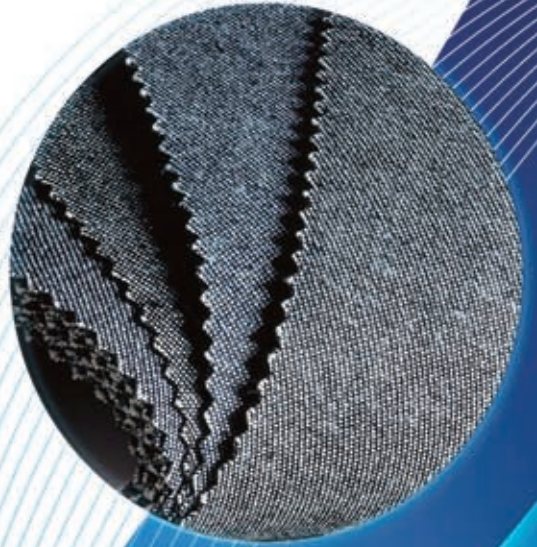




魏橋紡織股份有限公司
Weiqiao Textile Company Limited
(Stock Code : 2698)



Interim Report

2012

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SUMMARY

Interim results for the six months ended 30 June 2012

- Revenue was approximately RMB7,709 million, representing a decrease of approximately 4.0% over the corresponding period of last year.
- Gross profit was approximately RMB419 million, representing a decrease of approximately 58.8% over the corresponding period of last year.
- Net profit attributable to owners of the parent was approximately RMB54 million, representing a decrease of approximately 90.1% over the corresponding period of last year.
- Gross profit margin was approximately 5.4%, representing a decrease of 7.3 percentage points as compared with the gross profit margin of approximately 12.7% for the corresponding period of last year and an increase of 3.6 percentage points as compared with the gross profit margin of approximately 1.8% for 2011.
- In view of the weak overall demand in the textile market, the Group adopted flexible sales strategies, which contributed to increases in sales volumes by approximately 64.6%, 9.0% and 3.2% for cotton yarn, grey fabric and denim over the corresponding period of last year, respectively.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Zhang Shiping
Zhao Suhua

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wang Naixin
Xu Wenying
Chan Wing Yau, George

SUPERVISORS

Lu Tianfu
Wang Wei
Wang Xiaoyun

COMPANY SECRETARY

Zhang Jinglei

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Wang Naixin (*Chairman*)
Zhang Hongxia
Xu Wenying

NOMINATION COMMITTEE

Zhang Hongxia (*Chairman*)
Wang Naixin
Xu Wenying

AUTHORISED REPRESENTATIVES

Zhao Suwen
Zhang Jinglei

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LEGAL ADDRESS IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Zouping Economic Development Zone
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Shandong Province
The PRC

LEGAL ADVISOR AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

INTERNATIONAL AUDITOR

Ernst & Young

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COMPANY WEBSITE

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STOCK CODE

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CHAIRMAN'S STATEMENT

It is my pleasure to present on behalf of the board of directors (the "Board") of Weiqiao Textile Company Limited ("Weiqiao Textile" or the "Company") the unaudited consolidated interim financial results of the Company, together with its subsidiaries (collectively, the "Group"), for the six months ended 30 June 2012 (the "Period" or "Period under Review").

During the Period under Review, the textile industry in China was significantly affected by the challenging global macroeconomic situation. Factors such as weak demand in both overseas and domestic markets, the cotton price gap between domestic and overseas markets, and intensified international competition caused a decline in the textile industry in China. As a result, the whole industry saw a slowdown in production growth and domestic sales, greater downward pressure on exports and declining earnings.

With the deteriorating sovereign debt crisis in Europe and the lingering aftermath of global financial crisis, the global textile market remained sluggish during the Period. According to figures released by the Administration of China Customs, China's total exports of textile products and apparel in the first half of 2012 rose by approximately 1.6% over the corresponding period of last year to approximately US\$113.5 billion. The growth rate declined by approximately 24.2 percentage points from approximately 25.8% in the corresponding period of last year. In addition to weak demand from overseas markets, the large cotton price gap between domestic and overseas markets, which led to higher production costs for domestic players and intensified price competition, was also an important reason for the sharp decline in exports of textile products and apparel.

During the Period under Review, the domestic market became an increasing area of focus for the textile industry in China. The overall domestic market continued to grow stably, but showed signs of slowdown in growth rate. According to the statistics released by the National Bureau of Statistics of China, from January to May 2012, sales of apparel, footwear, headwear and knitwear by companies with over RMB20 million in annual revenue in China grew by approximately 16.2% as compared with the corresponding period of 2011, which was approximately 7.3 percentage points lower than the growth rate of the corresponding period of last year.

During the Period, cotton prices in the domestic market remained at a low level while declining sharply in overseas markets, making overseas cotton much cheaper than domestic cotton, which led to greater competition pressure on the domestic textile industry. Therefore, it was difficult to lift the prices of textile products, which significantly affected the Group's overall profitability.

During the Period, our revenue was approximately RMB7,709 million, representing a decrease of approximately 4.0% from the corresponding period of 2011. Net profit attributable to owners of the parent was approximately RMB54 million, representing a decrease of approximately 90.1% as compared with the corresponding period of 2011. Earnings per share were RMB0.05. The Group's gross profit margin for the first half of 2012 was approximately 5.4%, 7.3 percentage points lower than that in the corresponding period of 2011, but 3.6 percentage points higher than the 1.8% gross profit margin for the whole year 2011.

Looking ahead, we expect the global economy to continue to pose challenges, and this will likely cause demand from international markets to remain weak. On the domestic front, surging labor and other production costs, funding difficulties, and other issues are not expected to be resolved in the near future. The trend for the cotton price gap between domestic and overseas markets remains uncertain. As such, the operating environment for the textile industry in China will most likely remain challenging. With growing domestic consumption, demand for various middle and high-end textile products and apparel is expected to grow. And following recent reserve requirement ratio and interest rate cuts, it is expected that more favorable

CHAIRMAN'S STATEMENT



policies to stabilize the economy will be issued in the second half of 2012, which would support the steady development of the textile industry in China. Although the operating environment for China's textile industry in the second half of 2012 will remain challenging, we believe the industry will show low, but positive growth.

As the world's largest cotton textile enterprise, we have highly automated production facilities and are supported by an innovative research and development team. While proactively expanding its market presence and reducing inventory levels, the Group will continue to increase production efficiency and reduce the labour used per 10,000 spindles through technical innovation and upgrades, as well as process engineering. We intend to stay with our strategy by focusing on high-end products and through emerging markets and to take advantage of the industry consolidation to expand our presence. We will also proactively update our products and optimize our product mix by leveraging our financial resources and market position. The Group will lower its raw material cost by leveraging its cotton import quota advantage. With good understanding of the market changes, we will be able to better grasp the opportunities amid the adjustment. And with the above competitive advantages, we are confident we will be able to counteract market volatility and maintain our leading position in the global cotton textile industry.

As the management team of Weiqiao Textile, we will continue to work diligently to maximize shareholders' value. With the trust and support of our shareholders, together with the great effort of our staff, we will be in a better position to achieve our goals. I would like to express my sincere gratitude to our shareholders, investors and business partners, and would also like to thank the members of the Board, the entire management team and our employees, for their dedication and hard work.

Chairman
Zhang Hongxia

Shandong, the PRC
17 August 2012

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Since the beginning of 2012, the overall textile industry in China has been under great pressure due to weak demand from both domestic and overseas markets and rising production costs, both of which have led to a decline of the textile industry in China.

