



魏橋紡織股份有限公司
Weiqiao Textile Company Limited

(Stock Code : 2698)



2010
INTERIM REPORT

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SUMMARY

Interim results for the six months ended 30 June 2010

- Revenue was approximately RMB8,304 million, representing an increase of approximately 30.2% over the same period of last year.
- Gross profit was approximately RMB1,040 million, representing an increase of approximately 114.4% over the same period of last year.
- Net profit attributable to equity holders of the Company was approximately RMB545 million, representing an increase of approximately 38.0% over the same period of last year.
- Continued to consolidate and expand its sales network to maintain a relatively larger market share.
- Actively conducted technology upgrade, strengthened independent research and development and engaged in the production of high-quality products.
- Continued to strictly control the production costs and optimize the product mix so as to reinforce the core competitiveness of the Group.
- The Group continued to maintain its leading position in the PRC cotton textile industry and was ranked No. 1 among the PRC's textile and apparel exporters in terms of export amount in the first half of 2010.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Zhang Hongxia (*Chairman*)
Zhang Yanhong
Zhao Suwen
Zhang Jinglei

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

Zhang Jinglei

AUDIT COMMITTEE

Chan Wing Yau, George (*Chairman*)
Wang Naixin
Xu Wenying

REMUNERATION COMMITTEE

Zhang Hongxia (*Chairman*)
Wang Naixin
Xu Wenying

AUTHORISED REPRESENTATIVES

Zhao Suwen
Zhang Jinglei

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The PRC

LEGAL ADVISOR AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

INTERNATIONAL AUDITORS

Ernst & Young

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STOCK CODE

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CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Weiqiao Textile Company Limited ("Weiqiao Textile" or the "Company"), I hereby present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2010 (the "Period" or "Period under Review").

In the first half of 2010, the PRC economy maintained steady and yet relatively fast growth momentum. In order to cope with the global financial crisis, the PRC government timely implemented a series of positive fiscal policies and stimulus measures to expand domestic demand and accelerate the change of the economic development model and structural adjustment and therefore, the domestic economy maintained positive momentum in general. According to the figures released by the National Bureau of Statistics of China, in the first half of 2010, GDP was approximately RMB17,284.0 billion, representing an increase of approximately 11.1% over the same period of last year in terms of comparable price, whereas consumer price index grew by 2.6% in the first half of 2010 as compared to the same period of last year. Driven by the PRC government's policies to expand domestic demand, the domestic sales market performed well and was pivotal to the recovery of the PRC textile industry. From January to May 2010, based on the figures released by the Statistics Center of China National Textile and Apparel Council, China's retail sales for apparel consumer goods increased by approximately 23.1% from that in the corresponding period of last year, representing approximately 4.9 percentage points higher than the growth of total retail sales of the nation's consumer goods for the same period. During the same period, textile enterprises above the standard size in China achieved an accumulated domestic sales amount of approximately RMB1,347.6 billion, representing an increase of approximately 29.8% over the same period of last year, while the percentage of domestic sales amount also grew by approximately 1.7 percentage points as compared with the same period of last year.

Meanwhile, the external trade of textile products in the PRC experienced a relatively fast recovery as well. According to the figures released by the National Bureau of Statistics of China, in the first half of 2010, total imports and exports of China amounted to approximately US\$1,354.9 billion, representing a period-on-period increase of approximately 43.1%. Of which, exports accounted for approximately US\$705.1 billion, representing an increase of approximately 35.2% over that in the same period of last year. Based on the statistics released by China Customs, in the first half of 2010, with the rising demand and increasing prices, the accumulated exports of the PRC textile and apparel products amounted to approximately US\$88.9 billion, representing a period-on-period growth of approximately 22.0%.

Leverage on its effective operating strategies and solid industry leading position, Weiqiao Textile adopted various measures to strengthen its internal control so as to improve the efficiency of strategies execution and ensure quick response to market changes. During the Period, with the efforts of all staff, the Group achieved steady growth in operating results. For the six months ended 30 June 2010, the Group's revenue was approximately RMB8,304 million, representing an increase of approximately 30.2% as compared with the corresponding period of 2009. Net profit attributable to shareholders of the Company was approximately RMB545 million, representing an increase of approximately 38.0% as compared with that in the corresponding period of 2009. Earnings per share amounted to approximately RMB0.46.

Looking ahead, uncertainties will still remain in the PRC textile industry in the second half of 2010. In the second half of 2010, with the continuing recovery of the PRC economy, RMB is likely to resume appreciation. In addition, in face of the challenges such as rising cotton prices, increasing labor costs and energy costs, the profit margin of the PRC textile enterprises may be squeezed further. Trade friction, to a certain extent, may also affect the future growth of the industry. On 5 August 2010, the Ministry of Industry and Information Technology of the PRC announced a list of printing and dyeing enterprises with backward production capacity to be phased out in 2010, pursuant to which these backward production capacities on the list shall be shut down by the end of September 2010. This is likely to exert obvious pressure on China's dyeing and textile

CHAIRMAN'S STATEMENT



enterprises. However, the PRC textile industry may also benefit from a number of favorable factors. The external economic environment has been picking up gradually with rising demand while the domestic market grows steadily. The continuing structural changes and transformation, and the operational advancement would generate opportunities to the PRC textile industry.

The directors of the Company believe that the key to overcome these market challenges is to capture the opportunities in the domestic and overseas markets to further expand the market share domestically and abroad. The Group will continue to accelerate operational advancement, improve operating efficiencies, seek breakthrough in product and technology innovation and brand building as well as continue to improve production technology standards to manufacture products that are in line with high global standards. With respect to the overseas market, the Group will continue to expand the geographical coverage of its business to maintain its market share internationally by leveraging on the advantage of the economies of scale and optimization of product mix. The directors of the Company believe that the Group's leading position in textile industry worldwide will be further enhanced as the operational results and the risk aversion capability of the Group improve continuously.

Our visionary management and dedicated staff enabled us to achieve our goals at the largest extent. I would like to take this opportunity to thank all shareholders, investors and business partners for their trust and support. I would also like to extend my gratitude to the members of the Board, management team and staff for their relentless efforts in making contributions to the Group.

Zhang Hongxia
Chairman

Shandong, the PRC
20 August 2010

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

During the Period, under the combined effects of the factors such as recovering international market, continuously blooming domestic market and lower comparison basis in the previous year, the PRC textile industry showed a rebounding trend when compared with the same period of last year.

