



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



2015

Interim Report

Contents

1.	Summary.....	2
2.	Corporate Information	3
3.	Chairman's Statement.....	4
4.	Management Discussion and Analysis	6
5.	Supplementary Information	14
6.	Report on Review of Interim Condensed Consolidated Financial Statements	19
7.	Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	20
8.	Interim Condensed Consolidated Statement of Financial Position.....	21
9.	Interim Condensed Consolidated Statement of Changes in Equity	23
10.	Interim Condensed Consolidated Statement of Cash Flows.....	24
11.	Notes to The Interim Condensed Consolidated Financial Statements	26



Summary

Interim results for the six months ended 30 June 2015

- Revenue was approximately RMB4,859 million, representing a decrease of approximately 18.7% over the corresponding period of last year.
- Gross profit was approximately RMB205 million, representing a decrease of approximately 59.5% over the corresponding period of last year.
- Net profit attributable to owners of the parent was approximately RMB314 million, representing an increase of approximately 49.5% over the corresponding period of last year.
- Gross profit margin was approximately 4.2%, representing a decrease of approximately 4.3 percentage points over the corresponding period of last year.

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
Chen Shuwen
Chan Wing Yau, George

SUPERVISORS

Lv Tianfu
Wang Wei
Wang Xiaoyun

COMPANY SECRETARY

Zhang Jinglei

AUDIT COMMITTEE

Chan Wing Yau, George (*Chairman*)
Wang Naixin
Chen Shuwen

REMUNERATION COMMITTEE

Wang Naixin (*Chairman*)
Zhang Hongxia
Chen Shuwen

NOMINATION COMMITTEE

Zhang Hongxia (*Chairman*)
Wang Naixin
Chen Shuwen

AUTHORISED REPRESENTATIVES

Zhao Suwen
Zhang Jinglei

PLACE OF BUSINESS IN HONG KONG

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

LEGAL ADDRESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

LEGAL ADVISOR AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

INTERNATIONAL AUDITOR

Ernst & Young

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY WEBSITE

www.wqfz.com

STOCK CODE

2698

INVESTOR RELATIONS

Ms. Zhou Meng
Tel: (852) 2815 1080
Fax: (852) 2815 0089
Email: catherine@wqfz.com

IR & PR CONSULTANT

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

Chairman's Statement

It is my pleasure to present on behalf of the board (the “Board”) of directors (the “Directors”) of Weiqiao Textile Company Limited (“Weiqiao Textile” or the “Company”) the unaudited consolidated interim results of the Company together with its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2015 (the “Period” or “Period under Review”).

In the first half of 2015, we witnessed a modest recovery of the global economy with divergence in the performance of the major economies, while concurrently, China's economy entered into a “new normal” development phase. Development of the textile industry in China remained stable during the first half of 2015, showing a trend of further improvement.

In terms of the export of textile products and apparel, affected by sluggish demand in overseas markets, intensified international competition, substantial fluctuation in exchange rates and rapid development of textile products and apparel industry in neighboring countries, exports of China's textile products and apparel recorded its first decrease in the recent seven years. According to statistics from the General Administration of Customs of the People's Republic of China (the “PRC”), China's total export of textile products and apparel was approximately US\$128.4 billion in the first half of 2015, representing a year-on-year decrease of approximately 3.1% and a year-on-year decrease in the growth rate of approximately 7.2 percentage points. Export of textile products decreased by approximately 0.7% year-on-year to approximately US\$52.9 billion, and export of apparel decreased by approximately 4.7% year-on-year to approximately US\$75.5 billion.

In terms of domestic demand of textile products and apparel, against the backdrop of a slowdown in economic and consumption growth and industry structural adjustment, the growth of China's textile industry was slow but stable. According to the National Bureau of Statistics of the PRC, retail sales of apparel, footwear, headwear and knitwear from January to June 2015 by companies above a designated size in China (with annual revenue of over RMB20 million) posted a year-on-year increase of approximately 10.7%, approximately 0.7 percentage point higher than the growth of the same period of last year and approximately 0.3 percentage point higher than the growth of approximately 10.4% in the retail sales of consumer goods during the same period.

The cotton industry, which has significant impact on the textile industry, also experienced significant changes in policy and structural adjustment. With the implementation of the direct subsidy policy in Xinjiang with a target price of cotton in the year 2014/15, and the implementation of the strategy of “One Belt and One Road”, the cotton industry in China entered a new phase of market-oriented development. From the beginning of 2015, under the combined effect of adequate cotton supply in the global market, a strong US Dollar, bottoming-out of international crude oil price, favorable net export sales of cotton in the U.S.A. and the deployment of the national cotton reserve by the PRC government, cotton prices in both domestic and overseas markets fluctuated at a low level as the gap between the domestic and overseas cotton prices narrowed, which will improve the international competitiveness of Chinese textile enterprises in the medium and long run.

During the Period under Review, affected by the decline in domestic cotton price, the selling price of China's textile products decreased accordingly. Given the higher inventory costs incurred by the Group as of the end of 2014, the decrease in selling price narrowed the gross profit margin of textile products of the Group, resulting in a substantial decrease in gains. However, gains from the sales of electricity and steam of the Group increased due to the significant decrease of unit power generation cost after the completion of the new power assets swap by the Group at the end of 2014. During the Period, the Group recorded revenue of approximately RMB4,859 million, representing a decrease of approximately 18.7% over the same period in 2014. Net profit attributable to owners of the parent was approximately RMB314 million, representing an increase of approximately 49.5% over the same period in 2014. Earnings per share were RMB0.26. The Group's gross profit margin was approximately 4.2% for the Period, representing a decrease of approximately 4.3 percentage points over the same period last year.

Chairman's Statement

Looking ahead into the second half of 2015, the continuous recovery of the global economy will bring some improvement to the export of China's textile products and apparel, while the domestic apparel industry will experience a general slowdown in growth in line with the "new normal" phase. However, as necessity goods, the rigid demand for textile products from consumers will continue to exist. Meanwhile, given the increasing consumer preference towards comfortable and personalized textile products as a result of improving living standards, demand for middle to high-end and functional textile products will increase, and market demand for products with high added value will expand.

Addressing the complicated domestic and international economic environment, the Group will adhere to self-improvement, implement its pre-determined development plan and increase the proportion of middle to high-end products. The Group will also develop new multi-functional products and improve its gross profit margin through adjustment in product mix. The Group will further reduce labor usage (measured by workers needed per ten thousand spindles), thus increasing labor efficiency per capita and reducing labor costs. Adhering to its strategy of placing equal emphasis on domestic sales and overseas exports, the Group will take proactive initiatives to explore business development opportunities both in domestic and overseas markets. The Group will also continue to follow prudent financial policy and implement scientific cash management, with an aim to further optimize its debt structure. Furthermore, the Group will maintain high standards in fulfilling its social responsibilities on energy saving and environmental protection. Considering interests of all shareholders as a whole, the Group will further elevate its environmental standards of production, laying a solid foundation for the long-term sustainable development of the Group.

