魏橋紡織股份有限公司

Weiqiao Textile Company Limited

(Stock Code : 2698)

2016

INTERIM REPORT

Contents

Summary

Interim results for the six months ended 30 June 2016

- Revenue was approximately RMB4,380 million, representing a decrease of approximately 9.9% over the corresponding period of last year.

- Gross profit was approximately RMB74 million, representing a decrease of approximately 63.9% over the corresponding period of last year.

- Net profit attributable to owners of the parent was approximately RMB343 million, representing an increase of approximately 9.2% over the corresponding period of last year.

- Earnings per share increased by approximately 11.5% to RMB0.29.

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

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The PRC

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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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STOCK CODE
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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 2016 (the "Period" or "Period under Review").

In the first half of 2016, the global economy recovered slowly with persistently sluggish demand. The overall domestic economy maintained stable development momentum, with steady advances in supply-side structural reform and economical upgrades and transformation as well as the characteristics of the "new normal" being more evident. On the industry side, demand for textile products from domestic and overseas markets remained weakened, and the sales price of Chinese textile products hovered at a low level.

In terms of the export of textile products and apparel, affected by weak demand in the major markets, intensified international competition and rapid development of textile products and apparel industry in neighboring countries, exports of China's textile products and apparel remained under pressure. According to statistics from the General Administration of Customs of the People's Republic of China (the "PRC"), China's total exports of textile products and apparel was approximately US$125.0 billion in the first half of 2016, representing a year-on-year decrease of approximately 2.6%. Exports of textile products decreased by approximately 0.9% year-on-year to approximately US$52.4 billion, and exports of apparel decreased by approximately 3.8% year-on-year to approximately US$72.6 billion.

In terms of domestic demand, China's macro economy maintained stable growth within a reasonable range in the first half of the year, with slowdown in domestic demand and sluggish downstream consumption. According to the National Bureau of Statistics of the PRC, retail sales of apparel, footwear, headwear and knitwear for the first half of 2016 by companies above a designated size in China (with annual revenue of over RMB20 million) posted a year-on-year increase of approximately 7.0%, approximately 3.7 percentage points lower than the growth rate of the same period of last year and approximately 3.3 percentage points lower than the growth rate of approximately 10.3% in the retail sales of consumer goods during the same period.

Following the launch of the policy concerning output of the national cotton reserve for the year 2015/16 in April 2016, the implementation of a dynamic auction reserve price and public inspection standard enabled enterprises to participate in the auction according to the market conditions. Driven by low inventories prior to the auction, cotton enterprises showed strong desire to participate. The shortage in supply as a result of slow output of the national cotton reserve, coupled with the expected decrease in the cotton output per mu and plantation area due to poor weather conditions, caused the price of cotton futures to surge significantly. In addition, the recent depreciation of the Renminbi also led to increases in export orders for cotton textile enterprises. The recent rapid increase in cotton price, which led to rising production costs, has delivered a heavy blow to textile enterprises in the PRC. In light of these challenges, the Group proactively adjusted its marketing strategy to take a market demand oriented approach, and seized every opportunity to scale down its inventory level.

Chairman's Statement

During the Period under Review, affected by weakened domestic and overseas demands for textile products, volatile fluctuations in cotton price, coupled with partial sale of inventory by the Group in the first half of the year, the gross profit of textile products of the Group decreased significantly. However, the profits from the sales of electricity recorded substantial increase due to the increase in electricity generation volume and the slight decrease of unit power generation cost as a result of the Group's thermal power assets. During the Period, the Group recorded revenue of approximately RMB4,380 million, representing a decrease of approximately 9.9% over the same period in 2015. Net profit attributable to owners of the parent was approximately RMB343 million, representing an increase of approximately 9.2% over the same period in 2015. Earnings per share was RMB0.29. The Group's gross profit margin was approximately 1.7% for the Period, representing a decrease of approximately 2.5 percentage points over the same period last year.

During the Period under Review, in order to further strengthen business management, improve operation efficiency and enhance performance assessment, the Company established several wholly-owned subsidiaries by dividing the business units of the Company based on various production bases and business sectors. The Directors believe that continuous improvement of internal management mechanism and operation efficiency will lay a solid foundation for the long-term development and help to boost the operating results of the Group. Meanwhile, the Group adhered to the strategy of developing middle to high-end products and exploring emerging markets, attached great importance to technological innovation and quality management, enhanced the development of new products and optimized the product mix continually.

Looking forward to the second half of 2016, despite all the challenges faced by the industry such as uncertainties around the growth of the global economy, lackluster demand in the textile product market, rising labor costs and shortage in quality cotton supply, the Chinese textile product and apparel industry is well posed to maintain overall stable operation. Specifically, mild recovery is in sight for the European and U.S. economy, while growth-stabilizing policies, especially the advancement of supply-side structural reform, will lend support for the PRC economy to maintain growth within the reasonable range. The general trend of steady growth in domestic consumption will also provide primary market support for development of the textile industry. The ongoing depreciation of RMB against the US Dollar and the implementation of measures to stabilize foreign trades will improve the resistance of Chinese textile enterprises to market pressure, maintaining stable performance in exports. Meanwhile, the national cotton reserve auction will increase the effective supply of cotton raw materials, significantly narrowing the gap between domestic and overseas cotton prices as compared to the previous years, and help to strengthen the export competitiveness of the Chinese textile enterprises.

Chairman's Statement

Facing the challenges and opportunities under the new environment, Weiqiao Textile will continue to focus on innovating management approaches, reducing costs and enhancing efficiency, improving productivity and increasing the added value of the products. The pilot intelligent plant of the Group which is located in the industrial park at Zoupin County will be completed and put into operation in November 2016. The number of the workers per ten thousand spindles will be reduced to fewer than ten by then, effectively reducing labor costs as well as improving intelligence and automation level. The Group will also exert efforts to build a multi-layer talent cultivation system that advocates entrepreneurship and craftsmanship, so as to improve its management and innovation capability. The Group will stick to the strategy of developing middle to high-end products, improving product quality and increasing the number of products catering to the market and consumer needs, so as to constantly improving its gross margin. While exploring both domestic and overseas markets, the Group will place equal emphasis on domestic and export sales and adopt a flexible sales strategy. The Group will take a flexible approach to purchase cotton in response to the government policy, in an effort to reduce impact of volatile in raw material costs on the production and operation of the Group. The Group will continue to fulfill its social responsibilities of energy saving and environmental protection with high standards and strict requirements, in pursuit of an energy-effective growth approach with low investment, low energy consumption, low emission and high efficiency, so as to lay a solid foundation for sustainable development of the Group. At the same time, the Group will continue to optimize the productivity and operation of its own power plants, with an aim to improve its overall profitability and create greater return for its shareholders.

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

Zhang Hongxia
Chairman

Shandong, the PRC
19 August 2016

Management Discussion and Analysis

INDUSTRY REVIEW

During the first half of 2016, we witnessed a complex global economic situation as the major economies around the world faced a slow recovery, and demand from the major markets remained sluggish. Under the PRC's L-shaped economic growth, end-user demand was lackluster. Under this macro backdrop, the Chinese textile industry showed a trend of slow but steady growth, with continuous advancement in industrial and structural adjustment.