During the Period under Review, the growth in the domestic market remained stable, but started showing sign of deceleration. According to the statistics released by the China National Textile and Apparel Council Statistics Center, during the first five months of 2012, domestic sales value of large textile enterprises in China rose by approximately 13.4%, decelerating by 18.5 percentage points as compared with the corresponding period of 2011. The proportion of domestic sales increased to approximately 84.2% as compared to approximately 82.7% for the corresponding period of 2011.

During the Period, exports of China's textile products increased, though at a much lower rate. According to the statistics released by the Administration of China Customs, China's exports of textile products in the first half of 2012 rose by approximately 1.3% as compared with the corresponding period of 2011, to approximately US\$46.5 billion. The growth rate declined by approximately 27.5 percentage points from approximately 28.8% in the corresponding period of 2011. During the Period, exports of textile products and apparel were as follows to the following countries:

- approximately US\$17.3 billion to the US, an increase of approximately 6.9% from the corresponding period of last year, though the growth rate declined by 7.3 percentage points.
- approximately US\$12.2 billion to Japan, an increase of approximately 3.1%, though the growth rate declined by 20.1 percentage points.
- approximately US\$7.6 billion to Hong Kong, an increase of approximately 1.3%, though the growth rate declined by 4.9 percentage points.
- approximately US\$21.3 billion to the European Union, a decrease of approximately 12.2%. The growth rate dropped by 41.1 percentage points from the corresponding period of last year.

The export of textile products and apparel to the emerging markets, ASEAN, Middle East, and African countries, increased by approximately 21.5%, 24.9% and 16.5%, respectively.

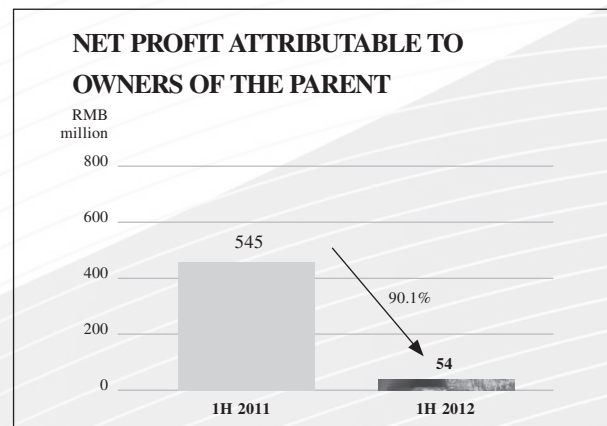
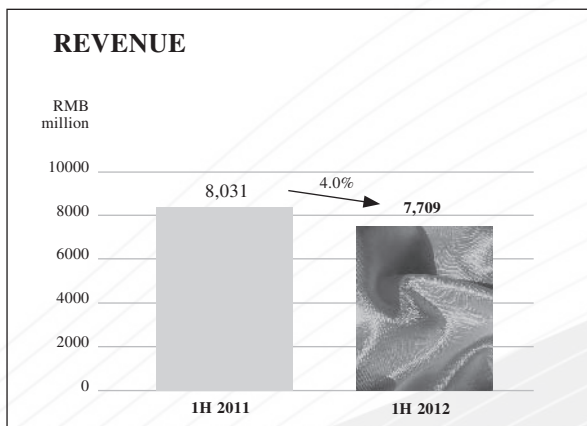
Based on the Cotton A Index in China, the average price of cotton in the first half of 2012 was RMB20,438 per ton, a decline of approximately 29.9% as compared with the corresponding period of 2011. The average price of cotton according to the Cotlook A Index was 95.36 US cents per pound, which was a decline of approximately 49.9% as compared with the corresponding period of 2011. Due to much higher price of domestic cotton as opposed to overseas cotton, textile enterprises in China had to bear higher production costs than their overseas counterparts, which weakened their competitiveness, leading to the decline of exports.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period under Review, the Group's financial results were affected by weak demand from overseas markets, a slowdown in demand in the domestic market, and the large cotton price gap between domestic and overseas markets. Despite the challenging situation, the Group continued to strengthen its business development, internal management and cost control, and optimize its resource allocation. The Group also continued to further optimize its product portfolio to cater to market demand. It also took a more flexible approach to its sales strategy and made other improvements across its value chain, from research and development, to procurement, production and marketing and sales so as to ensure its stable operation. The Group is confident that it will overcome the current challenges and take advantage of opportunities arising from consolidation to further enhance its dominant position in the industry.

For the six months ended 30 June 2012, the revenue of the Group and net profit attributable to owners of the parent are as follows:

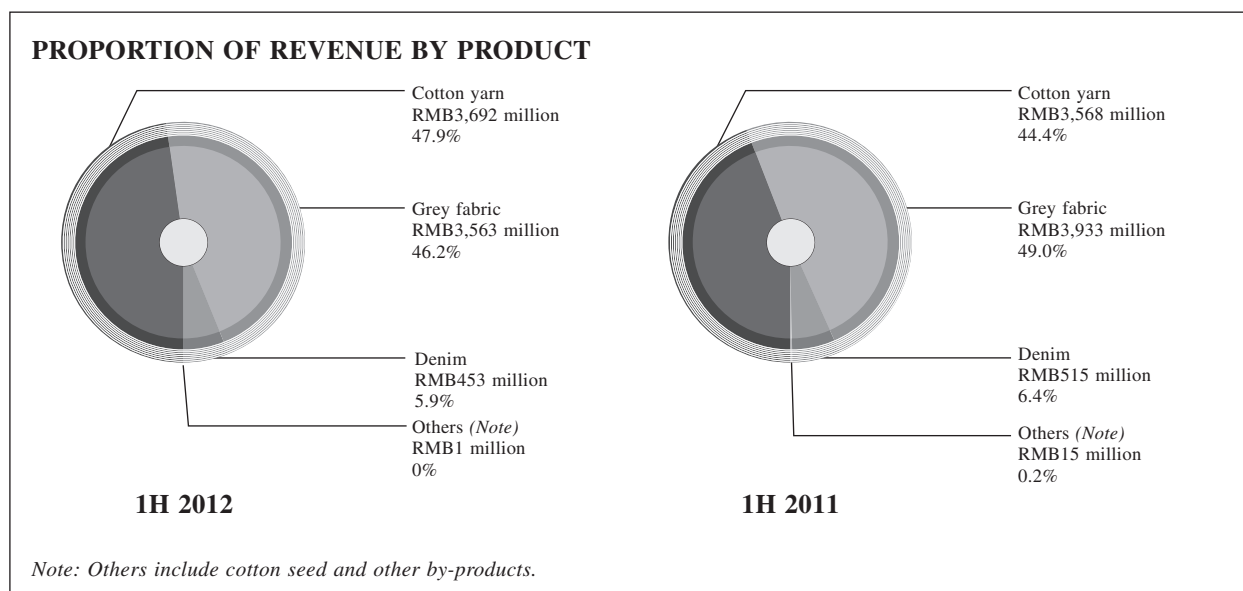


For the six months ended 30 June 2012, the Group recorded revenue of approximately RMB7,709 million, representing a decrease of approximately 4.0% as compared with the corresponding period of 2011. Net profit attributable to owners of the parent was approximately RMB54 million, representing a decrease of approximately 90.1% from the corresponding period of 2011.