During the Period under Review, the domestic consumption market was pivotal to the continuing recovery of the PRC textile industry. According to the figures released by China National Textile and Apparel Council Statistics Center, from January to May 2010, domestic sales of China textile enterprises above standard size grew by approximately 29.8%; whereas the proportion of domestic sales increased to approximately 81.7% from approximately 80.0% for the same period of last year. At the same time, the export of textile products from the PRC saw an apparent increase over the same period of last year. According to the figures released by China Customs, accumulated exports of textile products and apparel in the PRC in the first half of 2010 rose by approximately 22.0% over the corresponding period of last year to approximately US\$88.9 billion, up by approximately 32.8 percentage points as compared with the growth of approximately -10.8% of the same period in 2009.

Based on the analysis of major export markets, during the first half of 2010, the export of textile and apparel products from the PRC to EU, the US and Japan were approximately US\$18.8 billion, US\$14.2 billion and US\$9.6 billion respectively, representing an increase of approximately 18.4%, 28.6% and 1.2%, respectively. The combined export amounts of the above accounted for approximately 48.0% of the total export value of textile and apparel products in the PRC for the same period. In the same period, the export of textile and apparel products from the PRC to Hong Kong, Southeast Asia and Africa amounted to approximately US\$7.1 billion, US\$6.6 billion and US\$5.1 billion respectively, up by approximately 10.1%, 44.2% and 30.2%, respectively. As driven by the rebound of demand and increase in prices, the exports of textile and apparel products in the PRC showed the trend of rapid growth.

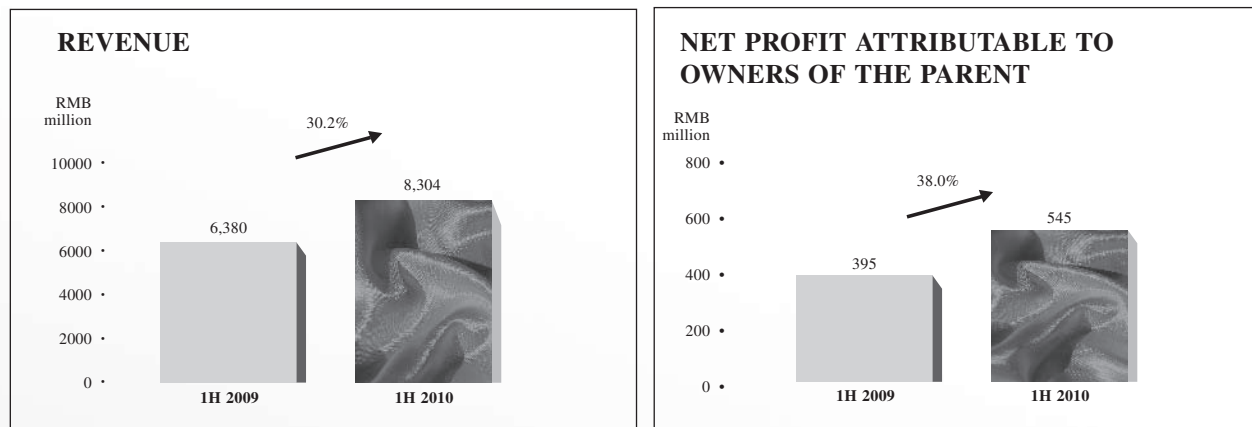
For the first half of 2010, the price of domestic cotton increased substantially as compared with the same period of last year. Based on the China Cotton A Index, the average price of domestic cotton was approximately RMB16,417 per tonne, representing a period-on-period increase of approximately 32.7%. In the international market, the average cotton price also grew to approximately US\$85.48 cents per pound according to the Cotlook A Index, representing a period-on-period increase of approximately 48.9%. The overall increase in both the domestic and international cotton prices was over 30%. As of 31 July 2010, according to the China Cotton A Index, the average price of domestic cotton was approximately RMB18,748 per tonne with the highest price at approximately RMB18,825 per tonne; and with respect to the international market, the average cotton price was approximately US\$84.16 cents per pound with the highest price at approximately US\$85.35 cents according to the Cotlook A Index. The substantial increase in cotton price imposed pressure on the cost control by the cotton textile enterprises in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period under Review, the overall textile industry of the PRC resumed growth driven by gradual recovery of the global market and stable growth of the domestic market. The Group continued to consolidate its business growth by strengthening internal management and cost control, optimizing resources allocation and adjusting product mix according to market demand. Leveraging on the solid customer base of the Group, the Group successfully secured its large market share and achieved satisfactory operating results.

For the six months ended 30 June 2010, the revenue of the Group and net profit attributable to the equity holders of the Company are as follows:

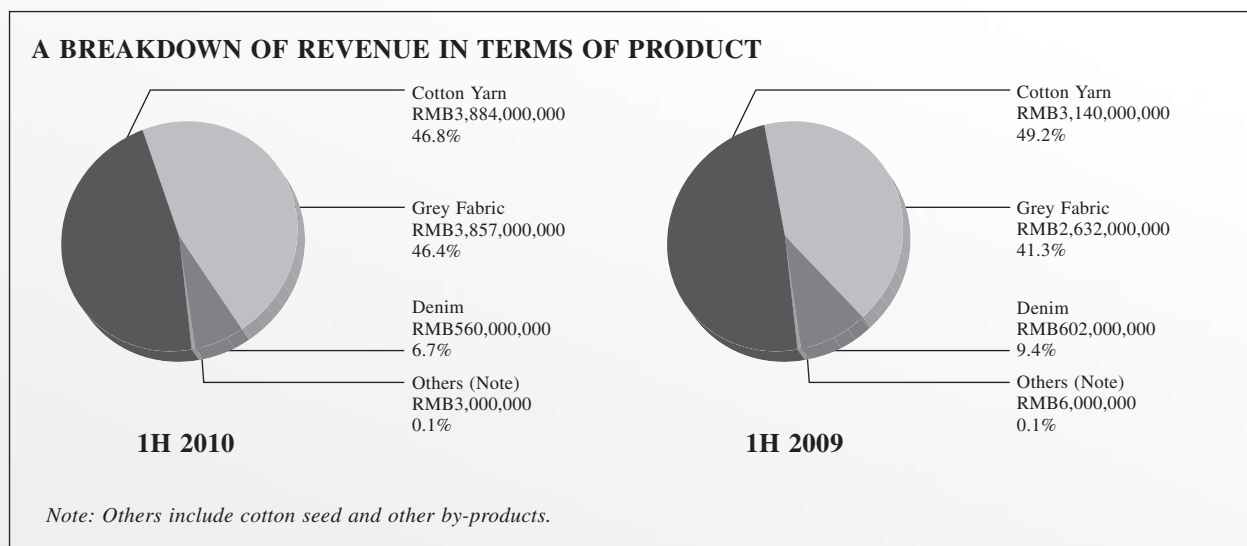


For the six months ended 30 June 2010, revenue of the Group increased by approximately 30.2% over the same period in 2009 to approximately RMB8,304 million. Net profit attributable to owners of the parent increased by approximately 38.0% over the same period in 2009 to approximately RMB545 million. Such increase in revenue was mainly due to the increase in purchase orders of the Group due to the increase in demand in the domestic and overseas textile markets as global economic experiencing recovery; and the rising textile product price driven by the increase in raw material price and market demand. The increase in net profit attributable to owners of the parent was primarily due to the increase in the price of the principal textile products of the Group was higher than that of the price of raw materials.