According to the statistics released by the National Commercial Information Center of the PRC, retail sales by the top 100 major retail enterprises in China decreased year-on-year by approximately 3.2% in the first half of 2016, representing a decrease of approximately 3.8 percentage points in growth rate as compared with the corresponding period of last year. In terms of category of products, the retail sales of apparel in the Period decreased by approximately 3.3% year-on-year, representing a decrease of approximately 7.0 percentage points in growth rate from the corresponding period of last year. During the Period, fixed asset investments of the Chinese textile industry amounted to approximately RMB561.8 billion, representing a year-on-year increase of approximately 7.1%, approximately 8.3 percentage points lower than the growth rate from the corresponding period of last year.

During the Period under Review, due to the complex and challenging foreign trade environment, the export of Chinese textile products and apparel faced great downward pressure. 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 for the first half of 2016 were summarized as follows:

– United States: approximately US$20.1 billion, representing a decrease of approximately 5.0% as compared with the corresponding period of last year.

– European Union: approximately US$22.7 billion, representing a decrease of approximately 4.4% as compared with the corresponding period of last year.

– Japan: approximately US$9.3 billion, representing a decrease of approximately 5.1% as compared with the corresponding period of last year.

– Hong Kong: approximately US$7.3 billion, representing an increase of approximately 15.1% as compared with the corresponding period of last year.

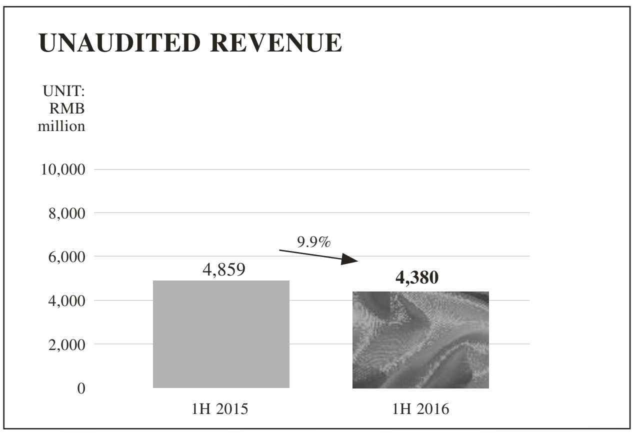
– Emerging markets including the Association of Southeast Asian Nations, the Middle East and Africa: decreased by approximately 1.4%, 3.4% and 5.0% respectively, as compared with the corresponding period of last year.

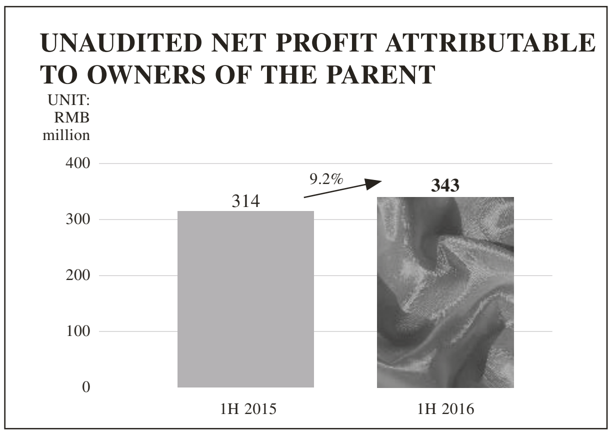
In terms of raw materials, the domestic cotton futures' price once fell below the mark of RMB10,000 per ton at the beginning of March 2016. However, the price picked up since April due to short supply as a result of several factors such as the slow auction of the national cotton reserve, lowered expectation of domestic cotton production and market speculation on cotton futures. According to the Cotton A Index, the average price for cotton in China in the second quarter of 2016 increased by approximately 12.7%. Despite the increase in the price of cotton yarn, such increase was lower than that of the cotton price, and also due to sluggish demand from downstream enterprises, textile enterprises continued to face downward pressure, which led to intensified industry competition. As for the international cotton price, cotton price in India rocketed up and the price of cotton futures on the New York Stock Exchange bounded up in the middle of March 2016 due to a shortage in cotton supply in certain countries as a result of substantial production reduction in countries in the northern hemisphere during the year. The average global market price for cotton, according to the Cotlook A Index, increased by approximately 14.7% in the second quarter of 2016. The gap between the domestic and overseas cotton prices has gradually narrowed to a reasonable level. In the long run, the narrowing gap between domestic and overseas cotton prices will help improve the overall export competitiveness of China's textile manufacturing industry.

BUSINESS REVIEW

During the first half of 2016, the Group undersold part of its inventory products according to market opportunities. As a result, the gross profit of textile products of the Group decreased significantly. Despite this, the profits from the sales of electricity recorded a substantial increase due to the increase in electricity generation volume and the slight decrease of unit power generation cost benefitting from the Group's own thermal power assets and the completion of the acquisition of thermal power assets in May 2016.

For the six months ended 30 June 2016, 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 2015, are as follows:



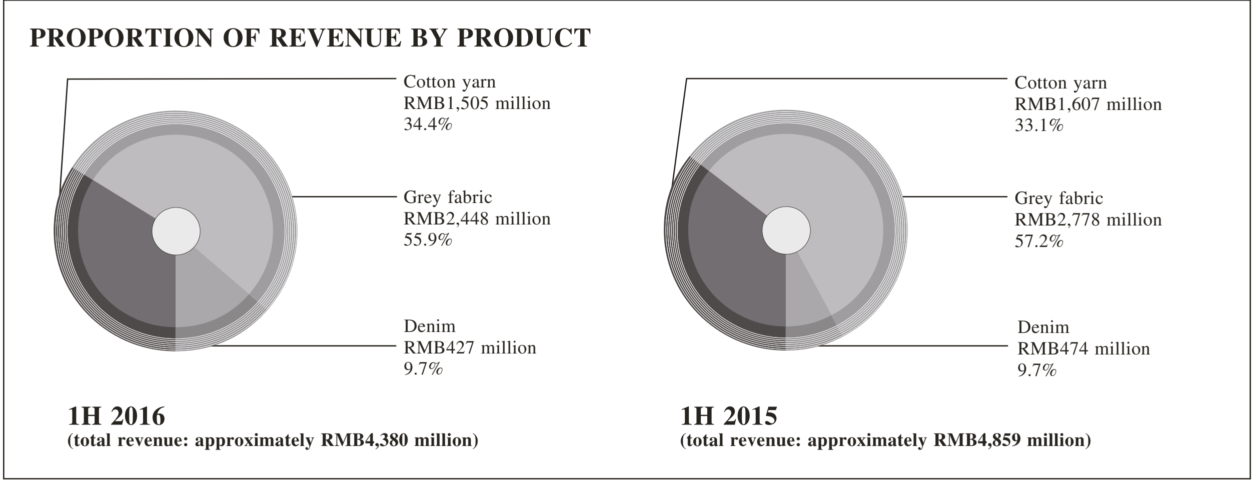


For the six months ended 30 June 2016, the Group recorded revenue of approximately RMB4,380 million, representing a decrease of approximately 9.9% over the corresponding period of 2015, while net profit attributable to owners of the parent amounted to approximately RMB343 million, representing a year-on-year increase of approximately 9.2%. Despite the increase in sales volume due to the Group's timely efforts to adjust its marketing strategy and sell off part of its inventory products, the Group recorded a substantial year-on-year decline in sales prices of the textile products of the Group due to sluggish market demand. The increase in the net profit attributable to owners of the parent was primarily attributable to the significant increase in profit from electricity which resulted from the increase in sales volume of electricity to external customers and slight decrease in unit cost due to an increase in electricity generation volume as a result of the Group's own thermal power assets.