On behalf of the management of Weiqiao Textile, I would like to express my gratitude to our shareholders, investors and business partners for their unwavering support towards the Group. It is their trust and support, together with the efforts of our staff that enable the Group to face challenges with confidence and seize opportunities. I would also like to thank the members of the Board, the entire management team and our employees, for their dedication and hard work for the Group. Weiqiao Textile will remain market-oriented and continue to live out its corporate value of pushing technological advancement, building our company brand, contributing to ecological development and creating sustainable corporate value. While continuous efforts will be made to increase our intrinsic value, we are committed to creating greater value for our shareholders and contributing to the sustainable development of society.

Zhang Hongxia

Chairman

Shandong, the PRC

21 August 2015

Management Discussion and Analysis

INDUSTRY REVIEW

From the beginning of 2015, in response to the sluggish market demand as well as the persistent gap between domestic and overseas cotton prices and rising production costs, the PRC textile industry took proactive measures to accelerate industrial structure adjustment with the industry posting steady growth.

In the first half of 2015, the growth rate of industrial output of the PRC textile industry reached 6.8%, slightly lower than GDP growth for the same period. In the first half of 2015, fixed asset investments of the PRC textile industry amounted to approximately RMB524.5 billion, representing a year-on-year increase of 15.4%. Growth of investments in the PRC textile industry was 2.0 percentage points higher than that for the year 2014, indicating recovery of confidence in investing in the textile industry.

During the Period under Review, export of China's textile products and apparel faced great challenges due to a number of unfavorable factors. Despite the challenging export environment, total exports recorded a month-on-month increase from April to June in the second quarter and the percentage of year-on-year decrease narrowed, showing a trend of recovery. According to the statistics released by the General Administration of Customs of the PRC, China's exports of textile products and apparel to the following countries and regions in the first half of 2015 were summarized as follows:

- United States: approximately US\$21.2 billion, representing an increase of approximately 8.8% over the corresponding period of last year.
- European Union: approximately US\$23.8 billion, representing a decrease of approximately 8.9% over the corresponding period of last year.
- Japan: approximately US\$9.7 billion, representing a decrease of approximately 12.5% as compared with the corresponding period last year.
- Hong Kong: approximately US\$6.3 billion, representing a decrease of approximately 18.0% as compared with the corresponding period last year.

The amount of export of China's textile products and apparel to emerging markets, namely ASEAN, the Middle East and Africa, increased by approximately 1.4%, 5.1% and 13.0%, respectively, as compared with the corresponding period of last year.

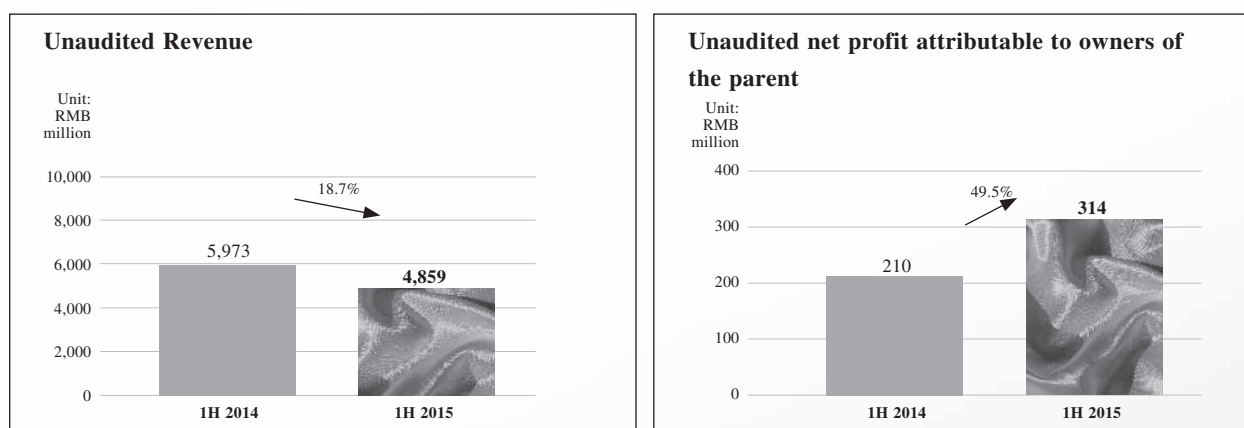
According to the Cotton A Index, the average price for cotton in China during the Period was approximately RMB13,920 per ton, representing a year-on-year decrease of approximately 28.2%. The overseas cotton price also decreased due to weak demand. The average global market price for cotton, according to the Cotlook A Index, was approximately 70.55 US cents per pound, representing a year-on-year decrease of approximately 24.4%. In the long run, the implementation of the direct subsidy policy of cotton in China and the narrowing gap between domestic and overseas cotton prices will enable Chinese textile enterprises to improve their international competitiveness.

Management Discussion and Analysis

BUSINESS REVIEW

Affected by the weak macro economy both at home and abroad, during the first half of 2015, China's textile industry continued its sluggish performance that has persisted since the second half of 2014. With the termination of the cotton temporary reserve policy, domestic cotton price dropped rapidly in 2014 and has remained at a low level since the beginning of 2015. The utilization of the inventory of cotton purchased at a higher price squeezed the gross profit margin of textile enterprises. Alongside this, issues that have been plaguing the Chinese textile industry, such as rising labor costs, reduced downstream demand and declining sales price, still remained. Despite these adverse impacts on the textile business of the Group, it remained stable through the persistent efforts of all the staff of the Group, rational allocation of resources and flexible pricing policies. Coupled with the substantial decrease in unit power generation cost of the new power assets acquired by the Group through the swap at the end of 2014, gains from sales of electricity and steam increased.

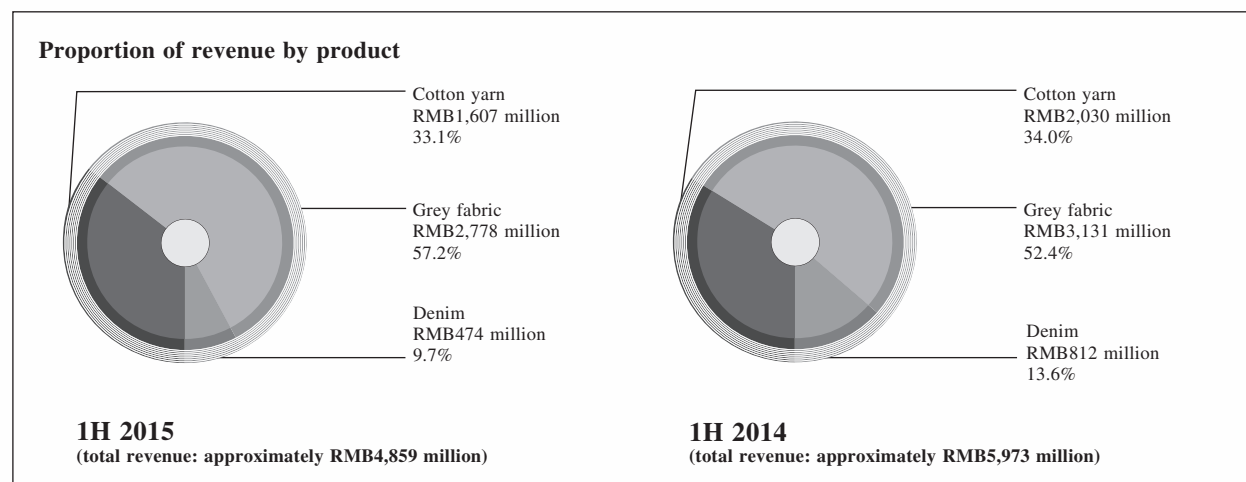
For the six months ended 30 June 2015, the unaudited revenue of the Group and the net profit attributable to owners of the parent, together with the comparative figures for the corresponding period in 2014, are as follows:



For the six months ended 30 June 2015, the Group recorded revenue of approximately RMB4,859 million, representing a decrease of approximately 18.7% over the corresponding period of 2014, while net profit attributable to owners of the parent amounted to approximately RMB314 million, representing a year-on-year increase of approximately 49.5%. The decrease in revenue was mainly attributable to the decline in sales prices and the decrease in sales volume of the textile products of the Group which were affected by sluggish market demand. The increase in the net profit attributable to owners of the parent was primarily attributable to the substantial increase in gains from sales of electricity and steam as a result of a significant decrease in unit power generation cost of the new power assets acquired by the Group through swap at the end of 2014 and also the slight decrease in finance costs.