For the six months ended 30 June 2010, the Group's revenue generated from the sales of electricity and steam amounted to approximately RMB1,316 million and recorded gross profits of approximately RMB154 million. Revenue from electricity and steam decreased by approximately 15.3% over the same period of last year, mainly due to the decrease in external sales of the surplus electricity as the Group increased its own consumption on electricity. Gross profit of electricity and steam fell by approximately 69.2% over the same period of last year, primarily due to the rising cost of electricity as the price of coal as its principal raw material increased as well as the decrease in sales of electricity due to the increase of electricity consumption by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The charts below are a comparison of the breakdown of revenue by product for the six months ended 30 June 2009 and 2010:



For the six months ended 30 June 2010, the proportion of revenue generated from grey fabric increased as compared with the same period of last year, which was primarily due to the increase in sales volume of grey fabric while the unit price of all the above three types products of the Group increased; whereas the proportion of revenue generated from the sales of denim decreased as compared with the same period of last year, which was mainly due to decrease in denim production volume as a result of the phasing out of some backward denim production facilities in the Weiqiao production base by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Gross Profit and Gross Profit Margin

The following table was an analysis of gross profit and gross profit margin of the Group's major products for the six months ended 30 June 2009 and 2010, respectively:

Product categories	For the six months ended 30 June			
	2010		2009	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Cotton yarn	609,987	15.7	219,319	7.0
Grey fabric	345,955	9.0	189,731	7.2
Denim	83,997	15.0	76,024	12.6
Others	316	12.3	245	3.9
Total	<u>1,040,255</u>	<u>12.5</u>	<u>485,319</u>	<u>7.6</u>

For the six months ended 30 June 2010, the gross profit margin of the Group increased to 12.5% as compared with the same period of last year. Such increase was mainly attributable to the greater increase in the price of the Group's principal textile products than that of the raw materials driven by the picking up of the overall textile industry domestically and abroad. Relative to the individual gross profit margin of the three types of products, the Group placed more emphasis on the integrated gross profit margin of the products. Looking ahead, the Group will, based on the market conditions and other considerations, adopt "integrated benefits maximization" as its development objective.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Distribution Costs

For the six months ended 30 June 2010, the Group's selling and distribution costs increased by approximately 4.7% from approximately RMB129 million in the same period of last year to approximately RMB135 million. Of which, transportation costs grew by approximately 3.0% from approximately RMB101 million in the same period of last year to approximately RMB104 million, which was mainly due to the slight increase in transportation fee as a result of the growth in sales volume of the Group during the Period. Sales commission amounted to approximately RMB11 million, representing an increase of approximately 57.1% over approximately RMB7 million in the same period of last year, which was primarily due to the increase in the revenue of the Group generated from exports.

Administration Expenses

For the six months ended 30 June 2010, the Group's administrative expenses were approximately RMB102 million, representing an increase of approximately 8.5% as compared with approximately RMB94 million for the same period of last year. It was primarily due to the upward adjustment of wages by the Group and the corresponding increase in the salary expenses of administration and management staff in the first half of the year.

Finance Costs

For the six months ended 30 June 2010, the Group's finance costs decreased by approximately 13.0% to approximately RMB240 million as compared with approximately RMB276 million over the same period of last year, which was primarily due to the corresponding decrease in the interest expenses of the Group as a result of the decrease in the interest rate of bank borrowings.

Liquidity and Financial Resources

The cash and cash equivalents of the Group were approximately RMB4,190 million as at 30 June 2010, representing an increase of approximately 28.4% as compared with the cash and cash equivalents of approximately RMB3,264 million as at 31 December 2009. It was mainly due to the increase in cash inflow from the Group's operating activities as the revenue increased.

For the six months ended 30 June 2010, the Group had a net cash inflow for operating activities of approximately RMB1,592 million; a net cash outflow for investing activities of approximately RMB380 million; and a net cash outflow for financing activities of approximately RMB285 million. As at the end of the period, the cash and cash equivalents grew by approximately RMB926 million. The Group primarily finances its working capital requirements with the cash inflow from operations. The directors of the Company believe that the Group has adequate liquidity and financial resources to satisfy its business needs and will continue to maintain a sound financial condition.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2010, the average turnover days of the Group's account receivables increased to 23 days from 16 days for the same period in 2009, which was primarily due to the long credit period of the majority of the revenue from exports which were settled by way of letter of credit as the revenue from exports of the Group increased.

For the six months ended 30 June 2010, the inventory turnover days of the Group decreased to 75 days from 108 days for the same period in 2009, primarily as a result of the decrease in inventory of the finished products of the Group as the domestic and overseas textile market demand continued to increase.

For the six months ended 30 June 2010, the Group did not use any financial instruments.

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

During the six months ended 30 June 2010, the Company's net profit attributable to equity holders of the Company was approximately RMB545 million, representing an increase of approximately 38.0% as compared with approximately RMB395 million during the corresponding period of last year.

During the six months ended 30 June 2010, basic earnings per share of the Company were approximately RMB0.46.

Capital Structure

The major objective of the Group's capital management is to ensure the ongoing operations and the sound capital ratio of the Group. 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 at 30 June 2010, the debts of the Group mainly included bank loans with a total amount of approximately RMB8,587 million and cash and cash equivalents amounted to approximately RMB4,190 million. Gearing ratio (total debt (including interest bearing bank loans net of cash and cash equivalents) divided by total net assets) was approximately 30.5% (first half of 2009: approximately 46.5%).

Details of the outstanding bank loans as at 30 June 2010 are set out in note 17 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 2010, approximately 27.2% of the Group's bank loans were subject to fixed interest rates while the remaining approximately 72.8% was subject to floating interest rates.