Management Discussion and Analysis

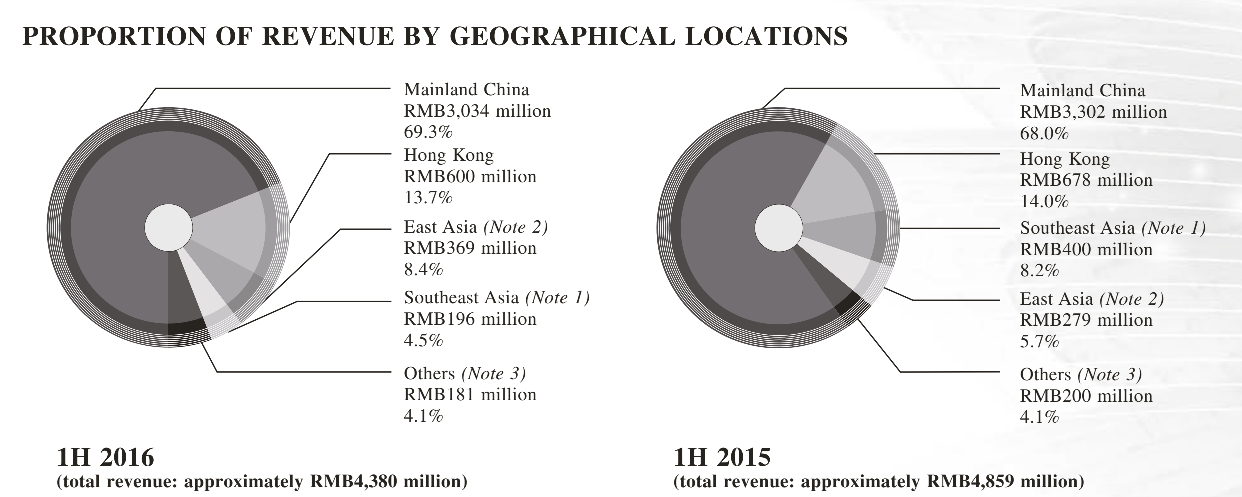
Textile Business

The charts below are comparison of the breakdown of revenue by products for the six months ended 30 June 2016 and the corresponding period of 2015, respectively:



For the six months ended 30 June 2016, the proportion of revenue contributed by the Group's cotton yarn, grey fabric and denim remained the same with that as recorded in the corresponding period of last year.

The following charts show the geographic breakdown of revenue for the six months ended 30 June 2016 and the corresponding period of 2015, respectively:



Note 1: Southeast Asia mainly includes Vietnam, Thailand, Malaysia, Indonesia, Philippines and Burma;
Note 2: East Asia includes Japan and South Korea;
Note 3: Others mainly include the US, Europe, Taiwan and Africa.

Management Discussion and Analysis

For the six months ended 30 June 2016, the respective proportion of the Group's domestic and overseas revenue remained relatively stable, with the proportion of overseas revenue being approximately 30.7% and the proportion of domestic revenue reaching approximately 69.3% for the Period.

During the Period under Review, the Group adjusted its production plans timely according to market conditions. The Group's cotton yarn output was approximately 168,000 tons, representing an increase of approximately 4.3% compared with the corresponding period of last year; grey fabric output was approximately 406,000,000 meters, representing a decrease of approximately 9.4% as compared with the corresponding period of last year; denim output was approximately 39,000,000 meters, representing an increase of approximately 5.4% as compared with 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. During the Period under Review, in order to further strengthen business management, improve operation efficiency and enhance performance assessment, the Group established four wholly-owned subsidiaries based on the division of various production bases and business sectors, among which, three subsidiaries are engaged in production and sales of textile products while the other one is engaged in the operation of the Group's own power assets. The changes in the Group's management structure, reporting procedures and assessment system caused a change in the composition of its reportable segments for the current period, and generation and sales of electricity was identified as a new reportable segment. The Directors believe that continuous improvement of internal management mechanism and operation efficiency will lay a solid foundation for the long-term development and help to boost the operating results of the Group.

Electricity Business

During the six months ended 30 June 2016, several subsidiaries were established pursuant to a restructuring which divided the business units of the Company into several independent legal entities which have to maintain their own books and records respectively, thereby the financial information of electricity business is available to management, who monitors the result of such business as a separate operating segment and makes decisions about resources allocation and performance assessment. This resulted in a change in the composition of the Group's reportable segments such that generation and sale of electricity was identified as a new reportable segment. The information on electricity segment is as follows:

As at 30 June 2016, the installed capacity of the Group's power plants amounted to 1,830 MW, representing an increase of approximately 330 MW as compared with that as at 31 December 2015. For the first half of 2016, the combined total power generation of the Group was 4,835 million kWh, increased by 21% as compared with the corresponding period last year; while its combined total electricity sold amounted to 3,702 million kWh, increased by 30% over the corresponding period last year. During the period under review, in proactive response to the environmental protection policy of the government, the Group fully implemented the ultra-low emission of coal-fired generation units by installing flue gas dedusting facilities and desulphurization and denitrification facilities for all its coal-fired power generating units.

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 textile products for the six months ended 30 June 2016 and the corresponding period in 2015, respectively:

	For the six months ended 30 June			
	2016		2015	
Product categories	**Gross profit RMB'000**	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %
Cotton yarn	**66,377**	**4.4**	71,536	4.5
Grey fabric	**(86,420)**	**(3.5)**	11,371	0.4
Denim	**93,753**	**21.9**	122,038	25.8
Total	**73,710**	**1.7**	204,945	4.2

For the six months ended 30 June 2016, gross profit of the Group decreased by approximately 63.9% over the corresponding period of last year to approximately RMB74 million. The decrease was primarily due to the sales price of China's textile products remaining low, affected by weak recovery of the global economy, sluggish demand for textile products and the weak market of China's textile products. In the meantime, the Group undersold parts of its inventory in the first half of 2016. As a result, the gross profit of textile products of the Group decreased significantly. The gross profit margin of the Group was approximately 1.7%, representing a decrease of approximately 2.5 percentage points over the corresponding period of last year. The decrease in gross profit margin was mainly due to the decrease in the sales prices of the products which was affected by the demand market and resulted in the narrowed gross profit space during the Period.

Other Income and Gains

For the six months ended 30 June 2016, other income and gains of the Group were approximately RMB1,053 million, representing an increase of approximately 34.0% from approximately RMB786 million for the corresponding period of last year. This increase was mainly due to the increase of the gains from the sales of electricity resulting from the increase in sales volumes of electricity and further reduced costs for unit power generation due to a decrease in coal price during the Period.

For the six months ended 30 June 2016, the Group's sales of electricity amounted to approximately RMB1,554 million, representing an increase of approximately 26.8% as compared with the corresponding period of last year with a gross profit of approximately RMB929 million, representing an increase of approximately 32.1% as compared to the corresponding period of last year. The increase in revenue and gross profit of sales of electricity as compared with the corresponding period of last year was mainly attributable to the increase in electricity generation volume and external sales volume as a result of the Group's own thermal power assets during the Period. Concurrently, the decreased coal price during the Period resulted in a slight decrease in the unit power generation cost.