The decrease in revenue was mainly attributable to a sharp decline in the selling prices of textile products as a result of the drop in cotton prices as compared with the corresponding period of last year and sluggish demand in the domestic and overseas markets. Overall revenue decreased despite an increase in sales volume of all three of the Group's product categories. The decrease in net profit attributable to owners of the parent was mainly attributable to the sluggish market demand during the Period, the large cotton price gap between domestic and overseas markets, and intense market competition, all of which led to a substantial drop in selling prices and shrinking profit margins for the Group's products.

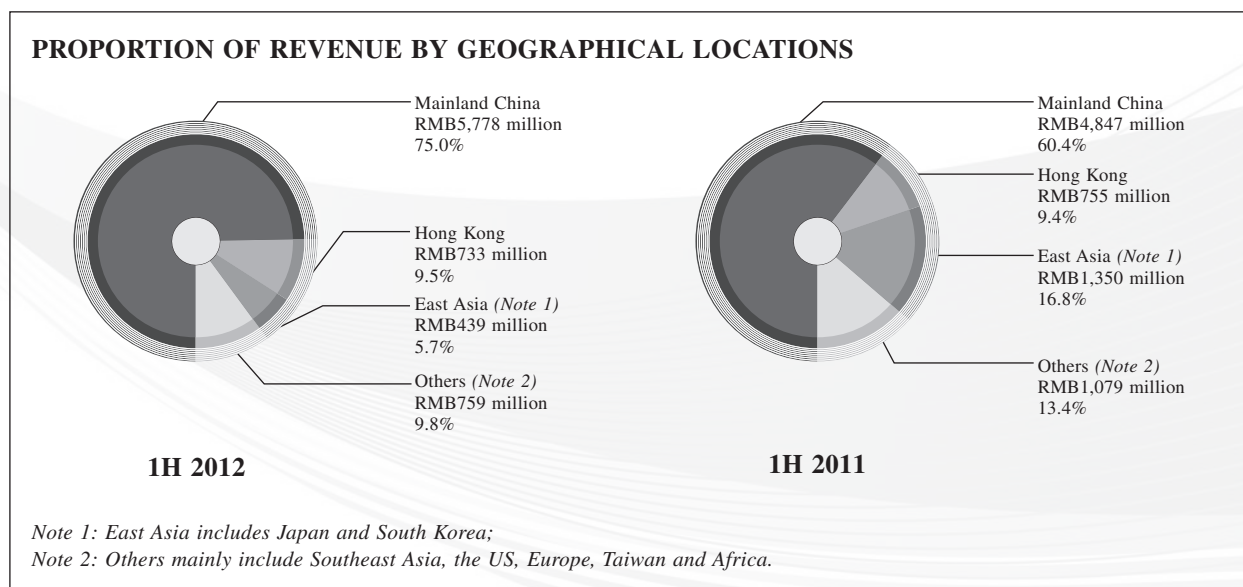
MANAGEMENT DISCUSSION AND ANALYSIS

The charts below are a comparison of the breakdown of revenue by products for the six months ended 30 June 2012 and the corresponding period of 2011, respectively:



For the six months ended 30 June 2012, the revenue contribution of cotton yarn increased compared with the corresponding period of last year, while the revenue contribution of grey fabric and denim decreased. The Group adopted flexible sales strategy to reduce cotton yarn inventory according to changes in market demand, which led to an increase in revenue generated from cotton yarn.

The following charts show the geographic breakdown of revenue for the six months ended 30 June 2012 and the corresponding period of 2011:



MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2012, the proportion of revenue from domestic sales increased compared with the corresponding period of last year. This was primarily because the Group shifted its sales focus back to the domestic market following weak overseas demand and a drop in export orders due to the ongoing deterioration of European debt crisis, the slow recovery of the US economy, and the intense international competition caused by the large cotton price gap between domestic and overseas markets.

During the first half of 2012, the Group's production volume of cotton yarn, grey fabric and denim were approximately 206,000 tonnes, 498 million meters and 42 million meters, representing decreases of approximately 37.6%, 14.1% and 16.0%, respectively, over the corresponding period of last year. The decrease was mainly due to the Group's adjusting its production plans to lower the output with a view to reduce inventory levels on the back of intense competition, caused by weak market demand for textile products and large cotton price gap between domestic and overseas markets.

During the Period under Review, the Group continued to actively expand its market share and explore new markets. As of 30 June 2012, the Group had approximately 9,200 domestic customers and approximately 910 overseas customers, representing an increase of approximately 2.2% and 1.1%, respectively, from the corresponding period of last year. While stabilizing its existing customer resources, the Group continued to strive to expand its international and domestic markets.

As the world's largest cotton textile enterprise, Weiqiao Textile will continue to produce more high value-added products and medium-to-high-end products, improve internal management, strengthen cost control, accelerate technological upgrades, improve product quality and operating efficiency, and further expand its market share. By leveraging a reputable brand image, extensive operating experience and solid financial position, the Group is confident that it can maintain and strengthen its position as the first-choice supplier of cotton textile products, domestically and globally.

FINANCIAL REVIEW

Gross Profit and Gross Profit Margin

The table below is an analysis of the Group's gross profit and gross profit margin attributable to its major products for the six months ended 30 June 2012 and 2011, respectively:

Product categories	For the six months ended 30 June			
	2012		2011	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Cotton yarn	246,703	6.7	751,746	21.1
Grey fabric	167,576	4.7	191,668	4.9
Denim	5,071	1.1	71,796	13.9
Others	5	1.2	1,339	9.0
Total	419,355	5.4	1,016,549	12.7

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2012, the gross profit margin of the Group decreased from approximately 12.7% of the corresponding period of last year to approximately 5.4%, which was primarily due to the sluggish market demand for textile products, the large cotton price gap between domestic and overseas markets and the intensified market competition during the Period, which led to a substantial drop in the selling prices of products, and resulted in shrinking profits for the products of the Group.

Other Income and Gains

For the six months ended 30 June 2012, other income and gains of the Group was approximately RMB301 million, representing an increase of approximately 157.3% as compared with approximately RMB117 million of the corresponding period of last year. Such increase was mainly due to the significant increase in profit generated from sales of electricity and steam of the Group during the Period.

For the six months ended 30 June 2012, the Group's revenue generated from the sales of electricity and steam amounted to approximately RMB1,550 million (representing an increase of approximately 2.5% over the corresponding period of last year) and the gross profit was approximately RMB196 million (representing an increase of approximately 269.8% over the corresponding period of last year). Revenue generated from electricity and steam climbed up as compared with the corresponding period of last year, mainly attributable to a decrease in self-consumed electricity and an increase in the sales volume for external sales. Gross profit from electricity and steam increased over the corresponding period of last year, primarily due to the decreasing coal price and unit coal consumption for electricity generation, which resulted in the declining unit production cost of electricity during the Period.

Selling and Distribution Costs

The Group's selling and distribution costs increased by approximately 26.5% to approximately RMB105 million for the six months ended 30 June 2012 from approximately RMB83 million for the corresponding period of last year. In particular, transportation costs increased by approximately 24.2% to approximately RMB77 million from approximately RMB62 million for the corresponding period of last year. This was mainly due to the increased sales volume of the Group's products during the Period, which increased transportation costs accordingly. Salary of the sales staff was approximately RMB13 million, representing an increase of approximately 44.4% as compared with approximately RMB9 million for the corresponding period of last year. The increase was primarily due to the increase in the Group's domestic sales during the Period which resulted in the increase in the salary of the sales staff accordingly. Sales commission was approximately RMB6 million, representing a decrease of approximately 33.3% as compared with approximately RMB9 million of the corresponding period of last year. Such decrease was primarily because, on one hand, a decrease in the Group's overseas orders for the current period in a weak international consumption market resulted from the slow recovery in the global economy; and on the other hand, a decrease in the Group's overseas sales through intermediate traders during the Period resulted in a drop in the commission paid.