The Group maintains balance between the continuity and flexibility of funds through bank loans. In any 12-month period, the loans due will not exceed 50% of the total loans. As at 30 June 2010, approximately 47.1% of the liabilities will mature within one year.

As at 30 June 2010, the Group's loans were primarily denominated in RMB, US dollars and Euros, of which loans in US dollars and Euros represented approximately 19.1% and approximately 0.3% of the total loans, respectively, while its cash and cash equivalents were mainly denominated in RMB, of which cash and cash equivalents denominated in US dollars represented approximately 4.3% of the total amount.

MANAGEMENT DISCUSSION AND ANALYSIS

Details of Pledged Assets of the Group

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

Employees and Emolument Policies

As at 30 June 2010, the Group had a total of approximately 105,000 employees, representing an increase of approximately 6,000 employees as compared with the same period of last year. Such increase in the number of staff was due to the recruitment of some new staff as replenishment and reserve for the production division to meet the needs of the Group's production. Total staff costs of the Group amounted to approximately RMB1,175 million during the Period, representing approximately 14.1% of the Group's turnover up by 0.9 percentage point as compared to approximately 13.2% in the same period of last year. The increase in total staff costs over the same period of last year was mainly due to the increase of the salary level by the Group during the Period in order to maintain the stability in production and operation. Employee remuneration is determined based on their performances, experience and the industry practice. The Group's remuneration policies and packages were reviewed periodically by the management of the Group. In addition, the management also grants bonuses and rewards to the staff based on their performance to encourage and motivate the technology innovation and technology improvement by staff. The Group also provided the relevant trainings to the staff based on the technical requirements of different positions.

Exposure to Foreign Exchange Risks

The Group adopted a prudent policy in managing its exchange rate risks. Export revenue and import purchases of the Group are settled in US dollars. For the six months ended 30 June 2010, 40.0% of the Group's revenue and approximately 52.1% of the costs of purchase of cotton are denominated in US dollars. For the six months ended 30 June 2010, the Group has not experienced any significant difficulties or impacts on its operations or liquidity as a result of fluctuations in currency exchange rates. The directors of the Company believe that the Group will have sufficient foreign currency to meet its requirements.

Capital Commitments

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

Contingent Liabilities

Details are set out in note 24 to the unaudited interim condensed consolidated financial statements.

Taxation

The tax of the Group increased from approximately RMB139 million for the first half of 2009 to approximately RMB188 million for the first half of 2010, representing an increase of approximately 35.3%. Such increase in tax was mainly attributable to the increase in profit before tax during the Period under Review.

SUPPLEMENTARY INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, 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 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:

Name of Shareholder	Number of Domestic Shares <i>(Note 1)</i>	Approximate percentage of total issued domestic share capital as at 30 June 2010 (%)	Approximate percentage of total issued share capital as at 30 June 2010 (%)
Holding Company	738,895,100 (Long position)	94.64	61.86
Zouping Supply and Marketing Investment Company Limited (鄒平供銷投資有限公司) (“Zouping Investment”)	738,895,100 (Long position) <i>(Note 2)</i>	94.64	61.86

SUPPLEMENTARY INFORMATION

Interests in the H Shares of the Company:

Name of Shareholder	Type of interest	Number of H Shares (Note 3)	Approximate percentage of total issued H share capital as at 30 June	Approximate percentage of total issued share capital as at 30 June
			2010 (%)	2010 (%)
The Bank of New York Mellon Corporation	Interest of a controlled corporation	78,954,800 (Long position)	19.09	6.61
		46,915,900 (Lending pool) (Note 4)	11.34	3.93
Brandes Investment Partners, L.P.	Investment manager	49,882,250 (Long position) (Note 5)	12.06	4.18
The Boston Company Asset Management LLC	Investment manager	28,574,900 (Long position) (Note 6)	6.91	2.39
Mellon Financial Corporation	Interest of a controlled corporation	41,073,100 (Long position) (Note 7)	9.93	3.44

Notes:

1. Unlisted shares.
2. Zouping Investment holds 51% equity interests in Holding Company.
3. Shares listed on the Main Board of the Stock Exchange.
4. These 78,954,800 H Shares in which The Bank of New York Mellon Corporation was deemed interested under the SFO were directly held by The Bank of New York Mellon, which was a corporation 100% controlled by The Bank of New York Mellon Corporation.
5. These 49,882,250 H Shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.
6. These 28,574,900 H Shares were held by The Boston Company Asset Management LLC in its capacity as investment manager.
7. These 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, 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 the chief executive of the Company, as at 30 June 2010, 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.

SUPPLEMENTARY INFORMATION

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

As at 30 June 2010, the interests of the directors, supervisors or chief executive 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 and Chairman)	Beneficial	17,700,400 (Long position)	2.27	1.48
Zhang Shiping (Non-executive director)	Beneficial	5,200,000 (Long position)	0.67	0.44

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) are as follows:

	Name of associated corporation	Type of interest	Approximate percentage of total share capital (%)
Zhang Shiping (<i>Non-executive director</i>)	Holding Company	Beneficial	33.72
Zhang Hongxia (<i>Executive director</i>)	Holding Company	Beneficial and spouse (<i>Note 1</i>)	5.73 (<i>Note 1</i>)
Zhang Yanhong (<i>Executive director</i>)	Holding Company	Beneficial	1.63
Wang Zhaoting (<i>Non-executive director</i>)	Holding Company	Beneficial	0.25
Zhao Suwen (<i>Executive director</i>)	Holding Company	Beneficial	0.38
Liu Mingping (<i>Supervisor</i>)	Holding Company	Beneficial	0.14
Zhao Suhua (<i>Non-executive director</i>)	Holding Company	Beneficial and spouse (<i>Note 2</i>)	3.09 (<i>Note 2</i>)
Wang Xiaoyun (<i>Non-executive director</i>)	Holding Company	Beneficial	0.25

Note 1: These 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: These 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 2010, 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.

SUPPLEMENTARY INFORMATION

INTERIM DIVIDEND

The Board of the Company recommended no payment of the interim dividend for the six months ended 30 June 2010.

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 2010.

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 20 August 2010 to review the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 and gave opinions and recommendation to the Board. The Audit Committee also engaged an external auditor to review the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010.

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. The remuneration committee meeting was held on 26 March 2010, at which the resolution with regard to directors' payroll and bonus as well as supervisors' payment for the year of 2010 was passed.

SUPPLEMENTARY INFORMATION

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 2010.

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 operations of the Board are sufficient to ensure the equilibrium of powers and functions.