Selling and Distribution Expenses

For the six months ended 30 June 2016, the Group's selling and distribution expenses was approximately RMB67 million, representing an increase of approximately 3.1% as compared with approximately RMB65 million as recorded in the corresponding period of last year. Among these expenses, transportation costs increased by approximately 18.4% to approximately RMB45 million from approximately RMB38 million for the same period of last year, which was mainly due to the increase in the fees for transportation resulting from an increase of the sales volume of products of the Group during the Period. Salary of the sales staff was approximately RMB8 million, representing a decrease of approximately 33.3% from approximately RMB12 million for the corresponding period of last year. It was the decrease in revenue of the Group during the Period that led to a corresponding decrease in the salary of such sales staff. Sales commission was approximately RMB4 million, representing an increase of approximately 33.3% from approximately RMB3 million for the same period of last year, which was primarily due to the increase in commission ratio due to the Group's efforts in exploring emerging markets.

Administrative Expenses

For the six months ended 30 June 2016, the administrative expenses of the Group was approximately RMB183 million, representing an increase of about 8.3% from approximately RMB169 million for the corresponding period of last year. The increase was primarily attributable to the increase of corresponding administrative expenses resulting from the payment of relevant stamp duties for the establishment of several subsidiaries which divided the business units of the Company during the Period.

Finance Costs

For the six months ended 30 June 2016, finance costs of the Group were approximately RMB272 million, representing a decrease of approximately 10.8% from approximately RMB305 million for the corresponding period of last year, among which, the interest expenses amounted to approximately RMB272 million, representing a decrease of approximately 13.1% as compared with approximately RMB313 million for the corresponding period of last year, which was mainly attributable to the repayment of part of the bank loans by the Group during the Period and the decrease in the borrowing interest rate of the Group. Meanwhile, due to the depreciation of Renminbi, an exchange gain of approximately RMB11 million was recorded by the Group during the Period, while an exchange gain of approximately RMB8 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 2016, the Group recorded a net cash inflow from operating activities of approximately RMB1,146 million, a net cash outflow from investing activities of approximately RMB3,981 million and a net cash outflow from financing activities of approximately RMB518 million. As of 30 June 2016, cash and cash equivalents of the Group were approximately RMB8,689 million, representing a decrease of approximately 27.8% from approximately RMB12,032 million as of 31 December 2015, mainly attributable to the increase in capital expenditures due to the Group's acquisition of power assets during the Period. 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 2016, the average turnover days of the Group's receivables was 13 days, representing an increase of 4 days from 9 days for the corresponding period of 2015, mainly due to the increase in trade receivables as a result of increase in export sales as at the end of the Period.

For the six months ended 30 June 2016, the inventory turnover days of the Group were 158 days, representing a decrease of 25 days from 183 days for the same period of 2015. This was mainly due to the decrease in the Group's inventory of products as at 30 June 2016.

For the six months ended 30 June 2016 and 2015, 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 was approximately RMB343 million for the six months ended 30 June 2016, representing an increase of approximately 9.2% from approximately RMB314 million for the corresponding period of last year.

For the six months ended 30 June 2016, basic earnings per share of the Company were RMB0.29.

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 operations and maximize shareholders' interests. The Group continued to maintain an appropriate mix of equity and debt to ensure an efficient capital structure in order to reduce capital cost. As at 30 June 2016, the debts of the Group were mainly bank loans totaling approximately RMB2,828 million (31 December 2015: approximately RMB3,043 million) and corporate bonds amounting to approximately RMB5,981 million (31 December 2015: approximately RMB5,972 million). Cash and cash equivalents of the Group were approximately RMB8,689 million (31 December 2015: approximately RMB12,032 million). 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 0.7% (31 December 2015: approximately -17.6%).

Details of the outstanding bank loans as at 30 June 2016 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 2016, approximately 35.7% of the Group's bank loans were subjected to fixed interest rates while the remaining approximately 64.3% were subjected 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 50.0% of the total borrowings. As at 30 June 2016, approximately 21.4% of the Group's borrowings will mature within one year.

As at 30 June 2016, the Group's loans were all denominated in Renminbi, while cash and cash equivalents were denominated in RMB and US dollars, of which cash and cash equivalents denominated in US dollars represented approximately 0.9% of the total amount.

Management Discussion and Analysis

Details of Pledged Assets of the Group

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

Employees and Emolument Policies

As at 30 June 2016, the Group had a total number of approximately 68,000 employees, a decrease of approximately 3,000 employees as compared with that of the corresponding period of last year, mainly attributable to normal employee turnover. Total staff costs of the Group amounted to approximately RMB1,339 million during the Period, representing approximately 30.6% of the revenue, up by 4.8 percentage points as compared with approximately 25.8% for the corresponding period of last year. The increase in total staff costs was mainly due to the increase in employee remuneration with a view of maintaining the Group's stability in production and operation during the Period. Employee remuneration is determined based on performance, experience and industry practices. 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 in order to encourage and motivate them to engage in technology 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.

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. For the six months ended 30 June 2016, approximately 30.7% of the Group's revenue and approximately 8.0% of the costs of purchase of lint cotton were denominated in US dollars. For the six months ended 30 June 2016, the Group recorded an exchange gain of approximately RMB11 million due to the depreciation of RMB. 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 2016, the Group did not have any contingent liabilities.

Taxation

The tax of the Group increased from approximately RMB120 million for the first half of 2015 to approximately RMB259 million for the first half of 2016, representing an increase of approximately 115.8%. Such increase in tax was mainly attributable to the increase in the Group's profit before tax during the Period, the relevant increase in the income tax and the derecognition of deferred income tax assets recognised during the previous years. In addition, after careful consideration, the Group did not recognise any deferred income tax assets in respect of any tax losses of certain subsidiaries during the current period.

OUTLOOK

In the second half of the year, we expect to witness uncertainties around the global economy with slow recovery. Under the L-shaped pattern of the PRC economy, the advancement of supply-side structural reforms will generate the need to establish a new economic structure, and strengthen new development momentum. Fully understanding the challenges and opportunities under the new environment, Chinese textile enterprises will control total output and improve quality to stabilize their market share and optimize export product mix, instead of simply pursuing export growth. China's textile industry is expected to be able to maintain stable development momentum, with higher demand from domestic residents for textile and apparel product quality.

Adhering to a market-oriented approach, the Group will deepen structural adjustments, enhance innovation efforts and pursue for "green development". In terms of overall strategy, by focusing on market demands, Weiqiao Textile will explore further in middle to high-end markets, optimize the product mix, enhance its research and development capacity and step up efforts in building its talent reserves, with an aim to strengthen its innovative capabilities. The Group will also coordinate all resources to achieve synergies and improve overall performance. With respect to operations, the Group will make better use of all available resources, source cotton globally and improve cost controls in line with changes in the market for raw textile materials, so as to reduce the impact of cotton price fluctuations on operating results. Furthermore, adhering to its strategy of placing equal emphasis on domestic sales and overseas exports, the Group will optimize its trade structure. Leveraging on the Group's consistently high quality products and scale advantages, the Group will improve our order delivery capability and bargain power. Efforts will be stepped up to promote equipment and technology upgrade and transformation, increase labor efficiency and reduce labor costs. The Group will strictly comply with the requirements of energy conservation and environmental protection, in an effort to promote "green manufacturing".