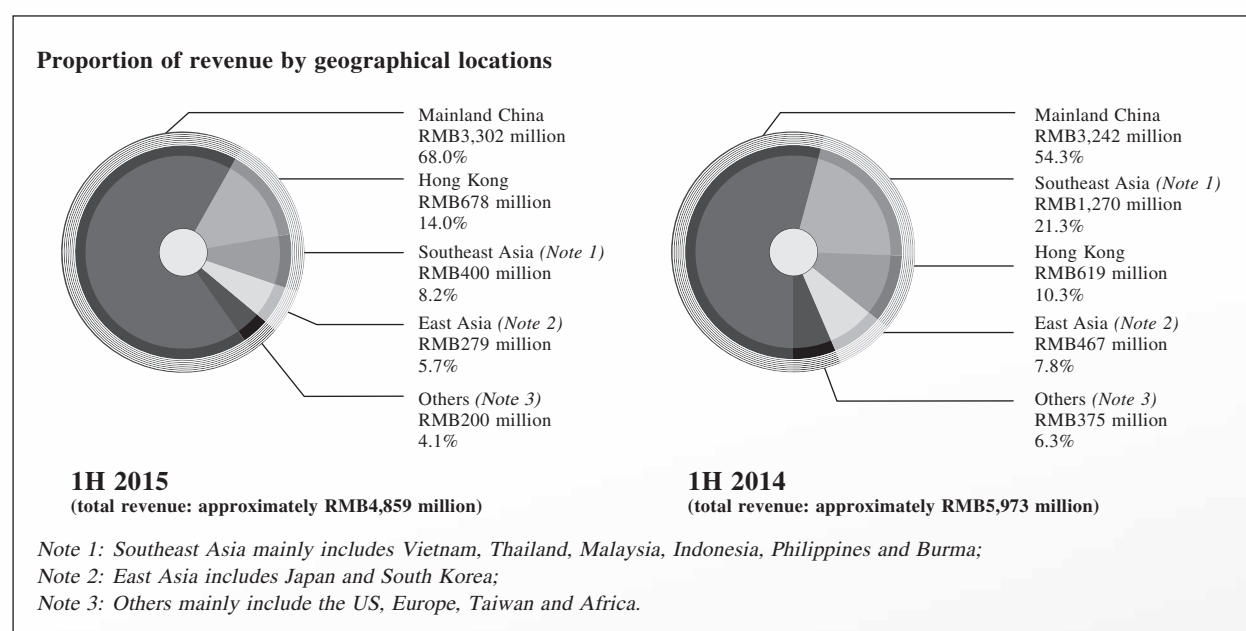
Management Discussion and Analysis

The charts below are comparison of the breakdown of revenue by products for the six months ended 30 June 2015 and the corresponding period of 2014, respectively:



For the six months ended 30 June 2015, revenue from the Group's textile products decreased as compared with the corresponding period of last year. The decrease was primarily attributable to the decrease in the sales volume of the Group's cotton yarn, grey fabric and denim as compared with that of the corresponding period of last year due to sluggish demands in the domestic and overseas textile markets. Meanwhile, the decline in product prices as a result of a significant decrease in cotton price resulted in a year-on-year decrease in revenue from sales of cotton yarn, grey fabric and denim.

The following charts show the geographic breakdown of revenue for the six months ended 30 June 2015 and the corresponding period of 2014, respectively:



Management Discussion and Analysis

For the six months ended 30 June 2015, under the backdrop of a slow recovery in the global economy and sluggish market demand at home and abroad, the Group took initiatives in adjusting its product mix and exploring additional growth opportunities, thus maintaining a relatively stable sales performance in the domestic market. However, due to competition of textile products from low-cost countries, overseas revenue of the Group decreased, leading to a decline in the proportion of overseas revenue. During the Period, the proportion of the Group's overseas revenue was approximately 32.0%, while the proportion of domestic revenue was approximately 68.0%.

During the Period under Review, in light of the slow recovery of the global economy and reduced demand at home and abroad, coupled with competition from imported textile products with lower costs, the Group adjusted its production plans according to market conditions, and as a result the output of cotton yarn and grey fabric declined as compared with the corresponding period of last year. Cotton yarn output was approximately 161,000 tons, representing a decrease of approximately 22.6% compared with the corresponding period of last year; grey fabric output was approximately 448,000,000 meters, representing a decrease of approximately 5.5% as compared with the corresponding period of last year; denim output was approximately 37,000,000 meters, the same with that of the corresponding period of last year.

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

As one of the world's largest cotton textile manufacturers, Weiqiao Textile will focus on further expanding its market share by producing more high value-added and middle to high-end products, improving internal management, strengthening cost controls, accelerating technological innovation, enhancing product quality and improving operating efficiency. By leveraging on its reputable brand image, extensive operating experience and solid financial position, the Group is confident that it can maintain and strengthen its position as the preferred supplier for cotton textile customers both within China and around the world.

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 2015 and the corresponding period in 2014, respectively:

Product categories	For the six months ended 30 June			
	2015		2014	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Cotton yarn	71,536	4.5	77,490	3.8
Grey fabric	11,371	0.4	250,338	8.0
Denim	122,038	25.8	178,012	21.9
Total	204,945	4.2	505,840	8.5

Management Discussion and Analysis

For the six months ended 30 June 2015, gross profit of the Group decreased by approximately 59.5% over the corresponding period of last year to approximately RMB205 million. The decrease was primarily attributable to reduced demand and intensified competition in the textile market domestically and internationally, resulting in a decrease in the volume and sales price of the products of the Group, thus decreasing the gross profit. Gross profit margin of the Group was approximately 4.2%, representing a decrease of approximately 4.3 percentage points over the corresponding period of last year, mainly attributable to the sales of part of the inventories with higher costs during the Period, which caused the overall decrease in gross profit.

Other Income and Gains

For the six months ended 30 June 2015, other income and gains of the Group were approximately RMB786 million, representing an increase of approximately 98.0% from approximately RMB397 million for the corresponding period of last year. Such increase was mainly due to the decrease in coal price during the Period and the higher efficiency of the new power assets acquired by the Group through the swap at the end of last year that significantly reduced the unit power generation cost of the Group, thus raising the gains from sales of electricity and steam substantially.