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, the Company has confirmed that each of the directors of the Company complied with the Model Code.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this announcement is published on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.wqfz.com>). An interim report for the six months ended 30 June 2010 containing all the applicable information required by Appendix 16 to the Listing Rules will be despatched to shareholders and published on the website of the Stock Exchange and the Company in due course.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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To the Board of Directors

Weiqiao Textile Company Limited

(A joint stock company established in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements of Weiqiao Textile Company Limited and its subsidiaries (collectively, the "Group") as at 30 June 2010, comprising the interim consolidated statement of financial position as at 30 June 2010 and the related interim consolidated statements of comprehensive 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.

Management is 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 Hong Kong Institute of Certified Public Accountants. 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. Consequently, it 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 accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong

20 August 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended 30 June 2010

	Notes	Six-month period ended 30 June 2010 (unaudited) RMB'000	Six-month period ended 30 June 2009 (unaudited) RMB'000
Revenue	5	8,303,867	6,379,533
Cost of sales		<u>(7,263,612)</u>	<u>(5,894,214)</u>
Gross profit		1,040,255	485,319
Other income and gains	5	223,992	582,417
Selling and distribution costs		(135,272)	(128,546)
Administrative expenses		(102,326)	(94,195)
Other expenses		(52,824)	(36,475)
Finance costs	7	<u>(240,084)</u>	<u>(276,319)</u>
Profit before tax	6	733,741	532,201
Income tax expense	8	<u>(188,040)</u>	<u>(138,831)</u>
Profit and total comprehensive income for the period		<u>545,701</u>	<u>393,370</u>
Profit and total comprehensive income attributable to:			
Owners of the parent		544,513	394,626
Non-controlling interests		<u>1,188</u>	<u>(1,256)</u>
		<u>545,701</u>	<u>393,370</u>
Dividend	10	<u>Nil</u>	<u>Nil</u>
Earnings per share attributable to ordinary equity holders of the parent			
Basic – for profit for the period	9	<u>RMB0.46</u>	<u>RMB0.33</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2010

		30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	11	16,781,453	17,202,236
Investment properties		80,870	122,545
Prepaid land lease payments		119,186	120,593
Intangible assets		4,206	3,301
Deferred tax assets	18	194,047	173,328
TOTAL NON-CURRENT ASSETS		17,179,762	17,622,003
CURRENT ASSETS			
Inventories		2,984,102	2,780,810
Trade receivables	12	1,039,760	871,475
Amount due from the immediate holding company	13	52,975	51,954
Prepayments, deposits and other receivables		118,501	441,120
Pledged time deposits		189,966	186,430
Non-pledged time deposits maturing over three months		1,668,922	1,536,783
Cash and cash equivalents		4,190,009	3,264,210
TOTAL CURRENT ASSETS		10,244,235	9,132,782
CURRENT LIABILITIES			
Trade payables	14	1,935,691	1,700,358
Bills payable	15	660,000	748,300
Amounts due to related parties	13	5,676	7,291
Other payables and accruals	16	1,079,297	881,791
Interest-bearing bank and other borrowings	17	4,048,591	3,911,785
Tax payable		577,397	499,097
Deferred income		8,921	9,535
TOTAL CURRENT LIABILITIES		8,315,573	7,758,157
NET CURRENT ASSETS		1,928,662	1,374,625
TOTAL ASSETS LESS CURRENT LIABILITIES		19,108,424	18,996,628

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (Continued)

As at 30 June 2010

	Notes	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	17	4,542,753	4,693,672
Deferred income		125,291	129,394
Deferred tax liabilities	18	5,632	5,472
TOTAL NON-CURRENT LIABILITIES		4,673,676	4,828,538
NET ASSETS		14,434,748	14,168,090
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	19	1,194,389	1,194,389
Reserves	20	13,145,358	12,600,845
Proposed final dividend	10	–	278,890
		14,339,747	14,074,124
Non-controlling interests		95,001	93,966
TOTAL EQUITY		14,434,748	14,168,090

Zhang Hongxia
Executive Director

Zhao Suwen
Executive Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six-month period ended 30 June 2010

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Issued capital	Capital reserve	Statutory surplus reserve	Retained profits	Proposed final dividend	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at 1 January 2009	1,194,389	6,673,380	1,033,485	4,280,424	187,400	13,369,078	96,423	13,465,501	
Final 2008 dividend declared	-	-	-	-	(187,400)	(187,400)	-	(187,400)	
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	(305)	(305)	
Profit and total comprehensive income for the period	-	-	-	394,626	-	394,626	(1,256)	393,370	
As at 30 June 2009	<u>1,194,389</u>	<u>6,673,380⁽ⁱ⁾</u>	<u>1,033,485⁽ⁱ⁾</u>	<u>4,675,050⁽ⁱ⁾</u>	<u>-</u>	<u>13,576,304</u>	<u>94,862</u>	<u>13,671,166</u>	

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Issued capital	Capital reserve	Statutory surplus reserve	Retained profits	Proposed final dividend	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at 1 January 2010	1,194,389	6,673,380	1,129,107	4,798,358	278,890	14,074,124	93,966	14,168,090	
Final 2009 dividend declared	-	-	-	-	(278,890)	(278,890)	-	(278,890)	
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	(153)	(153)	
Profit and total comprehensive income for the period	-	-	-	544,513	-	544,513	1,188	545,701	
As at 30 June 2010	<u>1,194,389</u>	<u>6,673,380⁽ⁱ⁾</u>	<u>1,129,107⁽ⁱ⁾</u>	<u>5,342,871⁽ⁱ⁾</u>	<u>-</u>	<u>14,339,747</u>	<u>95,001</u>	<u>14,434,748</u>	

⁽ⁱ⁾ These reserve accounts comprise the consolidated reserves of RMB13,145,358,000 and RMB12,381,915,000 in the condensed consolidated statement of financial position as at 30 June 2010 and 30 June 2009, respectively.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW *(UNAUDITED)*

For the six-month period ended 30 June 2010

	Six-month period ended 30 June 2010 (unaudited) RMB'000	Six-month period ended 30 June 2009 (unaudited) RMB'000
Net cash inflow from operating activities	1,592,244	227,820
Net cash outflow from investing activities	<u>(380,336)</u>	<u>(640,792)</u>
Net cash inflow/(outflow) before financing activities	1,211,908	(412,972)
Net cash outflow from financing activities	<u>(285,429)</u>	<u>(342,713)</u>
Net increase/(decrease) in cash and cash equivalents	926,479	(755,685)
Cash and cash equivalents at beginning of the period	3,264,210	2,643,593
Effect of foreign exchange rate changes, net	<u>(680)</u>	<u>(1,017)</u>
Cash and cash equivalents at end of the period	<u>4,190,009</u>	<u>1,886,891</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	3,583,759	1,836,891
Non-pledged time deposits with original maturity of less than three months when acquired	<u>606,250</u>	<u>50,000</u>
	<u>4,190,009</u>	<u>1,886,891</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 June 2010

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 yarn, grey fabrics and denim in Mainland China 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”), and Zouping Supply and Marketing Investment Company Limited (“Zouping Investment”), both of which are limited liability companies established in the PRC, respectively.