By leveraging its positive brand image, extensive operational experience, sufficient cash flow and healthy financial position, the Group is confident that it can improve its core competitiveness, seize strategic opportunities arising from industry changes, advance its strategy of enriching product varieties, improving product quality and enhancing its brand name, and 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 2016, so far as known to the Directors, supervisors and chief executive of the Company, the following people (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 2016** (%)	**Approximate percentage of total issued share capital as at 30 June 2016** (%)
Shandong Weiqiao Chuangye Group Company Limited (the "Holding Company")	757,869,600 (Long position)	97.07	63.45
Shandong Weiqiao Investment Holdings Company Limited ("Weiqiao Investment")	757,869,600 (Long position) *(Note 2)*	97.07	63.45

Interests in the H Shares of the Company:

Name of Shareholders	Type of interest	Number of H Shares *(Note 3)*	Approximate percentage of total issued H share capital as at 30 June 2016 (%)	Approximate percentage of total issued share capital as at 30 June 2016 (%)
Brandes Investment Partners, L.P.	Investment manager	74,267,862 (Long position) *(Note 4)*	17.96	6.22
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	21,401,457 (Long position)	5.17	1.79
	Custodian corporation/ approved lending agent	21,092,447 (Lending pool) *(Note 6)*	5.09	1.77

Note 1: Unlisted shares.

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

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

Note 4: These 74,267,862 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 21,401,457 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 21,092,447 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 2016, 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 2016, 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Interests in the domestic shares of the Company:

Name of shareholders	Type of interest	Number of domestic shares *(Note 1)*	Approximate percentage of total issued domestic share capital as at 30 June 2016 (%)	Approximate percentage of total issued share capital as at 30 June 2016 (%)
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 2016 (%)
Zhang Shiping *(Non-executive Director)*	Holding Company	Beneficial interests	31.59
Zhang Hongxia *(Executive Director)*	Holding Company	Beneficial interests and spouse interests *(Note 1)*	9.73 *(Note 1)*
Zhang Yanhong *(Executive Director)*	Holding Company	Beneficial interests	5.63
Zhao Suwen *(Executive Director)*	Holding Company	Beneficial interests	0.38
Zhao Suhua *(Non-executive Director)*	Holding Company	Spouse interests *(Note 2)*	4.93 *(Note 2)*

Note 1: These 112,000,000 shares of the Holding Company will be 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 2016, 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 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

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 19 August 2016 to review the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016 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 2016.

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 18 March 2016, at which the resolution with regard to Directors' payroll and bonus as well as supervisors' payment for the year of 2016 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 complied with all the code provisions and, where applicable, adopted the recommended best practices as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six-month period ended 30 June 2016.

SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code for securities transactions on terms no less 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 2016.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this interim report will be published simultaneously on the websites of both the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.wqfz.com). This interim report will be despatched to the shareholders on or before 23 September 2016.

Independent Review Report

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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 22 to 56, which comprises the condensed consolidated statement of financial position of Weiqiao Textile Company Limited (the "Company") and its subsidiaries as at 30 June 2016 and the related interim 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

19 August 2016

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

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
REVENUE	*4*	**4,380,098**	4,859,384
Cost of sales		**(4,306,388)**	(4,654,439)
Gross profit		**73,710**	204,945
Other income and gains	*4*	**1,053,453**	786,296
Selling and distribution expenses		**(66,972)**	(64,971)
Administrative expenses		**(183,364)**	(168,756)
Other expenses		**(6,414)**	(20,890)
Finance costs	*6*	**(271,682)**	(304,872)
Share of profit of an associate		**805**	1,454
PROFIT BEFORE TAX	*5*	**599,536**	433,206
Income tax expense	*7*	**(258,590)**	(120,330)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**340,946**	312,876
Attributable to:			
Owners of the parent		**343,264**	313,510
Non-controlling interests		**(2,318)**	(634)
		340,946	312,876
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*9*	**RMB0.29**	RMB0.26

Interim Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	**30 June 2016 (Unaudited) RMB'000**	31 December 2015 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**13,182,649**	10,022,287
Investment property		**23,389**	23,770
Prepaid land lease payments		**353,179**	254,871
Other intangible assets		**451**	739
Investment in an associate		**71,157**	74,477
Available-for-sale investments	*11*	**–**	1,298,000
Prepayments		**–**	300,000
Deferred tax assets	*18*	**192,337**	268,030
Total non-current assets		**13,823,162**	12,242,174
CURRENT ASSETS			
Available-for-sale investments	*11*	**1,298,000**	–
Inventories	*12*	**3,725,488**	4,257,635
Trade receivables	*13*	**306,651**	254,270
Prepayments, deposits and other receivables		**842,635**	210,537
Pledged deposits	*14*	**83,545**	58,945
Cash and cash equivalents	*14*	**8,688,829**	12,031,910
		14,945,148	16,813,297
Non-current assets classified as held for sale	*10*	**36,154**	25,963
Total current assets		**14,981,302**	16,839,260
CURRENT LIABILITIES			
Trade payables	*15*	**593,476**	1,023,422
Other payables and accruals	*16*	**1,256,086**	996,597
Interest-bearing bank and other borrowings	*17*	**1,888,000**	1,728,850
Tax payable		**791,204**	710,696
Deferred income		**27,562**	38,289
Total current liabilities		**4,556,328**	4,497,854
NET CURRENT ASSETS		**10,424,974**	12,341,406
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,248,136**	24,583,580

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

30 June 2016

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,248,136**	24,583,580
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*17*	**6,920,930**	7,286,563
Deferred income		**190,321**	198,281
Deferred tax liabilities	*18*	**3,413**	3,552
Total non-current liabilities		**7,114,664**	7,488,396
Net assets		**17,133,472**	17,095,184
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*19*	**1,194,389**	1,194,389
Reserves		**15,871,164**	15,830,558
		17,065,553	17,024,947
Non-controlling interests		**67,919**	70,237
Total equity		**17,133,472**	17,095,184

Zhang Hongxia
Executive Director

Zhao Suwen
Executive Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the parent						
	Issued capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2016	**1,194,389**	**6,664,645***	**1,586,203***	**7,579,710***	**17,024,947**	**70,237**	**17,095,184**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**343,264**	**343,264**	**(2,318)**	**340,946**
Final 2015 dividend declared	**–**	**–**	**–**	**(302,658)**	**(302,658)**	**–**	**(302,658)**
At 30 June 2016 (unaudited)	**1,194,389**	**6,664,645***	**1,586,203***	**7,620,316***	**17,065,553**	**67,919**	**17,133,472**

For the six months ended 30 June 2015

	Attributable to owners of the parent						
	Issued capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2015	1,194,389	6,664,645	1,471,415	6,807,477	16,137,926	72,552	16,210,478
Profit and 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	1,471,415	7,028,661	16,359,110	71,340	16,430,450

* *These reserve accounts comprise the consolidated reserves of RMB15,871,164,000 (31 December 2015: RMB15,830,558,000) in the interim condensed consolidated statement of financial position as at 30 June 2016.*