For the six months ended 30 June 2015, the Group's revenue generated from the sales of electricity and steam amounted to approximately RMB1,226 million, representing an increase of approximately 15.7% over the corresponding period of last year, mainly attributable to the increase in electricity generated and external sales volume due to the higher operating efficiency of the new power assets acquired by the Group through the swap.

Selling and Distribution Expenses

For the six months ended 30 June 2015, the Group's selling and distribution expenses were approximately RMB65 million, representing a decrease of approximately 18.8% from approximately RMB80 million for the same period of last year. Among such expenses, transportation cost decreased by approximately 20.8% to approximately RMB38 million from approximately RMB48 million for the same period of last year. The decrease was mainly due to the decrease in the fees for transportation resulting from a decrease of the sales volume of the products of the Group during the Period. Salary of sales staff was approximately RMB12 million, representing an increase of approximately 9.1% from approximately RMB11 million for the corresponding period of last year. The increase was mainly due to the slight increase in domestic sales revenue of the Group for the Period, leading to a corresponding increase in the salary of relevant sales staff. Sales commission was approximately RMB3 million, the same with that of the corresponding period of last year.

Administrative Expenses

For the six months ended 30 June 2015, the administrative expenses of the Group was approximately RMB169 million, representing an increase of approximately 22.5% from approximately RMB138 million for the corresponding period of last year. The increase was primarily attributable to the increase in depreciation included in the administrative expenses due to an increase in idle assets as a result of adjustments in the production plan by the Group given the sluggish market demand.

Management Discussion and Analysis

Finance Costs

For the six months ended 30 June 2015, finance costs of the Group were approximately RMB305 million, representing a decrease of approximately 8.1% from approximately RMB332 million for the corresponding period of last year, among which, the interest expenses amounted to approximately RMB313 million, representing a decrease of approximately 1.9% as compared with approximately RMB319 million for the corresponding period of last year, which was mainly attributable to the slight decrease in the borrowing interest rate of the Group. Meanwhile, due to the depreciation of Renminbi, an exchange gain of approximately RMB8 million was recorded by the Group during the Period, while an exchange loss of approximately RMB12 million was recorded for the corresponding period of last year.

Liquidity and Financial Resources

The working capital of the Group is mainly financed by cash inflow from operating activities. For the six months ended 30 June 2015, the Group recorded a net cash inflow from operating activities of approximately RMB1,858 million, which was mainly due to the decrease in lint cotton purchased and the inventory products sold by the Group during the Period, leading to a corresponding increase in the Group's net cash inflow. Net cash outflow from investing activities was approximately RMB1,226 million, mainly due to the purchase of several wealth management products by the Group for the purpose of improving efficiency of capital use. Net cash outflow from financing activities was approximately RMB129 million, which was mainly due to the distribution of dividends during the Period. As of 30 June 2015, cash and cash equivalents of the Group were approximately RMB11,225 million, representing an increase of approximately 4.8% from approximately RMB10,713 million as of 31 December 2014. The Group will continue to take effective measures to ensure adequate liquidity and financial resources to satisfy its business needs, and will maintain a sound financial position.

For the six months ended 30 June 2015, the average turnover days of the Group's receivables was 9 days, representing a decrease of 3 days from 12 days for the corresponding period of 2014.

For the six months ended 30 June 2015, the inventory turnover days of the Group were 183 days, representing a decrease of 17 days from 200 days for the same period of 2014. This was mainly due to the decrease in the Group's inventory of products and raw materials as at 30 June 2015.

For the six months ended 30 June 2015 and 2014, the Group did not use financial derivative instruments.

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

Net profit attributable to owners of the parent of the Group was approximately RMB314 million for the six months ended 30 June 2015, representing an increase of approximately 49.5% from approximately RMB210 million for the corresponding period of last year.

For the six months ended 30 June 2015, basic earnings per share of the Company were RMB0.26.

Management Discussion and Analysis

Capital Structure

The major objective of the Group's capital management is to ensure ongoing operations and maintain a satisfactory capital ratio in order to support its business and maximize shareholders' interests. 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 2015, the debts of the Group were mainly bank loans totaling approximately RMB3,805 million (31 December 2014: approximately RMB3,841 million) and corporate bonds amounting to approximately RMB5,962 million (31 December 2014: approximately RMB5,953 million). Cash and cash equivalents of the Group were approximately RMB11,225 million (31 December 2014: approximately RMB10,713 million). As at 30 June 2015, the Group's gearing ratio (net debt (interest-bearing bank and other borrowings after deducting cash and cash equivalents) divided by total equity) was approximately -8.9% (31 December 2014: approximately -5.7%).

Details of the outstanding bank loans as at 30 June 2015 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 2015, approximately 52.7% of the Group's bank loans were subject to fixed interest rates while the remaining approximately 47.3% were subject to floating interest rates.

The Group maintains a balance between the continuity and flexibility of funds through bank loans and corporate bonds. At any time, the borrowings due within the upcoming 12-month period will not exceed 50% of the total borrowings. As at 30 June 2015, approximately 27.0% of the Group's borrowings will mature within one year.

As at 30 June 2015, the Group's bank loans were denominated in Renminbi and US dollars, of which bank loans in US dollars represented approximately 6.1% of the total bank borrowings, while cash and cash equivalents were denominated in Renminbi and US dollars, of which cash and cash equivalents denominated in US dollars represented approximately 3.0% of the total amount.

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 2015, the Group had a total of approximately 71,000 employees, which decreased by approximately 3,000 employees as compared with that at the end of last year, mainly attributable to the decrease in staff reserves due to the decrease in production volume as the Group adjusted its production plan based on market demand, and also the reduced unit labor intensity by optimizing production and improving labor efficiency per capita. Total staff costs of the Group amounted to approximately RMB1,256 million during the Period, representing approximately 25.8% of the revenue, up by 2.4 percentage points as compared with approximately 23.4% for the corresponding period of last year. The increase of the percentage was mainly due to the decrease in employee remuneration which was well below the decrease of the revenue during the Period. Employee remuneration is determined based on performance and experience and industry practice. The Group's remuneration policies and packages are reviewed periodically by the management of the Group. In addition, the management also grants bonuses and rewards to staff based on their performance to encourage and motivate them to engage in technological innovation and technique improvement. The Group also provides relevant training, such as safety training and skills training, to staff based on the technical requirements of different positions.

Management Discussion and Analysis

Exposure to Foreign Exchange Risks

The Group adopts a strict and prudent policy in managing its exchange rate risks. Export sales and import purchases of the Group are settled in US dollars, and a portion of bank deposits and bank borrowings are denominated in US dollars. For the six months ended 30 June 2015, approximately 32.0% of the Group's revenue and approximately 10.7% of the costs of purchase of lint cotton were denominated in US dollars. For the six months ended 30 June 2015, the Group recorded an exchange gain of approximately RMB8 million due to the depreciation of 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 21 to the unaudited interim condensed consolidated financial statements.

Contingent Liabilities

As at 30 June 2015, the Group did not have any contingent liabilities.

Taxation

The tax of the Group increased from approximately RMB93 million for the first half of 2014 to approximately RMB120 million for the first half of 2015, representing an increase of approximately 29.0%. Such increase in tax was mainly attributable to the increase in the Group's profit before tax during the Period.