As at 30 June 2010, 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 yarn
Binzhou Weiqiao Technology Industrial Park Company Limited (“Binzhou Industrial Park”)	Binzhou, the PRC 26 November 2001	Limited liability company	RMB600,000,000	98.5	Production and sale of cotton yarn 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 Weiqiao Technology Industrial Park Company Limited (“Weihai industrial Park”)	Weihai, the PRC 30 January 2004	Limited liability company	RMB260,000,000	100	Production and sale of cotton yarn and fabrics

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

30 June 2010

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	Limited liability company	US\$9,790,000	75	Production and sale of polyester yarn and related products
Shandong Binteng Textile Company Limited (“Binteng Textile”)	Zouping, the PRC 12 March 2004	Limited liability company	US\$15,430,000	75	Production and sale of compact yarn 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 interim condensed consolidated financial statements have been prepared in accordance with HKAS 34.

The interim condensed consolidated 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 annual financial statements as at 31 December 2009.

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 2009, except for the adoption of, for the first time, new standards, amendments and interpretations (collectively referred to as “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, noted below:

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

30 June 2010

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>

Apart from the above, *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. Except for the amendment to HKAS 18 which is effective for annual periods beginning on or after 1 January 2009, the Group has adopted all the amendments from 1 January 2010. The adoption of these HKFRSs did not affect the Group's results of operations or financial position.

The Group has not early applied the following new 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
HKFRS 9 – <i>Financial Instruments</i>	1 January 2013
HKAS 24 (Revised) – <i>Related Party Disclosures</i>	1 January 2011
HKAS 32 Amendment – Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>	1 February 2010
HK(IFRIC)-Int 14 Amendments – Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>	1 January 2011
HK(IFRIC)-Int 19 – <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010

Apart from the above, the Hong Kong Institute of Certified Public Accountants has also issued *Improvements to HKFRSs 2010** in May 2010 which sets out amendments to a number of HKFRSs in response to the International Accounting Standards Board's (the "IASB") annual improvements project to make necessary, but non-urgent, amendments to IFRSs. Except for the amendment to HKFRS 3 which is effective for annual periods beginning on or after 1 July 2009, the amendments are effective for annual periods beginning on or after 1 January 2011, although entities are permitted to adopt them earlier.

* *Improvements to HKFRSs 2010* contains amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 7, HKAS 3 and HK(IFRIC)-Int 13.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

30 June 2010

3. CHANGE IN ACCOUNTING ESTIMATES

The Group changed the useful lives for certain buildings used for the thermal power plant from 40 years to 20 years since April 2010, after considering their physical conditions. The effect of this change of accounting estimate is recognised prospectively according to HKAS 8 and the profit before tax for the current period ended 30 June 2010 was reduced by RMB18 million.

4. SEGMENT INFORMATION

The Group has only one operating segment, which is the manufacture and sale of cotton yarn, grey fabrics and denim. 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 2010		
	Sales to	Cost of	Gross
	external	sales	profit
	customers	sales	profit
	(unaudited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000
Mainland China	4,980,496	4,365,977	614,519
Hong Kong	1,046,566	905,828	140,738
East Asia	904,802	803,249	101,553
Others	1,372,003	1,188,558	183,445
	<u>8,303,867</u>	<u>7,263,612</u>	<u>1,040,255</u>

	Six-month period ended 30 June 2009		
	Sales to	Cost of	Gross
	external	sales	profit
	customers	sales	profit
	(unaudited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000
Mainland China	4,336,746	4,034,469	302,277
Hong Kong	712,140	650,080	62,060
East Asia	467,604	443,805	23,799
Others	863,043	765,860	97,183
	<u>6,379,533</u>	<u>5,894,214</u>	<u>485,319</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

30 June 2010

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of textile 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 2010 (unaudited) RMB'000	Six-month period ended 30 June 2009 (unaudited) RMB'000
Revenue		
Sale of textile goods	<u>8,303,867</u>	<u>6,379,533</u>
Other income		
Bank interest income	27,522	28,440
Compensation from suppliers on supply of sub-standard goods	11,437	31,531
Penalty income from employees	3,402	2,674
Recognition of deferred income	4,716	4,860
Revenue on plant and equipment leasing	1,283	1,500
One-off government subsidies	7,739	7,352
Others	<u>3,708</u>	<u>–</u>
	<u>59,807</u>	<u>76,357</u>
Gains		
Sale of electricity and steam	1,315,987	1,553,097
Less: cost thereon	<u>(1,161,730)</u>	<u>(1,053,176)</u>
Gains on sale of electricity and steam	154,257	499,921
Gains on sale of waste and spare parts	6,747	5,006
Foreign exchange differences, net	3,181	–
Fair value gains, net:		
Derivative financial instruments - transactions not qualifying as hedges	<u>–</u>	<u>1,133</u>
	<u>164,185</u>	<u>506,060</u>
	<u>223,992</u>	<u>582,417</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

30 June 2010

6. PROFIT BEFORE TAX

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

	Six-month period ended 30 June 2010 (unaudited) RMB'000	Six-month period ended 30 June 2009 (unaudited) RMB'000
Cost of goods sold	7,254,437	5,896,174
Staff costs (excluding directors' and supervisors' remuneration):		
Wages, salaries and social security costs	1,120,945	796,736
Pension scheme contributions	<u>51,649</u>	<u>44,621</u>
	<u>1,172,594</u>	<u>841,357</u>
Depreciation (<i>note 11</i>)	641,934	631,441
Recognition of prepaid land lease payments	1,407	1,407
Losses/(gains) on disposal of items of property, plant and equipment	18,080	(77)
Amortisation of intangible assets	679	600
Auditors' remuneration	1,850	1,880
Directors' and supervisors' remuneration	2,007	2,301
Foreign exchange differences, net	(3,181)	7,559
Reversal of provision against inventories	(6,100)	(8,300)
Minimum lease payments under operating leases:		
Land and buildings	<u>12,919</u>	<u>13,338</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

30 June 2010

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six-month period ended 30 June 2010 (unaudited) RMB'000	Six-month period ended 30 June 2009 (unaudited) RMB'000
Interest on bank loans wholly repayable within five years	239,865	264,113
Interest on finance lease	<u>219</u>	<u>927</u>
Total interest expenses on financial liabilities not at fair value through profit or loss	240,084	265,040
Other finance costs:		
Increase in discounted amounts of a long term payable to a third party	<u>—</u>	<u>11,279</u>
	<u>240,084</u>	<u>276,319</u>

8. 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 2010 (six-month period ended 30 June 2009: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates.

