Ltd.	A fellow subsidiary	Sale of denims	**—**	11
		Sale of grey fabrics	**39**	19
Shandong Weiqiao Elite Garment Co., Ltd.	A fellow subsidiary	Sale of grey fabrics	**370**	477
Shandong Weiqiao Jiajia Home Textile Co.,Ltd	A fellow subsidiary*	Sales of grey fabrics	**31,886**	—

* These two companies are fully owned by the Holding Company.

** This company was liquidated in 2007.

21. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties included in the condensed consolidated balance sheet

	Due from related parties		Due to related parties	
	30 June 2008 (unaudited) RMB'000	31 December 2007 (audited) RMB'000	**30 June 2008 (unaudited) RMB'000**	31 December 2007 (audited) RMB'000
The Holding Company	**46,876**	1,579	**1,000**	37,793
Fellow subsidiaries	**—**	—	**10,831**	16,882
An associate of the Holding Company	**297**	1	**—**	—

(c) Compensation of key management personnel of the Group

	Six-month period ended 30 June 2008 (unaudited) RMB'000	Six-month period ended 30 June 2007 (unaudited) RMB'000
Short term employee benefits	**2,375**	1,889
Post-employment benefits	**9**	18
Share-based payments	**—**	—
Total compensation paid to key management personnel	**2,384**	1,907

22. COMMITMENTS

(a) Capital commitments

At the balance sheet date, the Group had the following capital commitments, principally for construction in progress, the acquisition of items of property, plant and equipment and equity investments:

	30 June 2008 (unaudited) RMB'000	31 December 2007 (audited) RMB'000
Contracted, but not provided for	**53,835**	469,358

(b) Operating lease commitments

At the balance sheet date, the Group had the following total future minimum lease payments under non-cancellable operating leases in respect of land and buildings:

	30 June 2008 (unaudited) RMB'000	31 December 2007 (audited) RMB'000
Within one year	**25,769**	23,401
In the second to fifth years, inclusive	**101,032**	91,857
After five years	**302,453**	278,840
	429,254	394,098

23. CONTINGENT LIABILITIES

At the balance sheet date, the Group's contingent liabilities not provided for in the financial statements were as follows:

	30 June 2008 (unaudited) RMB'000	31 December 2007 (audited) RMB'000
Letters of credit issued	**339,336**	52,933

24. SUBSEQUENT EVENTS

On 4 September 2008, the Company entered into an asset swap agreement with Gaoxin Thermal Power, pursuant to which the Company has agreed to acquire the Gaoxin thermal power assets for an aggregate consideration of RMB1,599 million. The Company will satisfy the payment of this consideration by transferring the thermal power assets making up the Weiqiao First Thermal Plant, with an the aggregate appraised value of RMB291 million, and by setting off the balance of the consideration against the income from the sale of electricity generated by the Gaoxin thermal power assets, which is in excess of the Group's actual electricity consumption requirement, to Gaoxin Thermal Power after the Completion. Further details are set out in note 13.

25. APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors of the Company on 12 September 2008.