OUTLOOK

In the second half of 2015, it is expected that the global economy will continue to grow at a slow pace with divergence in the performance of the major economies. Policies and measures implemented by the PRC government in the first half of 2015 will continue to produce positive results, and we expect the various reforms and innovative developments will contribute to boost industry growth and it is highly possible that the domestic economy will maintain the steady and positive growth momentum witnessed in the first half of the year. In view of this, the Group will closely observe market demands to capture the development trend of the industry. The Group will also adjust its product mix based on customer demands and adhere to its established strategy to further explore mid to high-end products and emerging markets. The Group will step up efforts in research and development, so as to improve the level of "intelligent manufacturing", design and develop more functional products for diversified purposes, thereby improving its gross profit margin with upgraded product structure. Continuous efforts will be made to improve the level of equipment automation and business management, so as to enhance overall production efficiency and in turn further reduce production costs. The Group will take flexible measures to handle all kinds of orders, in an effort to maintain its superior order deliver ability. Furthermore, adhering to its strategy of placing equal emphasis on domestic sales and overseas exports, the Group will optimize its structure of international trade. Meanwhile, sticking to the principle of utilizing resources with high efficiency and minimizing environmental impact, the Group will adhere to green manufacturing.

By leveraging its positive brand image, extensive operational experience and solid financial position, the Group is confident that it can improve its core competitiveness, seize strategic opportunities arising from industry changes, hence maintain and reinforce its position as the preferred supplier of cotton textile products both in China and across the globe.

Supplementary Information

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, so far as known to the Directors, supervisors and chief executive of the Company, the following persons (other than a Director, supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) under the provisions of 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 (Note 1)	Approximate percentage of total issued domestic share capital as at 30 June 2015 (%)	Approximate percentage of total issued share capital as at 30 June 2015 (%)
Shandong Weiqiao Chuangye Group Company Limited (“Holding Company”)	757,869,600 (Long position)	97.06	63.45
Shandong Weiqiao Investment Holdings Company Limited (“Weiqiao Investment”)	757,869,600 (Long position) (Note 2)	97.06	63.45

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 2015 (%)	Approximate percentage of total issued share capital as at 30 June 2015 (%)
Brandes Investment Partners, L.P.	Investment manager	82,225,862 (Long position) (Note 4)	19.88	6.88
Mellon Financial Corporation	Interest of a controlled corporation	41,073,100 (Long position) (Note 5)	9.93	3.44
Citigroup Inc.	Interest of corporation controlled by the substantial shareholder	23,891,974 (Long position)	5.77	2.00
	Custodian corporation/ approved lending agent	13,569,464 (Lending pool) (Note 6)	3.28	1.14

Note 1: Unlisted shares.

Note 2: Weiqiao Investment holds 39% equity interests in Holding Company.

Note 3: Shares listed on the Main Board of the Stock Exchange.

Note 4: These 82,225,862 H Shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.

Note 5: 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.

Note 6: These 23,891,974 H Shares (long 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 13,569,464 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 2015, 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 2015, 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 deemed or taken to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the 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 as at 30 June 2015	Approximate percentage of total issued share capital as at 30 June 2015
			(%)	(%)
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 as at 30 June 2015 (%)
Zhang Shiping (<i>Non-executive director</i>)	Holding Company	Beneficial interests	31.59
Zhang Hongxia (<i>Executive director</i>)	Holding Company	Beneficial interests and spouse interests (<i>Note 1</i>)	9.73 (<i>Note 1</i>)
Zhang Yanhong (<i>Executive director</i>)	Holding Company	Beneficial interests	5.63
Zhao Suwen (<i>Executive director</i>)	Holding Company	Beneficial interests	0.38
Zhao Suhua (<i>Non-executive director</i>)	Holding Company	Spouse interests (<i>Note 2</i>)	4.93 (<i>Note 2</i>)

Note 1: 112,000,000 shares of the Holding Company is beneficially owned by Ms. Zhang Hongxia, who is taken to be interested in the 43,676,000 shares directly held by her husband, Mr. Yang Congsen, under the SFO.

Note 2: Ms. Zhao Suhua is taken to be interested in the 78,922,000 shares directly held by her husband, Mr. Wei Yingzhao, under the SFO.

Save as disclosed above, as at 30 June 2015, none of the Directors, supervisors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERIM DIVIDEND

The Board of the Company did not recommend any payment of the interim dividend for the six months ended 30 June 2015.

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 2015.

AUDIT COMMITTEE

The Company has 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 to the Listing Rules for the purpose of reviewing and supervising the Group's financial reporting process. The Audit Committee is comprised of three independent non-executive directors. An audit committee meeting was convened on 20 August 2015 to review the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2015 and give opinions and recommendations to the Board of the Company. The Audit Committee also engaged an external auditor to review the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2015.

Supplementary Information

REMUNERATION COMMITTEE

The Company has established a remuneration committee in accordance with the corporate governance requirements of listed companies of the Stock Exchange. The objective of this committee is to set out and make suggestions on the appraisal standards for directors and management, and study and review remuneration policies and arrangements for directors and senior management. The remuneration committee is comprised of three directors. A remuneration committee meeting was convened on 20 March 2015, at which the resolution with regard to directors' payroll and bonus as well as supervisors' payment for the year of 2015 was passed.

NOMINATION COMMITTEE

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of the Code. The Company has been in compliance with all the mandatory code provisions for the six months ended 30 June 2015.

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 during the six months ended 30 June 2015.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this report 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 2015 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 11 September 2015.

Report on Review of Interim Condensed Consolidated Financial Statements



22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
Phone: (852) 2846 9888
Fax: (852) 2868 4432
www.ey.com

To the board of directors of **Weiqiao Textile Company Limited**
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 41, which comprises the condensed consolidated statement of financial position of Weiqiao Textile Company Limited (the “Company”) and its subsidiaries as at 30 June 2015 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information 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 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong

21 August 2015

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

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
REVENUE	4	4,859,384	5,972,734
Cost of sales		<u>(4,654,439)</u>	<u>(5,466,894)</u>
Gross profit		204,945	505,840
Other income and gains	4	786,296	397,100
Selling and distribution expenses		(64,971)	(79,860)
Administrative expenses		(168,756)	(137,597)
Other expenses		(20,890)	(59,470)
Finance costs	6	(304,872)	(331,529)
Share of profit of an associate		<u>1,454</u>	<u>6,995</u>
PROFIT BEFORE TAX	5	433,206	301,479
Income tax expense	7	<u>(120,330)</u>	<u>(92,759)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>312,876</u>	<u>208,720</u>
Attributable to:			
Owners of the parent		313,510	210,134
Non-controlling interests		<u>(634)</u>	<u>(1,414)</u>
		<u>312,876</u>	<u>208,720</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	<u>RMB0.26</u>	<u>RMB0.18</u>