	Six-month period ended 30 June 2010 (unaudited) RMB'000	Six-month period ended 30 June 2009 (unaudited) RMB'000
Current - Mainland China	208,599	162,128
Deferred (<i>note 18</i>)	<u>(20,559)</u>	<u>(23,297)</u>
Total tax charged for the period	<u>188,040</u>	<u>138,831</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

30 June 2010

8. 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 2010 (unaudited) RMB'000		Six-month period ended 30 June 2009 (unaudited) RMB'000	
		%		%
Profit before tax	<u>733,741</u>		<u>532,201</u>	
Tax at the PRC statutory tax rate	183,435	25.0	133,050	25.0
Expenses not deductible for tax	4,641	0.6	5,781	1.1
Others	<u>(36)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Tax charge at the Group's effective rate	<u>188,040</u>	<u>25.6</u>	<u>138,831</u>	<u>26.1</u>

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 the Generally Accepted Accounting Principles in the People's Republic of China ("PRC GAAP").

9. 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.

The Group had no potentially dilutive ordinary shares in issue during these periods.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

30 June 2010

10. DIVIDEND

The proposed final dividend for the year ended 31 December 2009 was approved by the Company's shareholders on 1 June 2010.

At a meeting of the board of directors held on 20 August 2010, the directors did not recommend paying the interim dividend to shareholders (six-month period ended 30 June 2009: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2010, the Group acquired buildings, machinery and equipment, motor vehicles and construction in progress with an aggregate cost of approximately RMB249 million (six-month period ended 30 June 2009: RMB60 million), and disposed of buildings, machinery and equipment with an aggregate net carrying value of approximately RMB68 million (six-month period ended 30 June 2009: RMB0.8 million).

The depreciation charge of the Group for the six-month period ended 30 June 2010 was approximately RMB642 million (six-month period ended 30 June 2009: RMB631 million).

12. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
Within 3 months	1,034,809	870,187
3 to 6 months	2,500	410
6 months to 1 year	1,968	826
1 to 2 years	351	52
2 to 3 years	132	–
	<u>1,039,760</u>	<u>871,475</u>

The Group normally allows a credit period of not more than 45 days to its customers, although an extension of the credit period is not uncommon for customers 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

30 June 2010

13. 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.

14. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, 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 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
Within 3 months	1,717,903	1,548,426
3 to 6 months	124,718	57,240
6 months to 1 year	12,133	5,435
Over 1 year	<u>80,937</u>	<u>89,257</u>
	<u>1,935,691</u>	<u>1,700,358</u>

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

15. BILLS PAYABLE

	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
Within 3 months	560,000	520,000
3 to 6 months	<u>100,000</u>	<u>228,300</u>
	<u>660,000</u>	<u>748,300</u>

Certain of the Group's bills payable amounting to RMB400 million as at 30 June 2010 were drawn by the Company in favour of Binzhou Industrial Park and discounted with banks by Binzhou Industrial Park prior to 30 June 2010 (31 December 2009: RMB420 million).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

30 June 2010

15. BILLS PAYABLE (Continued)

Certain of the Group's bills payable amounting to RMB260 million as at 30 June 2010 were drawn by Weihai Industrial Park in favour of the Company and were discounted with banks by the Company prior to 30 June 2010 (31 December 2009: RMB260 million).

There were no bills payable as at 30 June 2010 drawn by Binzhou Industrial Park in favour of the Company and discounted with banks by the Company prior to 30 June 2010 (31 December 2009: RMB68 million).

16. OTHER PAYABLES AND ACCRUALS

	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
Payroll payable	231,345	190,229
Other taxes payable	84,570	19,250
Accruals	21,917	24,602
Other payables	<u>741,465</u>	<u>647,710</u>
	<u>1,079,297</u>	<u>881,791</u>

The other payables are non-interest-bearing.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(UNAUDITED)* (Continued)

30 June 2010

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

Set out below is information relating to the security interest and banking guarantees of the Group's bank loans as at 30 June 2010:

- (i) Other than certain of the bank loans in the aggregate amount of US\$241 million (equivalent to RMB1,638 million) as at 30 June 2010 (31 December 2009: US\$204 million, equivalent to RMB1,395 million), and certain of the bank loans in the aggregate amount of EUR2.7 million (equivalent to RMB22 million) as at 30 June 2010 (31 December 2009: Nil), all of the Group's bank loans are denominated in Renminbi.
- (ii) Certain of the Group's bank loans amounting to approximately RMB5,080 million (31 December 2009: RMB5,490 million) were secured by certain of the Group's buildings, machinery and equipment, and land use rights (prepaid land lease payments) with an aggregate value of approximately RMB9,692 million as at 30 June 2010 (31 December 2009: RMB10,218 million).
- (iii) Weihai Civil Aviation Industrial Company Limited, the minority shareholder of Weihai Weiqiao, guaranteed bank loans for Weihai Weiqiao of up to approximately RMB33 million (31 December 2009: RMB38 million) as at 30 June 2010.
- (iv) The Company has guaranteed bank loans of Weihai Industrial Park and Weihai Weiqiao up to approximately RMB407 million (31 December 2009: RMB342 million) as at 30 June 2010.
- (v) Certain of the Group's bank loans amounting to RMB515 million (31 December 2009: RMB540 million) were secured by certain of Binzhou Industrial Park's trade receivables from the Company of RMB702 million (31 December 2009: RMB749 million) as at 30 June 2010, which has been eliminated in the condensed consolidated statement of financial position.
- (vi) Certain of the Group's bank loans up to RMB34 million (31 December 2009: RMB44 million) were secured by certain of Weihai Weiqiao and Binzhou Industrial Park's bills of lading of approximately RMB38 million (31 December 2009: RMB50 million) as at 30 June 2010.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

30 June 2010

18. DEFERRED TAX

The movements in the deferred tax assets and liabilities during the six-month period ended 30 June 2010 are as follows:

	Six-month period ended 30 June 2010 (unaudited) RMB'000	Six-month period ended 30 June 2009 (unaudited) RMB'000
Deferred tax assets		
At 1 January	173,328	118,007
Credited to the condensed consolidated statement of comprehensive income during the period	<u>20,719</u>	<u>18,264</u>
At 30 June	<u>194,047</u>	<u>136,271</u>
Deferred tax liabilities		
At 1 January	5,472	10,388
Charged/(credited) to the condensed consolidated statement of comprehensive income during the period	<u>160</u>	<u>(5,033)</u>
At 30 June	<u>5,632</u>	<u>5,355</u>
Credited to the condensed consolidated statement of comprehensive income, net (note 8)	<u>20,559</u>	<u>23,297</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

30 June 2010

18. DEFERRED TAX (Continued)

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

	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
Deferred tax assets		
Tax deductible losses	76,995	68,171
Provision against inventories	18,639	20,164
Impairment of trade receivables	1,968	1,968
Impairment of properties and investment properties	5,725	37,675
Government grants recognised as deferred income	33,553	34,732
Government grants received not yet recognised as deferred income	13,685	9,250
Interest capitalisation on fixed assets, net of related depreciation	(6,065)	(6,238)
Difference in depreciation for tax purposes	8,700	7,606
Union fund accrued over payment	4,631	–
Losses on disposal of fixed assets	36,216	–
	<u>194,047</u>	<u>173,328</u>
Deferred tax liabilities		
Interest capitalisation on fixed assets, net of related depreciation	5,077	5,218
Unrealised losses arising from the intra-group sales	555	254
	<u>5,632</u>	<u>5,472</u>

There was no material unprovided deferred tax during the period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

30 June 2010

19. SHARE CAPITAL

	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
Shares		
Registered, issued and fully paid:		
780,770,000 (31 December 2009: 780,770,000) domestic shares of RMB1.00 each	780,770	780,770
413,619,000 (31 December 2009: 413,619,000) H shares of RMB1.00 each	413,619	413,619
	<u>1,194,389</u>	<u>1,194,389</u>

The Company does not have any share option scheme.

20. DISTRIBUTABLE RESERVES

As at 30 June 2010, 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 RMB1,075 million standing to the credit of the Company's statutory surplus reserve, as determined under PRC GAAP, were available for distribution by way of a future capitalisation issue. In addition, the Company's retained profits of approximately RMB4,855 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 2010.

21. RELATED PARTY TRANSACTIONS

The Group is part of a larger group of companies under Zouping Investment and has extensive transactions and relationships with the members of Zouping Investment. 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 Zouping Investment is a shareholder and is able to exercise control or significant influence. The transactions were made on terms agreed between the parties.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

30 June 2010

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 2010 (unaudited) RMB'000	Six-month period ended 30 June 2009 (unaudited) RMB'000
The Holding Company	The immediate holding company	Expenses on land use rights and property leasing	11,990	12,055
		Sale of cotton yarn	22,151	147,984
		Revenue on supply of electricity	617,460	566,799
		Revenue on property leasing	1,208	1,500
Weihai Xijiao Thermal Power Company Limited	A fellow subsidiary*	Expenses on land use right leasing	-	370
Shandong Weilian Printing and Dyeing Co., Ltd.	A fellow subsidiary	Sale of grey fabrics	165,088	129,722
Shandong Weiqiao Hengfu Knitting Co., Ltd.	A fellow subsidiary	Sale of cotton yarn	-	16,621
		Sale of grey fabrics	155	-
Shandong Huibin Cotton Textile & Bleaching-Dyeing Co., Ltd.	A company controlled by the key management personnel**	Sale of cotton yarn	4,407	2,793
Shandong Weiqiao Hongyuan Home Textile Co., Ltd.	A fellow subsidiary	Sale of grey fabrics	3,347	8,710
Shandong Weiqiao Tekuanfu Co., Ltd.	A fellow subsidiary	Sale of grey fabrics	56,512	84,444
Shandong Weiqiao Clothes Co., Ltd.	A fellow subsidiary	Sale of denim	43,983	155
		Sale of grey fabrics	8	2
Shandong Weiqiao Elite Garment Co., Ltd.	A fellow subsidiary	Sale of grey fabrics	-	17
Shandong Weiqiao Jijia Home Textile Co., Ltd	A fellow subsidiary*	Sale of grey fabrics	28,060	9,101

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

** This company, formerly known as Shandong Weiqiao Bleaching Dyeing Co. Ltd, became a related party since February 2010 followed by the change of its shareholders. Shandong Weiqiao Bleaching Dyeing Co. Ltd. had been a related party, as an associate of the Holding Company until May 2009 before the Holding Company disposed of its equity interests to a third party.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

30 June 2010

21. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties included in the condensed consolidated statement of financial position

	Due from related parties		Due to related parties	
	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
The Holding Company	52,975	51,954	–	–
Fellow subsidiaries	–	–	5,676	7,291

(c) Compensation of key management personnel of the Group

	Six-month period ended 30 June 2010 (unaudited) RMB'000	Six-month period ended 30 June 2009 (unaudited) RMB'000
Short term employee benefits	2,219	2,354
Post-employment benefits	15	9
Total compensation paid to key management personnel	<u>2,234</u>	<u>2,363</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

30 June 2010

22. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitment, principally for the purchase of machinery and an equity investment:

	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
Contracted, but not provided for	<u>285,901</u>	<u>208,401</u>

The Group has letters of credit issued for purchasing machinery amounting to approximately RMB236 million (31 December 2009: RMB158 million), which was also included in the contingent liabilities in note 24.

23. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms of three years.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
Within one year	1,332	2,827
In the second to third years, inclusive	<u>5,977</u>	<u>578</u>
	<u>7,309</u>	<u>3,405</u>

(b) As lessee

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

	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
Within one year	24,926	26,309
In the second to fifth years, inclusive	97,956	104,090
After five years	<u>253,472</u>	<u>274,237</u>
	<u>376,354</u>	<u>404,636</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(UNAUDITED)* (Continued)

30 June 2010

24. CONTINGENT LIABILITIES

At the end of the reporting period, the Group's contingent liabilities not provided for in the condensed consolidated financial statements were as follows:

	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
Letters of credit issued	<u>424,331</u>	<u>158,401</u>

Certain of the letters of credit issued amounting to approximately RMB236 million (31 December 2009: RMB158 million) were for the purchase of machinery, which was also included in the capital commitments in note 22.

25. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 20 August 2010.