Administrative Expenses

Administrative expenses of the Group for the six months ended 30 June 2012 amounted to approximately RMB118 million, representing an increase of approximately 5.4% as compared with approximately RMB112 million of the corresponding period of last year. It was primarily due to the upward adjustment of wages by the Group and the increase in the salary expenses of administrative management staff.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs

For the six months ended 30 June 2012, finance costs of the Group were approximately RMB323 million, representing an increase of approximately 38.6% as compared with approximately RMB233 million for the corresponding period of last year. This was because on one hand, there was an increase in interest expenses as a result of the year-on-year increase in the interest rate of bank borrowings during the Period; and on the other hand, affected by the depreciation of RMB in the current period, the Group recorded exchange loss for holding a large amount of balances of payables and loans denominated in US Dollars.

Liquidity and Financial Resources

As at 30 June 2012, cash and cash equivalents of the Group were approximately RMB3,771 million, representing an increase of approximately 83.2% as compared with that of approximately RMB2,058 million as at 31 December 2011. This was mainly due to the Group's increased sales efforts during the Period which resulted in an increase in the sales volume and a decrease in the inventory and thus led to an increase in cash and cash equivalents at the end of the Period.

The working capital of the Group is mainly financed by cash inflow from operating activities. For the six months ended 30 June 2012, the Group had a net cash inflow from operating activities of approximately RMB1,897 million, a net cash inflow from investing activities of approximately RMB9 million and a net cash outflow from financing activities of approximately RMB181 million. As at the end of the Period, the cash and cash equivalents increased by approximately RMB1,713 million. The Group will take effective measures to ensure adequate liquidity and financial resources to satisfy its business needs and will continue to maintain sound financial status.

For the six months ended 30 June 2012, the average turnover days of the Group's account receivables decreased to 8 days from 11 days for the corresponding period of 2011, which was primarily due to the corresponding decrease in the settlement by way of letter of credit as the revenue from exports of the Group decreased during the Period.

For the six months ended 30 June 2012, the inventory turnover days of the Group decreased by 63 days to 180 days from 243 days for the corresponding period of 2011. The decrease in inventory turnover days was mainly due to the increase in product sales volume as compared with the corresponding period of last year as a result of the Group's flexible sales strategy and increased sales efforts during the Period, which led to a decrease in product inventory.

For the six months ended 30 June 2012, the Group did not have financial derivative instruments.

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

Net profit attributable to owners of the parent was approximately RMB54 million for the six months ended 30 June 2012, representing a decrease of approximately 90.1% from approximately RMB545 million for the corresponding period of last year.

For the six months ended 30 June 2012, basic earnings per share of the Company were approximately RMB0.05.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure

The major objective of the Group's capital management is to ensure ongoing operations and maintain the Group's satisfactory capital ratio. The Group continued to maintain an appropriate mix of equity and debt to ensure an efficient capital structure to reduce capital cost. As at 30 June 2012, the debts of the Group were mainly bank and other borrowings totaling approximately RMB9,001 million. The Group had cash and cash equivalents of approximately RMB3,771 million. The gearing ratio (total debt (interest bearing bank and other borrowings after deducting cash and cash equivalents) divided by net assets) was approximately 34.4% (First half of 2011: approximately 51.2%).

Details of the outstanding bank loans as at 30 June 2012 are set out in note 16 to the unaudited condensed consolidated interim financial statements. The Group manages its interest expenses through a fixed rate and floating rate liabilities portfolio. As at 30 June 2012, approximately 31.2% of the Group's bank loans were subject to fixed interest rates while the remaining approximately 68.8% were subject to floating interest rates.

The Group maintains a balance between the continuity and flexibility of funds through bank loans. At any time, the borrowings due within the upcoming 12-month period will not exceed 50.0% of the total loans. As at 30 June 2012, approximately 48.4% of the Group's loans will mature within one year.

As at 30 June 2012, the Group's loans were denominated in Renminbi and US dollars, of which borrowings in US dollars represented approximately 12.0% of the total borrowings, while cash and cash equivalents were also denominated in Renminbi and US dollars, of which cash and cash equivalents denominated in US dollars represented approximately 6.8% of the total amount.

Details of Pledged Assets of the Group

Details are set out in note 16 to the unaudited interim condensed consolidated financial statements.

Employees and Emolument Policies

As at 30 June 2012, the Group had a total of approximately 88,000 employees, representing a decrease of approximately 22,000 employees as compared with that at the end of the corresponding period of last year. Such decrease in the number of staff was due to the adjustment of production plans in response to market demands, which led to decreases in production volume and reserve of new staff. Moreover, following the higher automation level of the Group's machinery and the optimized operation flow, the use of manpower per unit was reduced. Total staff costs of the Group amounted to approximately RMB1,118 million during the Period, representing approximately 14.5% of the revenue, down by 3.5 percentage points as compared with approximately 18.0% in the corresponding period of last year. The decrease in total staff costs was mainly due to the decrease in the production volume and the number of staff, which reduced the salary expenses accordingly during the Period. Employee remuneration is determined based on their performance, 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 staff to engage in technology innovation and technology improvement. The Group also provided the relevant trainings to staff based on the technical requirements of different positions, such as safety training and skills training.

MANAGEMENT DISCUSSION AND ANALYSIS

Exposure to Foreign Exchange Risks

The Group adopted a prudent policy in managing its exchange rate risks. Export sales and import purchases of the Group are settled in US dollars. For the six months ended 30 June 2012, approximately 25.1% of the Group's revenue and approximately 96.6% of the costs of purchase of lint cotton were denominated in US dollars. For the six months ended 30 June 2012, the Group recorded exchange loss of approximately RMB16 million for holding a large amount of balances of payables and borrowings denominated in US Dollars due to temporary depreciation of the Renminbi. During the Period, the Group did not experience any significant difficulties or impacts on its operations or liquidity as a result of fluctuations in currency exchange rates. The directors believe that the Group will have sufficient foreign currency to meet its requirements.

Capital Commitments

Details are set out in note 20 to the unaudited condensed consolidated interim financial statements.

Contingent Liabilities

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

Taxation

The tax of the Group decreased from approximately RMB123 million for the first half of 2011 to approximately RMB46 million for the first half of 2012, representing a decrease of approximately 62.6%. Such decrease in tax was mainly attributable to the decrease in the Group's profit during the Period.

Subsequent Events

Assets Transfer

With rapid urbanization in Binzhou City of Shandong Province, relevant authorities planned to improve urban planning to further facilitate healthy development of the Development Zone in Binzhou City. On 15 June 2012, the Company and Binzhou Weiqiao Technology Industrial Park Company Limited ("Binzhou Industrial Park") entered into an Asset Transfer Agreement with an independent third party. Pursuant to the Asset Transfer Agreement, the Company and Binzhou Industrial Park agreed to transfer to the independent third party the assets located at the Economic Development Zone in Binzhou, mainly comprising thermal power assets with an installed capacity of 180 MW and a land use right of Binzhou Industrial Park. These assets were reclassified as non-current assets held for sale as at 30 June 2012, details of which are set out in Note 10 to the unaudited condensed consolidated interim financial statements. Meanwhile, the Company decided to terminate the lease of the land occupied by the transferred assets.