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**599,536**	433,206
Adjustments for:		
Finance costs	**271,682**	304,872
Share of profit of an associate	**(805)**	(1,454)
Bank interest income	**(474)**	(20,698)
Gain on available-for-sale investments	**(45,554)**	(5,551)
Foreign exchange differences, net	**(10,335)**	–
Recognition of deferred income	**(18,687)**	(15,521)
Rental income from a leasing investment property	**(400)**	(400)
Loss on disposal of items of property, plant and equipment	**1,888**	2,417
Impairment of property, plant and equipment	**–**	6,202
Changes in impairment of trade receivables	**(6,130)**	4,738
Changes in provision against inventories	**(47,359)**	31,505
Depreciation of property, plant and equipment	**579,639**	602,588
Depreciation of an investment property	**381**	388
Recognition of prepaid land lease payments	**3,431**	3,254
Amortisation of other intangible assets	**288**	87
	1,327,101	1,345,633
Decrease in inventories	**579,506**	762,249
(Increase)/decrease in trade receivables	**(59,378)**	25,768
(Increase)/decrease in prepayments, deposits and other receivables	**(109,313)**	226,308
Decrease in trade payables	**(434,014)**	(461,302)
Increase in other payables and accruals	**21,343**	148,721
Cash generated from operations	**1,325,245**	2,047,377
Interest paid	**(76,439)**	(118,087)
PRC corporate income tax paid	**(102,528)**	(71,253)
Net cash flows from operating activities	**1,146,278**	1,858,037

Interim Condensed Consolidated Statement of Cash Flows

(Continued)

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**623**	19,315
Gain on available-for-sale investments	**45,554**	5,551
Dividends received from an associate	**4,125**	8,388
Purchases of items of property, plant and equipment and additions to prepaid land lease payments	**(4,041,006)**	(37,299)
Purchases of available-for-sale investments	**–**	(1,298,000)
Proceeds from disposal of items of property, plant and equipment	**34,190**	16,590
(Increase)/decrease in pledged deposits	**(24,600)**	59,359
Net cash flows used in investing activities	**(3,981,114)**	(1,226,096)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**1,485,000**	393,685
Repayment of bank loans	**(1,700,536)**	(429,977)
Dividends paid	**(302,658)**	(92,326)
Dividends paid to non-controlling shareholders	**–**	(578)
Net cash flows used in financing activities	**(518,194)**	(129,196)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(3,353,030)**	502,745
Cash and cash equivalents at beginning of the period	**12,031,910**	10,713,441
Effect of foreign exchange rate changes, net	**9,949**	8,315
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**8,688,829**	11,224,501
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**8,688,829**	11,224,501

Notes To The Interim Condensed Consolidated Financial Statements

30 June 2016

1. CORPORATE AND GROUP INFORMATION

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

During the six months ended 30 June 2016, the Group was principally engaged in the production and sale of textile products.

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.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of registration/ incorporation and place of business	Legal status	Registered capital	Percentage of equity directly attributable to the Company	Principal activities
Weihai Weiqiao Textile Company Limited	Weihai, Mainland China 25 July 2001	Limited liability company	RMB148,000,000	100	Production and sale of cotton yarn and fabric
Binzhou Weiqiao Technology Industrial Park Company Limited	Binzhou, Mainland China 26 November 2001	Limited liability company	RMB600,000,000	98.5	Production and sale of cotton yarn and fabric
Shandong Luteng Textile Company Limited	Zouping, Mainland China 12 September 2002	Sino-foreign equity joint venture	US$9,790,000	75	Production and sale of polyester yarn and related products
Weihai Weiqiao Technology Industrial Park Company Limited	Weihai, Mainland China 30 January 2004	Limited liability company	RMB760,000,000	100	Production and sale of cotton yarn and fabric
Shandong Binteng Textile Company Limited	Zouping, Mainland China 13 September 2002	Sino-foreign equity joint venture	US$15,430,000	75	Production and sale of compact yarn and related products

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Name	Place and date of registration/ incorporation and place of business	Legal status	Registered capital	Percentage of equity directly attributable to the Company	Principal activities
Weiqiao Textile (Hong Kong) Trading Company Limited	Hong Kong 12 October 2011	Limited liability company	HK$500,000	100	Trading of textile raw materials and products
Shandong Hongjie Textile Technology Company Limited*	Zouping, Mainland China 22 January 2016	Limited liability company	RMB1,460,000,000	100	Production and sale of cotton yarn and fabric
Shandong Hongru Textile Technology Company Limited*	Zouping, Mainland China 22 January 2016	Limited liability company	RMB1,660,000,000	100	Production and sale of cotton yarn and fabric
Shandong Minghong Textile Technology Company Limited*	Zouping, Mainland China 27 January 2016	Limited liability company	RMB580,000,000	100	Production and sale of cotton yarn and fabric
Zouping County Huineng Thermal Power Company Limited*	Zouping, Mainland China 22 April 2016	Limited liability company	RMB6,550,000,000	100	Production and sale of electricity

* *These companies were established during the six months ended 30 June 2016, pursuant to a restructuring which divided various business units of the Company into individual legal entities.*

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2016 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 2015.

2.2 CHANGES IN ACCOUNTING POLICIES

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 consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has adopted the following new and revised standards for the first time for the financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Although these new standards and amendments apply for the first time in 2016, 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 nature and the impact of each new standard or amendment is described below:

(a) Amendments to HKFRS 10, HKFRS 12 and HKAS 28 address issues that have arisen in applying the investment entities exception under HKFRS 10 *Consolidated Financial Statements*. The amendments to HKFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to HKFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to HKAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) Amendments to HKFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant HKFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a join operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

(c) HKFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of HKFRS. Entities that adopt HKFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

HKFRS 14 is effective for annual periods beginning or after 1 January 2016. Since the Group is an existing HKFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

(d) Amendments to HKAS 1 clarify, rather than significantly change, existing HKAS 1 requirements. The amendments clarify:

- The materiality requirements in HKAS 1;
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group.

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

(e) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 *Property, Plant and Equipment* and HKAS 18 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016 with early adoption permitted. These amendments do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

(f) Amendments to HKAS 16 and HKAS 41 change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of HKAS 41 *Agriculture*. Instead, HKAS 16 will apply. After initial recognition, bearer plants will be measured under HKAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of HKAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group as the Group does not have any bearer plants.

(g) Amendments to HKAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying HKFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of HKFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to HKFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group's consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

(h) The *Annual Improvements to HKFRSs 2012-2014 Cycle* are effective for annual period beginning on or after 1 January 2016. They include:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changing from one of these disposal methods to the other would not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in HKFRS 5. This amendment must be applied prospectively.

- HKFRS 7 *Financial Instruments: Disclosures*

  (i) Servicing contracts: Clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

  (ii) Applicability of the amendments to HKFRS 7 to condensed interim financial statements: Clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

- HKAS 19 *Employee Benefits*: Clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

- HKAS 34 *Interim Financial Reporting*: Clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments do not have any impact on the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has two reportable operating segments as follows:

(a) The textile products segment produces and sells cotton yarn, grey fabric and denim;

(b) The electricity segment generates electricity for internal use in the production of textile products and sale to external customers.