Interim Condensed Consolidated Statement of Financial Position

30 June 2015

	Notes	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	10,655,109	11,241,624
Investment property		25,666	26,054
Prepaid land lease payments		259,364	262,801
Other intangible assets		858	945
Investment in an associate		71,393	78,326
Available-for-sale investments	11	1,298,000	–
Deferred tax assets	18	264,557	231,501
Total non-current assets		12,574,947	11,841,251
CURRENT ASSETS			
Inventories	12	4,663,114	5,456,868
Trade receivables	13	252,611	279,260
Prepayments, deposits and other receivables		206,136	550,785
Due from the immediate holding company		–	24,613
Due from other related parties		10,512	–
Pledged time deposits	14	21,983	81,342
Cash and cash equivalents	14	11,224,501	10,713,441
Non-current assets classified as held for sale	10	16,378,857 7,939	17,106,309 11,805
Total current assets		16,386,796	17,118,114
CURRENT LIABILITIES			
Trade payables	15	773,250	1,229,129
Due to the immediate holding company		11,172	–
Due to other related parties		5,135	4,881
Other payables and accruals	16	1,162,394	975,011
Interest-bearing bank and other borrowings	17	2,635,233	2,471,461
Tax payable		549,119	466,847
Deferred income		31,042	19,401
Total current liabilities		5,167,345	5,166,730
NET CURRENT ASSETS		11,219,451	11,951,384
TOTAL ASSETS LESS CURRENT LIABILITIES		23,794,398	23,792,635

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

30 June 2015

	Notes	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	17	7,131,640	7,322,548
Deferred income		228,618	255,780
Deferred tax liabilities	18	3,690	3,829
Total non-current liabilities		7,363,948	7,582,157
Net assets		16,430,450	16,210,478
EQUITY			
Equity attributable to owners of the parent			
Issued capital	19	1,194,389	1,194,389
Reserves		15,164,721	14,851,211
Proposed final dividend		—	92,326
		16,359,110	16,137,926
Non-controlling interests		71,340	72,552
Total equity		16,430,450	16,210,478

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to owners of the parent							
			Statutory	Retained	Proposed		Non-	
	Issued capital	Capital reserve	surplus reserve	profits	final dividend	Total	controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2015	1,194,389	6,664,645	1,471,415	6,715,151	92,326	16,137,926	72,552	16,210,478
Total comprehensive income for the period	-	-	-	313,510	-	313,510	(634)	312,876
Final 2014 dividend declared	-	-	-	-	(92,326)	(92,326)	-	(92,326)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	(578)	(578)
At 30 June 2015 (unaudited)	1,194,389	6,664,645 ⁽ⁱ⁾	1,471,415 ⁽ⁱ⁾	7,028,661 ⁽ⁱ⁾	-	16,359,110	71,340	16,430,450

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Capital reserve	Statutory	Retained profits	Proposed final dividend	Total		
			surplus					
			reserve					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2014	1,194,389	6,664,645	1,426,691	6,543,958	198,030	16,027,713	74,135	16,101,848
Total comprehensive income for the period	–	–	–	210,134	–	210,134	(1,414)	208,720
Final 2013 dividend declared	–	–	–	–	(198,030)	(198,030)	–	(198,030)
At 30 June 2014 (unaudited)	1,194,389	6,664,645	1,426,691	6,754,092	–	16,039,817	72,721	16,112,538

(i) These reserve accounts comprise the consolidated reserves of RMB15,164,721,000 in the condensed consolidated statement of financial position as at 30 June 2015.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	433,206	301,479
Adjustments for:		
Finance costs	304,872	331,529
Share of profit of an associate	(1,454)	(6,995)
Bank interest income	(20,698)	(16,321)
Interest income from available-for-sale financial investments	(5,551)	—
Recognition of deferred income	(15,521)	(21,364)
Other income from leasing an investment property	(400)	(400)
Loss on disposal of items of property, plant and equipment	2,417	1,804
Changes in provision against inventories	31,505	(52,263)
Impairment of items of property, plant and equipment	6,202	—
Impairment of prepayments, deposits and other receivables	4,738	—
Depreciation	602,976	664,230
Recognition of prepaid land lease payments	3,254	2,285
Amortisation of other intangible assets	87	79
	1,345,633	1,204,063
Decrease in inventories	762,249	494,751
Decrease in trade receivables	25,768	164,164
Decrease in prepayments, deposits and other receivables	201,695	8,203
Decrease in an amount due from the immediate holding company	24,613	12,203
Increase in amounts due from other related parties	(10,512)	(129)
Decrease in trade payables	(461,962)	(685,701)
Increase in an amount due to the immediate holding company	11,172	533
Increase/(decrease) in amounts due to other related parties	254	(839)
Increase in other payables and accruals	148,467	73,455
Cash generated from operations	2,047,377	1,270,703
Interest paid	(118,087)	(214,185)
Hong Kong profits tax paid	—	(9,835)
PRC corporate income tax paid	(71,253)	(79,819)
Net cash flows from operating activities	1,858,037	966,864

Interim Condensed Consolidated Statement of Cash Flows

(Continued)

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	24,866	18,469
Dividends received from an associate	8,388	5,027
Purchases of items of property, plant and equipment	(37,299)	(42,648)
Purchases of available-for-sale investments	(1,298,000)	–
Proceeds from disposal of items of property, plant and equipment	16,590	6,586
Other income from leasing an investment property	–	400
Increase in non-pledged time deposits with original maturity over three months when acquired	–	(40,000)
Decrease in pledged time deposits	59,359	66,403
Net cash flows (used in)/from investing activities	(1,226,096)	14,237
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	393,685	2,290,500
Repayment of bank loans	(429,977)	(3,691,696)
Dividends paid to owners of the parent	(92,326)	(198,030)
Dividend paid to non-controlling shareholders	(578)	–
Net cash flows used in financing activities	(129,196)	(1,599,226)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	502,745	(618,125)
Cash and cash equivalents at beginning of the period	10,713,441	10,210,689
Effect of foreign exchange rate changes, net	8,315	(5,040)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	11,224,501	9,587,524
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	11,224,501	9,587,524
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows	11,224,501	9,587,524

Notes To The Interim Condensed Consolidated Financial Statements

30 June 2015

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 Limited (the “Holding Company”) and Shandong Weiqiao Investment Holdings Company Limited (“Weiqiao Investment”), both of which are limited liability companies established in the PRC.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Main Board Listing 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 as at 31 December 2014.

New standards, interpretations and amendments 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 2014, except for the adoption of new standards and interpretations (collectively referred to as “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and effective as of 1 January 2015 noted below:

Amendments to HKAS 19

Annual Improvements 2010-2012 Cycle

Annual Improvements 2011-2013 Cycle

Defined Benefit Plans: Employee Contributions

Amendments to a number of HKFRSs

Amendments to a number of HKFRSs

Although these new standards and amendments apply for the first time in 2015, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed financial statements of the Group.

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

Notes To The Interim Condensed Consolidated Financial Statements

30 June 2015

3. OPERATING SEGMENT INFORMATION

The Group has only one operating segment, which is the manufacture and sale of cotton yarn, grey fabric and denim. An analysis of revenue by product for the six months ended 30 June 2015 and 2014, is as follows:

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Cotton yarn	1,607,485	2,029,798
Grey fabric	2,778,322	3,130,757
Denim	473,577	812,179
	<u>4,859,384</u>	<u>5,972,734</u>

Geographical information

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

Revenue from external customers

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Mainland China	3,301,927	3,242,041
Hong Kong	678,562	618,495
Southeast Asia	399,875	1,269,660
East Asia	279,206	467,350
Others	199,814	375,188
	<u>4,859,384</u>	<u>5,972,734</u>

All non-current assets of the Group are located in Mainland China.

Information about a major customers

No revenue from transactions with a single customer accounted for 10% or more of the Group's revenue.