On 5 July 2012, the Group received the cash consideration of approximately RMB699 million from the independent third party which purchased the thermal power assets and the land use right. The thermal power assets and the land were then handed over to such independent third party. The titles of the related properties and land use right will be transferred within six months after the receipt of the cash consideration. Upon the completion of the assets disposal, the Group will have a gain on disposal of approximately RMB60 million and write-off of the impairment provision for such thermal power assets of RMB52 million.

SUPPLEMENTARY INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, 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 under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the “SFO”):

Interests in the domestic shares of the Company:

Name of Shareholders	Number of Domestic Shares <i>(Note 1)</i>	Approximate percentage of total issued domestic share capital as at 30 June 2012 <i>(%)</i>	Approximate percentage of total issued share capital as at 30 June 2012 <i>(%)</i>
Shandong Weiqiao Chuangye Group Company Limited (山東魏橋創業集團有限公司) (“Holding Company”)	744,937,600 (Long position)	95.41	62.37
Zouping Supply and Marketing Investment Company Limited (鄒平供銷投資有限公司) (“Zouping Investment”)	744,937,600 (Long position) <i>(Note 2)</i>	95.41	62.37

SUPPLEMENTARY INFORMATION

Interests in the H Shares of the Company:

Name of Shareholders	Type of interest	Number of H Shares (Note 3)	Approximate percentage of total issued H share capital as at 30 June 2012 (%)	Approximate percentage of total issued share capital as at 30 June 2012 (%)
Brandes Investment Partners, L.P.	Investment manager	70,318,612 (Long position) (Note 4)	17.00	5.89
The Bank of New York Mellon Corporation	Interest of a controlled corporation	48,706,766 (Long position) 24,026,766 (Lending pool) (Note 5)	11.78 5.81	4.08 2.01
Mellon Financial Corporation	Interest of a controlled corporation	41,073,100 (Long position) (Note 6)	9.93	3.44
The Boston Company Asset Management LLC	Investment manager	25,603,300 (Long position) (Note 7)	6.19	2.14
Citigroup Inc.	Interest of corporation controlled by the substantial shareholder	22,374,367 (Long position)	5.40	1.87
		9,192,252 (Short position)	2.22	0.77
	Custodian corporation/ approved lending agent	13,178,178 (Lending pool) (Note 8)	3.18	1.10

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 70,318,612 H Shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.
5. These 48,706,766 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.
6. These 41,073,100 H Shares in which Mellon Financial Corporation was deemed interested under the SFO were directly held by The Boston Company Asset Management LLC, a corporation wholly controlled by MAM (MA) Trust, which is indirectly and wholly controlled by MAM (DE) Trust. MAM (DE) Trust is wholly controlled by Mellon Financial Corporation.
7. These 25,603,300 H Shares were held by The Boston Company Asset Management LLC in its capacity as investment manager.
8. These 22,374,367 H Shares (long position) and 9,192,252 shares (short position) in which Citigroup Inc. was deemed interested as the interest of corporation controlled by a substantial shareholder under the SFO were directly or indirectly held by its several subsidiaries or related companies. These 13,178,178 H Shares were held by Citigroup Inc. in its capacity as custodian corporation/approved lending agent.

Save as disclosed above, so far as known to the directors, supervisors or chief executive of the Company, as at 30 June 2012, there was no other person (other than 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 2012, 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 were 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:

Name of Shareholders	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 interests	17,700,400	2.27	1.48
Zhang Shiping (Non-executive director)	Beneficial interests	5,200,000	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) were as follows:

Name of Shareholders	Name of associated corporation	Type of interest	Approximate percentage of total issued share capital (%)
Zhang Shiping (<i>Non-executive director</i>)	Holding Company	Beneficial interests	33.72
Zhang Hongxia (<i>Executive director</i>)	Holding Company	Beneficial interests and spouse interests (<i>Note 1</i>)	5.73 (<i>Note 1</i>)
Zhang Yanhong (<i>Executive director</i>)	Holding Company	Beneficial interests	1.63
Zhao Suwen (<i>Executive director</i>)	Holding Company	Beneficial interests	0.38
Zhao Suhua (<i>Non-executive director</i>)	Holding Company	Beneficial interests and spouse interests (<i>Note 2</i>)	3.09 (<i>Note 2</i>)
Wang Xiaoyun (<i>supervisor</i>)	Holding Company	Beneficial interests	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 2012, 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 and any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were 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 did not recommend any payment of the interim dividend for the six months ended 30 June 2012.

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 2012.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") in accordance with the requirements of the Code on Corporate Governance Practices (the "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. An audit committee meeting was convened on 17 August 2012 to review the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 and give opinions and recommendations to the Board of the Company. The Audit Committee also engaged an external auditor to review the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012.

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. A remuneration committee meeting was convened on 23 March 2012, at which the resolution with regard to directors' payroll and bonus as well as supervisors' payment for the year of 2012 was passed.

NOMINATION COMMITTEE

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

SUPPLEMENTARY INFORMATION

CODE ON CORPORATE GOVERNANCE PRACTICES

To the best knowledge of the directors of the Company, other than the deviation stated below, the Company has complied with the code provisions of the Corporate Governance Practices contained in Appendix 14 of the Listing Rules, throughout the six months ended 30 June 2012.

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.

Pursuant to Code Provision A.1.8, issuers should arrange appropriate insurance coverage for directors' liabilities in respect of legal actions against the directors. As at 30 June 2012, the Group has not yet identified any insurer who would provide insurance service to the Group on satisfactory commercial terms. As such, the Group has not yet arranged appropriate insurance coverage in respect of legal actions against directors of the Company. Having consulted the directors, we are of the view that if we cannot identify any insurer in the market who would provide insurance service to the Group on satisfactory commercial terms, it would increase the financial burden of the Group, or we could not give sufficient protection to our directors. Under such circumstances, the directors of the Company agree not to have appropriate insurance coverage for liabilities in respect of legal actions against them.

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 Corporate Governance Practices.

SECURITIES TRANSACTIONS BY DIRECTORS

The Group 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 the 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 websites of both the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.wqfz.com>). An interim report for the six months ended 30 June 2012 containing all the applicable information required by Appendix 16 to the Listing Rules will be despatched to shareholders and published on the websites of the Stock Exchange and the Company on or before 7 September 2012.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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To the Board of Directors
Weiqiao Textile Company Limited
(Incorporated 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 2012, which comprise the interim consolidated statement of financial position as at 30 June 2012 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.