During the six months ended 30 June 2016, several subsidiaries were established pursuant to a restructuring which divided the business units of the Company into several legal entities which have to maintain their own books and records respectively, thereby the financial information of electricity business is available to management, who monitors the result of such business as a separate operating segment and makes decisions about resources allocation and performance assessment. This resulted in a change in the composition of the Group's reportable segments such that generation and sale of electricity was identified as a new reportable segment. The comparative segment information has been reclassified to conform with these changes.

Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax, excluding unallocated income or expenses.

Segment assets exclude the Company's pledged deposits, cash and cash equivalents and interest available-for-sale investments as these assets are managed on a group basis.

Segment liabilities exclude the Company's interest-bearing bank and other borrowings and interest accruals as these liabilities are managed on a group basis.

3. OPERATING SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June 2016 and 2015 and other segment items included in the interim condensed consolidated financial statements are as follows:

For the six months ended 30 June 2016

	Textile products RMB'000	Electricity RMB'000	Total RMB'000
Revenue	4,380,098	–	4,380,098
Other income and gains	–	1,019,307	1,019,137
Intersegment gains	–	(90,439)	(90,439)
Segment results	73,710	928,868	1,002,578
Unallocated other income and gains			124,585
Selling and distribution expenses			(66,972)
Administrative expenses			(183,364)
Other expenses			(6,414)
Finance costs			(271,682)
Share of profit of an associate			805
Profit for the period			599,536
Other segment information:			
Reversal of impairment of trade receivables	6,130	–	6,130
Reversal of provision against inventories	47,359	–	47,359
Depreciation and amortisation	444,233	139,506	583,739
Capital expenditure*	127,581	3,762,821	3,890,402

3. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2015

	Textile products RMB'000	Electricity RMB'000	Total RMB'000
Revenue	4,859,384	–	4,859,384
Other income and gains	–	703,448	703,448
Segment results	204,945	703,448	908,393
Unallocated other income and gains			82,848
Selling and distribution expenses			(64,971)
Administrative expenses			(168,756)
Other expenses			(20,890)
Finance costs			(304,872)
Share of profit of an associate			1,454
Profit for the period			433,206
Other segment information:			
Impairment of property, plant and equipment	6,202	–	6,202
Impairment of trade receivables	4,738	–	4,738
Changes in provision against inventories	31,505	–	31,505
Depreciation and amortisation	481,378	124,939	606,317
Capital expenditure*	22,841	15,134	37,975

* *Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments and other intangible assets.*

3. OPERATING SEGMENT INFORMATION (continued)

The segment assets and liabilities as at 30 June 2016 and 31 December 2015 are as follows:

30 June 2016

	Textile products RMB'000	**Electricity RMB'000**	**Total RMB'000**
Segment assets	**12,136,940**	**7,987,005**	**20,123,945**
Elimination of intersegment receivables			**(902,524)**
Corporate and other unallocated assets			**9,583,043**
Total assets			**28,804,464**
Segment liabilities	**2,571,310**	**1,112,949**	**3,684,259**
Elimination of intersegment payables			**(902,524)**
Corporate and other unallocated liabilities			**8,889,257**
Total liabilities			**11,670,992**

31 December 2015

	Textile products RMB'000	Electricity RMB'000	Total RMB'000
Segment assets	11,863,763	4,079,961	15,943,724
Elimination of intersegment receivables			(5,700)
Corporate and other unallocated assets			13,143,410
Total assets			29,081,434
Segment liabilities	3,509,205	94,832	3,604,037
Elimination of intersegment payables			(5,700)
Corporate and other unallocated liabilities			8,387,913
Total liabilities			11,986,250

3. OPERATING SEGMENT INFORMATION (continued)

An analysis of revenue from textile products segment by product for the six months ended 30 June 2016 and 2015 is as follows:

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Cotton yarn	**1,505,070**	1,607,485
Grey fabric	**2,447,894**	2,778,322
Denim	**427,134**	473,577
	4,380,098	4,859,384

Geographical information

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

Revenue from external customers

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Mainland China	**3,033,653**	3,301,927
Hong Kong	**599,733**	678,562
East Asia	**368,975**	279,206
Southeast Asia	**196,139**	399,875
Others	**181,598**	199,814
	4,380,098	4,859,384

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

3. OPERATING SEGMENT INFORMATION (continued)

Information about a major customer

During the six months ended 30 June 2016, no revenue from sales by textile products segment to a single customer accounted for 10% or more of the Group's revenue (the six months ended 30 June 2015: Nil).

During the six months ended 30 June 2016, gains of approximately RMB839 million (the six months ended 30 June 2015: RMB660 million) was derived from sales by electricity segment to a single customer.

Sales to a single customer include sales to a group of entities, which are known to be under common control with that customer.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of textile products sold, after allowances for returns and trade discounts.

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

	For the six month ended 30 June	
	2016	2015
	RMB'000	RMB'000
Revenue		
Sale of textile goods	**4,380,098**	4,859,384
Other income		
Bank interest income	**17,817**	20,698
Recognition of deferred income	**18,687**	15,521
Compensation from suppliers on supply of sub-standard goods	**7,079**	7,315
Gross rental income	**400**	400
Others	**14,347**	10,509
	58,330	54,443
Gains		
Sale of electricity	**1,554,043**	1,226,419
Less: Cost thereon	**(625,175)**	(522,971)
Gain on sale of electricity	**928,868**	703,448
Gain on available-for-sale investments	**45,554**	5,551
Gain on sale of waste and spare parts	**10,366**	22,854
Foreign exchange differences, net	**10,335**	–
	995,123	731,853
	1,053,453	786,296

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Cost of inventories sold	**4,405,949**	4,674,764
Employee benefit expense (excluding directors', chief executive's and supervisors' remuneration):		
Wages, salaries and other social insurance costs	**1,228,280**	1,152,840
Pension scheme contributions	**106,894**	100,966
	1,335,174	1,253,806
Depreciation of property, plant and equipment	**579,639**	602,588
Depreciation of investment property	**381**	388
Amortisation of prepaid land lease payments	**3,431**	3,254
Amortisation of other intangible assets	**288**	87
Impairment of property, plant and equipment	**–**	6,202
Impairment of trade receivables	**(6,130)**	4,738
Changes in provision against inventories	**(47,359)**	31,505
Auditors' remuneration	**1,600**	1,602
Repairs and maintenance	**138,525**	140,307
Research and development costs:		
Wages and Salaries	**12,096**	22,908
Consumables	**18,815**	41,738
	30,911	64,646
Minimum land and building lease payments under operating leases	**9,232**	9,232
Loss on disposal of items of property, plant and equipment	**1,888**	2,417
Gain on sale of waste and spare parts	**(10,366)**	(22,854)
Gain on available-for-sale investments	**(45,554)**	(5,551)
Bank interest income	**(17,817)**	(20,698)
Recognition of deferred income	**(18,687)**	(15,521)
Compensation from suppliers on supply of sub-standard goods	**(7,079)**	(7,315)
Foreign exchange differences, net	**(10,649)**	(8,532)

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest on bank loans and corporate bonds	**271,996**	313,404
Foreign exchange differences, net	**(314)**	(8,532)
	271,682	304,872

No interest was capitalised during the six months ended 30 June 2016 (the six months ended 30 June 2015: 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 2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2016, 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 2015: 25%).