Notes To The Interim Condensed Consolidated Financial Statements

30 June 2015

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net 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:

	For the six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Revenue		
Sale of textile goods	<u>4,859,384</u>	<u>5,972,734</u>
Other income		
Bank interest income	20,698	16,321
Interest income from available-for-sale investments	5,551	—
Recognition of deferred income	15,521	21,364
Compensation from suppliers on supply of sub-standard goods and service	7,315	8,801
Gross rental income	400	400
Government subsidies	—	1,354
Others	<u>10,509</u>	<u>7,338</u>
	<u>59,994</u>	<u>55,578</u>
Gains		
Sale of electricity and steam	1,226,419	1,060,359
Less: Cost thereon	<u>(522,971)</u>	<u>(718,837)</u>
Gains on sale of electricity and steam	703,448	341,522
Gains on sale of waste and spare parts	<u>22,854</u>	<u>—</u>
	<u>726,302</u>	<u>341,522</u>
	<u>786,296</u>	<u>397,100</u>

Notes To The Interim Condensed Consolidated Financial Statements

30 June 2015

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Cost of inventories sold	4,674,764	6,140,506
Employee benefit expense (excluding directors', chief executive's and supervisors' remuneration):		
Wages, salaries and other social insurance costs	1,152,840	1,297,896
Pension scheme contributions	100,966	96,639
	<u>1,253,806</u>	<u>1,394,535</u>
Depreciation	602,976	664,230
Amortisation of land lease payments	3,254	2,285
Amortisation of other intangible assets	87	79
Changes in provision against inventories	31,505	(52,263)
Impairment of items of property, plant and equipment	6,202	–
Impairment of prepayments, deposits and other receivables	4,738	–
Directors', chief executive's and supervisors' remuneration	2,384	2,025
Auditors' remuneration	1,602	1,716
Loss on disposal of items of property, plant and equipment	2,417	1,804
(Gain)/loss on sale of waste and spare parts	(22,854)	47,028
Bank interest income	(20,698)	(16,321)
Interest income from available-for-sale investments	(5,551)	–
Recognition of deferred income	(15,521)	(21,364)
Compensation from suppliers on supply of sub-standard goods and service	(7,315)	(8,801)
Government subsidies	–	(1,354)
Foreign exchange differences, net	(8,532)	12,157
Repairs and maintenance	140,307	153,202
Minimum land and building lease payments under operating leases	9,232	11,544

Notes To The Interim Condensed Consolidated Financial Statements

30 June 2015

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Interest on corporate bonds	196,592	107,599
Interest on bank loans wholly repayable within five years	116,812	211,773
Foreign exchange differences, net	(8,532)	12,157
	<u>304,872</u>	<u>331,529</u>

No interest was capitalised for the six months ended 30 June 2015 (the six months ended 30 June 2014: Nil).

7. INCOME TAX

Except for a subsidiary in Hong Kong which is subject to profits tax at the rate of 16.5% (the six months ended 30 June 2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2015, all other entities within the Group are subject to corporate income tax at the statutory tax rate of 25% (the six months ended 30 June 2014: 25%).

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Current		
– Mainland China	153,525	79,080
– Hong Kong	–	162
Deferred (<i>note 18</i>)	<u>(33,195)</u>	<u>13,517</u>
Total tax charge for the period	<u>120,330</u>	<u>92,759</u>

Notes To The Interim Condensed Consolidated Financial Statements

30 June 2015

7. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rates) to the effective tax rate, are as follows:

	For the six months ended 30 June			
	2015		2014	
	RMB'000	%	RMB'000	%
Profit before tax	<u>433,206</u>		<u>301,479</u>	
Tax at PRC jurisdiction statutory tax rate	108,302	25.0	75,370	25.0
Effect of the different income tax rate for a Hong Kong subsidiary	–	–	(84)	–
Profit attributable to an associate	(364)	(0.1)	(1,749)	(0.6)
Expenses not deductible for tax	7,772	1.8	3,365	1.1
Tax losses not recognised	4,621	1.1	15,860	5.3
Others	<u>(1)</u>	<u>–</u>	<u>(3)</u>	<u>–</u>
Tax charge at the Group's effective rate	<u>120,330</u>	<u>27.8</u>	<u>92,759</u>	<u>30.8</u>

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

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2015 attributable to ordinary equity holders of the parent of RMB313,510,000 (the six months ended 30 June 2014: RMB210,134,000), and the weighted average number of ordinary shares of 1,194,389,000 (the six months ended 30 June 2014: 1,194,389,000) in issue during the six months ended 30 June 2015.

The Group had no potentially dilutive ordinary shares in issue during those years.

9. DIVIDEND

The proposed final dividend for the year ended 31 December 2014 was approved by the Company's shareholders on 28 May 2015.

At the board of directors' meeting held on 21 August 2015, the directors did not recommend the payment of any interim dividend to the shareholders (the six months ended 30 June 2014: Nil).

Notes To The Interim Condensed Consolidated Financial Statements

30 June 2015

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired buildings, machinery and equipment, motor vehicles and construction in progress with an aggregate cost of approximately RMB38 million (the six months ended 30 June 2014: RMB40 million), and disposed of buildings, machinery and equipment with an aggregate net carrying value of approximately RMB8 million (the six months ended 30 June 2014: RMB4 million).

The depreciation charge of the Group for the six months ended 30 June 2015 was approximately RMB603 million (the six months ended 30 June 2014: RMB664 million).

During the six months ended 30 June 2015, the Group made a provision of approximately RMB6 million (the six months period ended 30 June 2014: Nil) to its property, plant and equipment and charged it to profit or loss. The provision was related to the idle machinery and equipment used by the workshops suspended during the period ended 30 June 2015.

Non-current assets classified as held for sale

At 30 June 2015, the non-current assets held for sale were certain items of machinery under sales agreements entered into during 2015 and expected to be sold in 2015.

At 31 December 2014, the non-current assets held for sale were certain items of machinery under sales agreements, and these assets were sold during the six months ended 30 June 2015.

11. AVAILABLE-FOR-SALE INVESTMENTS

The available-for-sale investments represented the entrusted assets managed by CITIC-CP Asset Management Co., Ltd. (中信信誠資產管理有限公司), which were entrusted by the Group during the period ended 30 June 2015. According to the asset management agreement entered into between the Group and CITIC-CP Asset Management Co., Ltd., the investment scope of the entrusted assets shall be within the scope of (i) cash assets, such as cash, deposit, monetary fund, etc.; (ii) bonds financial assets, such as national debt traded on the exchanges or inter-bank, corporate bonds, etc.; and (iii) other financial assets with fixed income, such as asset securitisation products, financial products, etc.. These investments were classified as available-for-sale financial assets and no other comprehensive income or loss was recognised for the period ended 30 June 2015, as the aggregate changes in fair values of such financial assets were immaterial since their respective acquisition dates.

12. INVENTORIES

During the six months ended 30 June 2015, the Group made a provision of approximately RMB32 million for its inventories and charged it to cost of sales. During the six months ended 30 June 2014, the Group wrote off the inventory provision of approximately RMB52 million due to the sale of the inventories.

Notes To The Interim Condensed Consolidated Financial Statements

30 June 2015

13. 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 2015 RMB'000	31 December 2014 RMB'000
Within 3 months	248,434	270,327
3 to 6 months	–	3,317
6 months to 1 year	2,198	385
Over 1 year	1,979	5,231
	252,611	279,260

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.