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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information 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

17 August 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended 30 June 2012

	Notes	Six-month period ended 30 June 2012 (unaudited) RMB'000	Six-month period ended 30 June 2011 (unaudited) RMB'000
Revenue	4	7,709,186	8,030,788
Cost of sales		<u>(7,289,831)</u>	<u>(7,014,239)</u>
Gross profit		419,355	1,016,549
Other income and gains	4	301,338	117,269
Selling and distribution costs		(104,626)	(83,183)
Administrative expenses		(117,697)	(111,800)
Other expenses		(79,724)	(35,302)
Finance costs	6	(323,489)	(232,912)
Share of profit of an associate		<u>2,208</u>	<u>1,290</u>
Profit before tax	5	97,365	671,911
Income tax expense	7	<u>(45,609)</u>	<u>(122,894)</u>
Profit and total comprehensive income for the period		<u>51,756</u>	<u>549,017</u>
Profit and total comprehensive income attributable to:			
Owners of the parent		54,297	545,370
Non-controlling interests		<u>(2,541)</u>	<u>3,647</u>
		<u>51,756</u>	<u>549,017</u>
Earnings per share attributable to ordinary equity holders of the parent:			
Basic and diluted	8	<u>RMB0.05</u>	<u>RMB0.46</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

30 June 2012

	Notes	30 June 2012 (unaudited) RMB'000	31 December 2011 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	14,377,233	15,645,003
Prepaid land lease payments		189,054	195,345
Other intangible assets		1,489	2,169
Investment in an associate		49,440	47,232
Deferred tax assets	17	241,070	259,281
TOTAL NON-CURRENT ASSETS		14,858,286	16,149,030
CURRENT ASSETS			
Inventories	11	7,195,676	10,045,178
Trade receivables	12	338,674	351,225
Due from the immediate holding company	19	2,812	8,436
Due from other related parties	19	1,858	–
Prepayments, deposits and other receivables		94,722	188,369
Pledged time deposits	13	362,804	460,182
Non-pledged time deposits maturing over three months	13	117,000	96,450
Cash and cash equivalents	13	3,771,098	2,057,949
		11,884,644	13,207,789
Non-current assets classified as held for sale	10	591,723	–
TOTAL CURRENT ASSETS		12,476,367	13,207,789
CURRENT LIABILITIES			
Trade payables	14	1,478,855	3,505,954
Due to the immediate holding company	19	370	741
Due to other related parties	19	4,875	6,440
Other payables and accruals	15	1,120,568	1,007,495
Interest-bearing bank and other borrowings	16	4,351,911	4,441,452
Tax payable		256,381	228,860
Deferred income		16,596	16,596
TOTAL CURRENT LIABILITIES		7,229,556	9,207,538
NET CURRENT ASSETS		5,246,811	4,000,251
TOTAL ASSETS LESS CURRENT LIABILITIES		20,105,097	20,149,281

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

30 June 2012

	Notes	30 June 2012 (unaudited) RMB'000	31 December 2011 (audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	16	4,649,258	4,665,813
Deferred income		232,195	240,493
Deferred tax liabilities	17	4,523	4,663
TOTAL NON-CURRENT LIABILITIES		4,885,976	4,910,969
NET ASSETS		15,219,121	15,238,312
EQUITY			
Equity attributable to owners of the parent			
Issued capital	18	1,194,389	1,194,389
Reserves		13,934,490	13,880,193
Proposed final dividend	9	–	70,947
		15,128,879	15,145,529
Non-controlling interests		90,242	92,783
TOTAL EQUITY		15,219,121	15,238,312

Zhang Hong Xia
Executive Director

Zhao Su Wen
Executive Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six-month period ended 30 June 2012

	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		
As at 1 January 2011	1,194,389	6,673,380	1,263,477	5,768,699	522,665	15,422,610	101,800	15,524,410
Final 2010 dividend declared	-	-	-	-	(522,665)	(522,665)	-	(522,665)
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	(2,757)	(2,757)
Total comprehensive income for the period	-	-	-	545,370	-	545,370	3,647	549,017
At 30 June 2011 (unaudited)	<u>1,194,389</u>	<u>6,673,380⁽ⁱ⁾</u>	<u>1,263,477⁽ⁱ⁾</u>	<u>6,314,069⁽ⁱ⁾</u>	<u>-</u>	<u>15,445,315</u>	<u>102,690</u>	<u>15,548,005</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		
As at 1 January 2012	1,194,389	6,673,380	1,306,511	5,900,302	70,947	15,145,529	92,783	15,238,312
Final 2011 dividend declared	-	-	-	-	(70,947)	(70,947)	-	(70,947)
Total comprehensive income for the period	-	-	-	54,297	-	54,297	(2,541)	51,756
At 30 June 2012 (unaudited)	<u>1,194,389</u>	<u>6,673,380⁽ⁱ⁾</u>	<u>1,306,511⁽ⁱ⁾</u>	<u>5,954,599⁽ⁱ⁾</u>	<u>-</u>	<u>15,128,879</u>	<u>90,242</u>	<u>15,219,121</u>

(i) These reserve accounts comprise the consolidated reserves of RMB13,934,490,000 and RMB14,250,926,000 in the condensed consolidated statements of financial position as at 30 June 2012 and 30 June 2011, respectively.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(UNAUDITED)*

For the six-month period ended 30 June 2012

	Six-month period ended 30 June 2012 (unaudited) RMB'000	Six-month period ended 30 June 2011 (unaudited) RMB'000
Net cash inflow/(outflow) from operating activities	1,896,977	(1,520,608)
Net cash inflow from investing activities	9,308	460,439
Net cash (outflow)/inflow from financing activities	(181,063)	257,568
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	1,725,222	(802,601)
Cash and cash equivalents at beginning of the period	2,057,949	2,412,583
Effect of foreign exchange rate changes, net	(12,073)	(14,565)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	3,771,098	1,595,417
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	3,771,098	1,595,417
	<hr/>	<hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 June 2012

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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 for the year ended 31 December 2011.

New standards, interpretations and amendments thereof, adopted by the Group

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 2011, except for the adoption of the new standards, amendments and interpretations (collectively referred to as “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants noted below:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

The adoption of these HKFRSs has had no significant financial effect on these financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

30 June 2012

3. OPERATING SEGMENT INFORMATION

The Group has only one operating segment, which is the manufacture and sale of cotton yarn, grey fabric and denim. All of the Group's assets are located in the PRC.

The geographical revenue information, based on the locations of the Group's customers, is as follows:

	Six-month period ended 30 June 2012		
	Revenue		
	from external	Cost of sales	Gross profit
	customers (unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000
Mainland China	5,777,530	5,516,514	261,016
Hong Kong	732,533	681,981	50,552
East Asia	439,477	397,281	42,196
Others	759,646	694,055	65,591
	<u>7,709,186</u>	<u>7,289,831</u>	<u>419,355</u>

	Six-month period ended 30 June 2011		
	Revenue		
	from external	Cost of sales	Gross profit
	customers (unaudited) RMB'000	(unaudited) RMB'000	(unaudited) RMB'000
Mainland China	4,846,919	4,374,265	472,654
Hong Kong	754,844	609,702	145,142
East Asia	1,350,493	1,135,630	214,863
Others	1,078,532	894,642	183,890
	<u>8,030,788</u>	<u>7,014,239</u>	<u>1,016,549</u>

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

30 June 2012

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of textile goods sold, after allowances for returns and trade discounts, 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 2012 (unaudited) RMB'000	Six-month period ended 30 June 2011 (unaudited) RMB'000
Revenue		
Sale of textile goods	<u>7,709,186</u>	<u>8,030,788</u>
Other income		
Bank interest income	8,227	18,749
Compensation from suppliers on supply of sub-standard goods and services	36,052	31,083
Gross rental income	–	375
One-off government subsidies	10,342	2,264
Recognition of deferred income	8,298	4,463
Others	<u>26,299</u>	<u>5,835</u>
	<u>89,218</u>	<u>62,769</u>
Gains		
Sale of electricity and steam	1,549,804	1,511,900
Less: Cost thereon	<u>(1,353,406)</u>	<u>(1,458,948)</u>
Gains on sale of electricity and steam	196,398	52,952
Gains on sale of waste and spare parts	15,698	1,548
Gains on disposal of items of property, plant and equipment	<u>24</u>	<u>–</u>
	<u>212,120</u>	<u>54,500</u>
	<u>301,338</u>	<u>117,269</u>

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

30 June 2012

5. PROFIT BEFORE TAX

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

		Six-month period ended 30 June 2012 (unaudited) RMB'000	Six-month period ended 30 June 2011 (unaudited) RMB'000
	Note		
Cost of goods sold		7,526,001	6,999,924
Staff costs (excluding directors' and supervisors' remuneration):			
Wages, salaries and social security costs		1,046,163	1,382,244
Pension scheme contributions		70,103	59,954
		<u>1,116,266</u>	<u>1,442,198</u>
Depreciation		692,124	680,534
Amortisation of prepaid land lease payments		2,327	2,331
Amortisation of other intangible assets		679	679
Impairment of property, plant and equipment	10	52,369	–
Repairs and maintenance		119,575	181,991
Losses on disposal of items of property, plant and equipment		2,642	823
Auditors' remuneration		1,600	1,670
Directors' and supervisors' remuneration		2,174	2,187
Foreign exchange differences, net		16,264	(37,812)
(Write-off of provision)/provision against inventories		(240,524)	154,375
Bank interest income		(8,227)	(18,749)
Minimum land and building lease payments under operating leases		11,590	12,552

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

30 June 2012

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six-month period ended 30 June 2012 (unaudited) RMB'000	Six-month period ended 30 June 2011 (unaudited) RMB'000
Interest on bank loans wholly repayable within five years	307,025	270,514
Foreign exchange differences, net	16,264	(37,812)
Interest on a finance lease	<u>200</u>	<u>210</u>
	<u>323,489</u>	<u>232,912</u>

No interest was capitalised for the six-month period ended 30 June 2012 (six-month period ended 30 June 2011: Nil).

7. INCOME TAX

Except for a subsidiary in Hong Kong which is subject to profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the six-month period ended 30 June 2012, all other entities within the Group are subject to corporate income tax at the statutory tax rate of 25%. No Hong Kong profits tax was provided during the six-month period ended 30 June 2011 as the Group had no profit arising in Hong Kong during that period.

	Six-month period ended 30 June 2012 (unaudited) RMB'000	Six-month period ended 30 June 2011 (unaudited) RMB'000
Current		
– Mainland China	26,091	176,216
– Hong Kong	1,447	–
Deferred (<i>note 17</i>)	<u>18,071</u>	<u>(53,322)</u>
Total tax charge for the period	<u>45,609</u>	<u>122,894</u>

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

30 June 2012

7. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company, majority of its subsidiaries and joint ventures are domiciled 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 2012 (unaudited)		Six-month period ended 30 June 2011 (unaudited)	
	RMB'000	%	RMB'000	%
Profit before tax	<u>97,365</u>		<u>671,911</u>	
Tax at PRC jurisdiction statutory tax rate	24,341	25.0	167,978	25.0
Effect of the different income tax rate for a Hong Kong subsidiary	(745)	(0.8)	–	–
Profit attributable to an associate	(552)	(0.6)	–	–
Expenses not deductible for tax	1,379	1.4	4,267	0.6
Tax losses not recognised	15,813	16.2	(322)	–
Derecognition of deferred tax assets recognised in previous periods	5,369	5.6	–	–
Adjustment in respect of tax concession approved by local tax bureau in 2011	–	–	(48,599)	(7.2)
Others	<u>4</u>	–	<u>(430)</u>	<u>(0.1)</u>
Tax charge at the Group's effective rate	<u>45,609</u>	<u>46.8</u>	<u>122,894</u>	<u>18.3</u>

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

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent of RMB54,297,000 (six-month period ended 30 June 2011: RMB545,370,000), and on 1,194,389,000 (six-month period ended 30 June 2011: 1,194,389,000) ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary share in issue during those periods.

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

30 June 2012

9. DIVIDEND

The proposed final dividend for the year ended 31 December 2011 was approved by the Company's shareholders on 29 May 2012.

At the board of directors meeting held on 17 August 2012, the directors did not recommend the payment of any interim dividend to shareholders (six-month period ended 30 June 2011: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2012, the Group acquired buildings, machinery and equipment, motor vehicles and construction in progress with an aggregate cost of approximately RMB69 million (six-month period ended 30 June 2011: RMB233 million), and disposed of buildings, machinery and equipment with an aggregate net carrying value of approximately RMB3 million (six-month period ended 30 June 2011: RMB4 million).

The depreciation charge of the Group for the six-month period ended 30 June 2012 was approximately RMB692 million (six-month period ended 30 June 2011: RMB681 million).

Non-current assets classified as held for sale

On 15 June 2012, the Group announced that the Company and Binzhou Weiqiao Technology Industrial Park Company Limited ("Binzhou Industrial Park", a non-wholly owned subsidiary of the Company) had entered into an agreement with an independent third party to dispose of certain thermal power plants and related equipment of the Company and a land use right of Binzhou Industrial Park (the "Thermal Power Assets") for a total cash consideration of approximately RMB699 million. According to the agreement, the transaction will be completed within six months after settlement of cash consideration. At 30 June 2012, that transaction was in progress and the Thermal Power Assets to be disposed of were classified as non-current assets held for sale. Based on the fair value of the Thermal Power Assets less costs to sell as at 30 June 2012, an impairment provision of approximately RMB52 million was accrued and charged to profit or loss in the six-month period ended 30 June 2012.

11. INVENTORIES

During the six-month period ended 30 June 2012, the Group wrote off the inventory provision of approximately RMB241 million due to the sale of the inventories. During the six-month period ended 30 June 2011, the Group made a provision of approximately RMB154 million to its inventories and charged it into cost of sales.

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

30 June 2012

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 2012 (unaudited) RMB'000	31 December 2011 (audited) RMB'000
Within 3 months	314,772	340,291
3 to 6 months	23,310	8,723
6 months to 1 year	592	412
Over 1 year	—	1,799
	<u>338,674</u>	<u>351,225</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 who have a long term relationship with the Group. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

13. CASH AND CASH EQUIVALENTS

	30 June 2012 (unaudited) RMB'000	31 December 2011 (audited) RMB'000
Cash and bank balances	3,771,098	2,057,949
Time deposits	479,804	556,632
	<u>4,250,902</u>	<u>2,614,581</u>
Less: Pledged time deposits against:		
– Letters of credit	(331,804)	(429,182)
– Guarantee issued	(31,000)	(31,000)
Non-pledged time deposits maturing over three months	<u>(117,000)</u>	<u>(96,450)</u>
Cash and cash equivalents	<u>3,771,098</u>	<u>2,057,949</u>

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

30 June 2012

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 2012 (unaudited) RMB'000	31 December 2011 (audited) RMB'000
Within 3 months	1,383,772	2,865,108
3 to 6 months	10,694	555,759
6 months to 1 year	13,969	7,684
Over 1 year	70,420	77,403
	<u>1,478,855</u>	<u>3,505,954</u>

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

15. OTHER PAYABLES AND ACCRUALS

	30 June 2012 (unaudited) RMB'000	31 December 2011 (audited) RMB'000
Payroll payable	188,682	207,183
Other taxes payable	265,876	121,433
Accruals	24,900	25,211
Other payables	641,110	653,668
	<u>1,120,568</u>	<u>1,007,495</u>

Other payables are non-interest-bearing. Some of these balances normally have a term of one month while some have no specific payment term.