14. CASH AND CASH EQUIVALENTS

	30 June 2015 RMB'000	31 December 2014 RMB'000
Cash and bank balances	11,224,501	10,713,441
Time deposits	21,983	81,342
	11,246,484	10,794,783
Less: Pledged time deposits against:		
– Letters of credit	(19,370)	(78,729)
– Letters of guarantee	(2,613)	(2,613)
Cash and cash equivalents	11,224,501	10,713,441

Notes To The Interim Condensed Consolidated Financial Statements

30 June 2015

15. 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 2015 RMB'000	31 December 2014 RMB'000
Within 3 months	671,288	1,106,613
3 to 6 months	21,856	47,206
6 months to 1 year	8,670	5,307
Over 1 year	71,436	70,003
	<u>773,250</u>	<u>1,229,129</u>

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

16. OTHER PAYABLES AND ACCRUALS

	30 June 2015 RMB'000	31 December 2014 RMB'000
Accruals	269,884	85,821
Payroll payable	228,637	213,932
Other taxes payable	59,469	66,251
Other payables	604,404	609,007
	<u>1,162,394</u>	<u>975,011</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 The Interim Condensed Consolidated Financial Statements

30 June 2015

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

Set out below is the information relating to the Group's interest-bearing bank and other borrowings as at 30 June 2015:

- (i) Other than certain of the bank loans in the aggregate amount of US\$38 million, equivalent to RMB232 million, as at 30 June 2015 (31 December 2014: US\$55 million, equivalent to RMB337 million), all of the Group's bank loans are denominated in Renminbi.
- (ii) Certain of the Group's bank loans amounting to approximately RMB2,087 million (31 December 2014: RMB2,089 million) were secured by certain of the Group's buildings, machinery and equipment of an aggregate carrying value of approximately RMB1,422 million as at 30 June 2015 (31 December 2014: RMB1,624 million).
- (iii) Certain of the Group's bank loans amounting to RMB304 million (31 December 2014: RMB234 million) were secured by certain trade receivables of Weihai Weiqiao Technology Industrial Park Company Limited ("Weihai Industrial Park") and Binzhou Weiqiao Technology Industrial Park Company Limited from the Company of approximately RMB436 million as at 30 June 2015 (31 December 2014: RMB336 million), which were eliminated in the condensed consolidated statement of financial position.
- (iv) The Company guaranteed bank loans of Weihai Industrial Park of approximately RMB628 million as at 30 June 2015 (31 December 2014: RMB628 million).
- (v) In October 2013 and November 2014, the Company issued two domestic corporate bonds each with a principal amount of RMB3 billion. These corporate bonds carry nominal interest rates of 7.00% and 5.50% per annum respectively, with denomination and issue price of RMB100 and periods of five years. The Company has the right to raise the nominal interest rate and the investors could sell back at the end of the third year. Subsequent to the completion of the issue, the corporate bonds were listed on the Shanghai Stock Exchange on 6 November 2013 and 26 November 2014, respectively.

Notes To The Interim Condensed Consolidated Financial Statements

30 June 2015

18. DEFERRED TAX

The movements in the deferred tax assets and liabilities during the six months ended 30 June 2015 and 2014 are as follows:

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Deferred tax assets		
At 1 January	231,501	212,542
Credited/(charged) to profit or loss during the period	33,056	(13,657)
At 30 June	264,557	198,885
Deferred tax liabilities		
At 1 January	3,829	4,107
Credited to profit or loss during the period	(139)	(140)
At 30 June	3,690	3,967
Deferred tax credited/(charged) to profit or loss (<i>note 7</i>)	33,195	(13,517)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position.

Notes To The Interim Condensed Consolidated Financial Statements

30 June 2015

18. DEFERRED TAX (continued)

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Deferred tax assets		
Tax deductible loss	31,621	12,190
Provision against inventories	109,911	102,035
Impairment of trade receivables	4,713	4,755
Impairment of items of property, plant and equipment and an investment property	26,449	24,949
Government grants recognised as deferred income	64,915	68,795
Government grants not recognised as deferred income	2,083	1,200
Interest capitalisation on fixed assets, net of related depreciation	(4,340)	(4,513)
Difference in depreciation arising from a different residual value of fixed assets recognised for tax and accounting purposes	14,363	13,488
Unrealised gains arising from intra-group sales	14,842	8,602
	<u>264,557</u>	<u>231,501</u>
Deferred tax liabilities		
Interest capitalisation on fixed assets, net of related depreciation	<u>3,690</u>	<u>3,830</u>
	<u>3,690</u>	<u>3,830</u>

The Group has tax losses arising in Mainland China of RMB455 million (31 December 2014: RMB359 million) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of tax losses of RMB329 million (31 December 2014: RMB310 million), as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

19. SHARE CAPITAL

Shares	30 June 2015 RMB'000	31 December 2014 RMB'000
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.

Notes To The Interim Condensed Consolidated Financial Statements

30 June 2015

20. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment property under an operating lease arrangement, with a lease negotiated for a term of three years.

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Within one year	800	800
In the second to fifth years, inclusive	400	800
	1,200	1,600

(b) As lessee

The Group leases certain of its land and properties under operating lease arrangements, with leases negotiated for terms ranging from three to twenty years.

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Within one year	18,215	18,465
In the second to fifth years, inclusive	69,473	69,773
After five years	83,952	92,634
	171,640	180,872

Notes To The Interim Condensed Consolidated Financial Statements

30 June 2015

21. COMMITMENTS

In addition to the operating lease commitments detailed in note 20(b) above, the Group had the following capital commitments at the end of the reporting period, principally for the purchase of machinery:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Contracted, but not provided for	<u>7,342</u>	<u>6,880</u>

22. RELATED PARTY TRANSACTIONS

The Group is part of a larger group of companies under Weiqiao Investment and has extensive transactions and relationships with members of Weiqiao Investment. As such, it is possible that the terms of these transactions are not the same as those of the transactions among unrelated parties. The transactions were made on terms agreed between the parties, by reference to the prices and conditions offered to their major customers.

The Group had the following transactions with related parties during the period:

(a) Transactions with related parties

	For the six months ended 30 June	
	2015 RMB'000	2014 RMB'000
The immediate holding company:		
Sales of textile products	26,487	131,581
Sales of electricity	1,145,400	869,012
Rental income on an investment property	400	400
Expenses on land use rights and property leasing	8,982	10,565
Sales of textile products to fellow subsidiaries	164,360	656,086

(b) Commitments with related parties

At the end of the reporting period, in addition to the lease agreements, the Group entered into sales agreements with certain fellow subsidiaries with commitments amounting to RMB13,049,000 (31 December 2014: RMB9,417,000), which are expected to be fulfilled before the end of 2015.

Notes To The Interim Condensed Consolidated Financial Statements

30 June 2015

22. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties

	Due from related parties		Due to related parties	
	30 June	31 December	30 June	31 December
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
The Holding Company	–	24,613	11,172	–
Fellow subsidiaries	10,512	–	5,135	4,881

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

(d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Short term employee benefits	2,343	1,991
Post-employment benefits	41	34
Total compensation paid to key management personnel	2,384	2,025

The related party transactions mentioned above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

23. EVENTS AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 30 June 2015.

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 21 August 2015.