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

30 June 2012

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

Set out below is the information relating to the Group's bank loans as at 30 June 2012:

- (i) Other than certain of the bank loans in the aggregate amount of US\$171 million (equivalent to RMB1,079 million) as at 30 June 2012 (31 December 2011: US\$121 million, equivalent to RMB760 million), all of the Group's bank loans are denominated in Renminbi.
- (ii) Certain of the Group's bank loans amounting to approximately RMB5,365 million (31 December 2011: RMB5,834 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 RMB8,803 million as at 30 June 2012 (31 December 2011: RMB8,241 million).
- (iii) Certain of the Group's bank loans amounting to RMB676 million (31 December 2011: RMB460 million) were secured by certain trade receivables of Binzhou Industrial Park, Weiqiao Textile (Hong Kong) Trading Company Limited ("Weiqiao Hong Kong") and Weihai Weiqiao Technology Industrial Park Company Limited ("Weihai Industrial Park") from the Company of RMB788 million as at 30 June 2012 (31 December 2011: RMB581 million), which were eliminated in the condensed consolidated statement of financial position.
- (iv) Certain of the Group's bank loans up to RMB169 million (31 December 2011: RMB227 million) were secured by certain of Binzhou Industrial Park's sales orders from the Company of approximately RMB245 million as at 30 June 2012 (31 December 2011: RMB339 million).
- (v) Weihai Civil Aviation Industrial Company Limited, the non-controlling shareholder of Weihai Weiqiao Textile Company Limited ("Weihai Weiqiao"), guaranteed bank loans of Weihai Weiqiao of up to approximately RMB29 million as at 30 June 2012 (31 December 2011: RMB34 million).
- (vi) The Company guaranteed bank loans of Weihai Industrial Park and Weihai Weiqiao of approximately RMB577 million as at 30 June 2012 (31 December 2011: RMB609 million).

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

30 June 2012

17. DEFERRED TAX

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

	Six-month period ended 30 June 2012 (unaudited) RMB'000	Six-month period ended 30 June 2011 (unaudited) RMB'000
Deferred tax assets		
At 1 January	259,281	101,825
(Charged)/credited to profit or loss during the period	<u>(18,211)</u>	<u>51,998</u>
At 30 June	<u>241,070</u>	<u>153,823</u>
Deferred tax liabilities		
At 1 January	4,663	6,124
Credited to profit or loss during the period	<u>(140)</u>	<u>(1,324)</u>
At 30 June	<u>4,523</u>	<u>4,800</u>
Deferred tax (charged)/credited to profit or loss (<i>note 7</i>)	<u>(18,071)</u>	<u>53,322</u>

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

30 June 2012

17. DEFERRED TAX (continued)

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

	30 June 2012 (unaudited) RMB'000	31 December 2011 (audited) RMB'000
Deferred tax assets		
Tax losses	75,959	33,410
Provision against inventories	89,130	149,261
Impairment of trade receivables	1,529	1,529
Impairment of property, plant and equipment	4,768	4,768
Government grants recognised as deferred income	56,988	64,272
Interest capitalisation on fixed assets, net of related depreciation	(5,375)	(5,548)
Difference in depreciation arising from different residual value of fixed assets recognised for tax and accounting purposes	8,110	7,089
Unrealised gains arising from intra-group sales	5,299	4,500
Accrued workers' union fund	4,662	–
	<u>241,070</u>	<u>259,281</u>
Deferred tax liabilities		
Interest capitalisation on fixed assets, net of related depreciation	<u>4,523</u>	<u>4,663</u>
	<u>4,523</u>	<u>4,663</u>

Deferred tax assets were not recognised in respect of tax losses of RMB201 million (31 December 2011: RMB138 million), as it is not considered probable that taxable profits will be available against which the above items can be utilised.

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

30 June 2012

18. SHARE CAPITAL

	30 June 2012 (unaudited) RMB'000	31 December 2011 (audited) RMB'000
Shares		
Registered, issued and fully paid:		
780,770,000 domestic ordinary shares of RMB1.00 each	780,770	780,770
413,619,000 H shares of RMB1.00 each	413,619	413,619
	<u>1,194,389</u>	<u>1,194,389</u>

The Company does not have any share option scheme.

19. RELATED PARTY TRANSACTIONS

The Group is part of a larger group of companies under Zouping Investment and has extensive transactions and relationships with other 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 unrelated parties. The transactions were made on terms agreed between the parties.

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

(a) Transactions with related parties

	Six-month period ended 30 June 2012 (unaudited) RMB'000	Six-month period ended 30 June 2011 (unaudited) RMB'000
The immediate holding company:		
Sales of textile products	151,537	80,503
Sales of electricity	945,370	729,240
Expenses on land use rights and property leasing	10,860	11,733
Revenue on property leasing	–	375
Sales of textile products to fellow subsidiaries	529,005	262,028
Sales of textile products to a company of which a director of the Company is a controlling shareholder	89,198	34,025

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

30 June 2012

19. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	Due from related parties		Due to related parties	
	30 June 2012 (unaudited) RMB'000	31 December 2011 (audited) RMB'000	30 June 2012 (unaudited) RMB'000	31 December 2011 (audited) RMB'000
The Holding Company	2,812	8,436	370	741
Fellow subsidiaries	1,858	–	4,875	6,440

The balances with the immediate holding company and other related parties are unsecured, interest-free and usually have a repayment term of one month.

(c) Commitments with related parties

At the end of the reporting period, the Group entered into sales agreements with certain fellow subsidiaries with commitment amounting to RMB15,800,000 (31 December 2011: RMB3,600,000), which are expected to be fulfilled by the end of 2012.

At the end of the reporting period, the future minimum lease payments to the Holding Company, also included in note 21, amounted to RMB265,411,000 (31 December 2011: RMB288,038,000).

(d) Compensation of key management personnel of the Group

	Six-month period ended 30 June 2012 (unaudited) RMB'000	Six-month period ended 30 June 2011 (unaudited) RMB'000
Short term employee benefits	2,155	2,244
Post-employment benefits	19	19
Total compensation paid to key management personnel	<u>2,174</u>	<u>2,263</u>

20. CAPITAL COMMITMENTS

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

	30 June 2012 (unaudited) RMB'000	31 December 2011 (audited) RMB'000
Contracted, but not provided for	<u>56,588</u>	<u>56,984</u>

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

30 June 2012

21. OPERATING LEASE ARRANGEMENTS

As lessee, the Group leases a building and certain land use rights under operating lease agreements, which are negotiated for terms ranging from three to twenty years.

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

	30 June 2012 (unaudited) RMB'000	31 December 2011 (audited) RMB'000
Within one year	22,344	23,180
In the second to fifth years, inclusive	87,958	90,372
After five years	178,797	198,901
	289,099	312,453

22. 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 2012 (unaudited) RMB'000	31 December 2011 (audited) RMB'000
Letters of credit issued	293,682	—

23. EVENTS AFTER THE REPORTING PERIOD

On 5 July 2012, the Group received cash consideration of approximately RMB699 million from the third party which purchased the Thermal Power Assets as detailed in note 10. The Thermal Power Assets would then be transferred to the third party within six months after settlement of the cash consideration. Upon completion of the disposal, the Group would recognise a net gain on disposal of approximately RMB7.4 million after allowing for the write-off of the impairment provision of RMB52 million as detailed in note 10.

24. 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 17 August 2012.