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current		
– Mainland China	**183,036**	153,525
Deferred *(Note 18)*	**75,554**	(33,195)
Total tax charge for the period	**258,590**	120,330

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 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 rate) to the effective tax rate, are as follows:

	For the six months ended 30 June			
	2016		2015	
	RMB'000	**%**	RMB'000	%
Profit before tax	**599,536**		433,206	
Tax at PRC jurisdiction statutory tax rate	**149,884**	**25.0**	108,302	25.0
Profit attributable to an associate	**(201)**	**–**	(364)	(0.1)
Expenses not deductible for tax	**4,668**	**0.8**	7,771	1.8
Tax losses not recognised	**58,066**	**9.6**	4,621	1.1
Tax losses utilised from previous years	**(3,503)**	**(0.6)**	–	–
Derecognition of deferred tax assets recognised in previous years	**49,676**	**8.3**	–	–
Tax charge at the Group's effective rate	**258,590**	**43.1**	120,330	27.8

8. DIVIDEND

The proposed final dividend of RMB302,658,000 for the year ended 31 December 2015 was approved by the Company's shareholders on 30 May 2016.

At the board of directors' meeting held on 19 August 2016, the directors did not recommend the payment of any interim dividend to the shareholders (the six months ended 30 June 2015: Nil).

9. 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 2016 attributable to ordinary equity holders of the parent of RMB343,264,000 (the six months ended 30 June 2015: RMB313,510,000), and the weighted average number of ordinary shares of 1,194,389,000 (the six months ended 30 June 2015: 1,194,389,000) in issue during the six months ended 30 June 2016.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2016 and 30 June 2015.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired buildings, machinery and equipment, motor vehicles and construction in progress at an aggregate cost of approximately RMB3,786 million (the six months ended 30 June 2015: RMB38 million), and disposed of machinery and equipment with an aggregate net carrying value of approximately RMB10 million (the six months ended 30 June 2015: RMB8 million).

The depreciation charge of the Group for the six months ended 30 June 2016 was approximately RMB580 million (the six months ended 30 June 2015: RMB603 million).

During the six months ended 30 June 2016, no impairment loss was recognised for the Group's property, plant and equipment. During the six months ended 30 June 2015, the Group made a provision of approximately RMB6 million to its property, plant and equipment and charged it to profit or loss.

Non-current assets classified as held for sale

At 30 June 2016, the non-current assets held for sale were certain items of machinery under sales agreements entered into in 2016 and expected to be sold in the second half of 2016.

At 31 December 2015, the non-current assets held for sale were certain items of machinery under sales agreements. These assets were sold during the six months ended 30 June 2016.

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 invested by the Group in 2015 and expected to be repaid to the Group in cash before 30 June 2017. 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 (i) cash assets, such as cash, deposit and monetary fund; (ii) bond financial assets, such as national debt traded on the exchanges or inter-bank and corporate bonds; and (iii) other financial assets that generate fixed income, such as asset securitisation products and financial products. These investments were classified as available-for-sale financial assets and no other comprehensive income or loss was recognised for the six months ended 30 June 2016 (the six months ended 30 June 2015: Nil), 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 2016, the Group reversed the inventory provision of approximately RMB47 million and credited it to cost of sales due to the sale of the 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.

13. TRADE RECEIVABLES

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.

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 3 months	**303,816**	253,818
3 to 6 months	**2,604**	369
6 months to 1 year	**231**	83
	306,651	254,270

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2016 RMB'000	31 December 2015 RMB'000
Cash and bank balances	**8,688,829**	12,031,910
Pledged deposits	**83,545**	58,945
	8,772,374	12,090,855
Less: Pledged deposits:		
– Letters of credit	**(73,570)**	(52,748)
– Letters of guarantee	**(9,975)**	(6,197)
	(83,545)	(58,945)
Cash and cash equivalents	**8,688,829**	12,031,910

15. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 3 months	**525,405**	945,571
3 to 6 months	**10,862**	26,526
6 months to 1 year	**22,337**	2,751
Over 1 year	**34,872**	48,574
	593,476	1,023,422

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

16. OTHER PAYABLES AND ACCRUALS

	30 June 2016 RMB'000	31 December 2015 RMB'000
Other taxes payable	**130,603**	61,322
Accruals	**267,610**	83,595
Payroll payable	**264,289**	222,618
Other payables	**593,584**	629,062
	1,256,086	996,597

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

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 2016:

(i) All of the Group's bank loans are denominated in Renminbi as at 30 June 2016 (31 December 2015: Other than certain of the Group's bank loans in an aggregate amount of US$9 million, equivalent to RMB56 million, all of the Group's bank loans are dominated in Renminbi).

(ii) Certain of the Group's bank loans amounting to approximately RMB1,175 million (31 December 2015: RMB1,840 million) were secured by certain of the Group's buildings, machinery and equipment of an aggregate carrying value of approximately RMB821 million as at 30 June 2016 (31 December 2015: RMB1,338 million).

(iii) Certain of bank loans borrowed by one of the Company's subsidiaries of approximately RMB130 million were guaranteed by the Company as at 30 June 2016 (31 December 2015: RMB210 million).

(iv) As at 31 December 2015, certain of bank loans borrowed by one of the Company's subsidiaries of approximately RMB90 million were guaranteed by the Company and were also secured by certain of the Company's buildings, machinery and equipment of an aggregate carrying value of approximately RMB157 million.

(v) As at 31 December 2015, certain of bank loans borrowed by one of the Company's subsidiaries of approximately RMB70 million were secured by certain of its trade receivables from the Company of approximately RMB100 million, which were eliminated in the consolidated statement of financial position.

(vi) 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 the bonds 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.

18. DEFERRED TAX

The movements in the deferred tax assets and liabilities during the six months ended 30 June 2016 and 2015 are as follows:

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Deferred tax assets		
At 1 January	**268,030**	231,501
(Charged)/credited to profit or loss during the period	**(75,693)**	33,056
At 30 June	**192,337**	264,557
Deferred tax liabilities		
At 1 January	**3,552**	3,829
Credited to profit or loss during the period	**(139)**	(139)
At 30 June	**3,413**	3,690
Deferred tax (charged)/credited to profit or loss *(Note 7)*	**(75,554)**	33,195

18. DEFERRED TAX (continued)

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

	30 June 2016	31 December 2015
	RMB'000	RMB'000
Deferred tax assets		
Tax deductible loss	**–**	49,676
Provision against inventories	**87,274**	99,114
Impairment of trade receivables	**2,158**	4,158
Impairment of items of property, plant and equipment and an investment property	**21,544**	23,979
Government grants recognised as deferred income	**54,471**	59,143
Difference in depreciation arising from a different residual value of fixed assets recognised for tax and accounting purposes	**16,096**	15,071
Unrealised gains arising from intra-group sales	**11,387**	17,655
Others	**3,402**	3,402
Gross deferred assets	**196,332**	272,198
Deferred tax liabilities		
Interest capitalisation on fixed assets, net of related depreciation	**7,408**	7,720
Gross deferred liabilities	**7,408**	7,720

18. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	30 June 2016 **RMB'000**	31 December 2015 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**192,337**	268,030
Net deferred tax liabilities recognised in the consolidated statement of financial position	**3,413**	3,552

The Group has tax losses arising in Mainland China of RMB665 million (31 December 2015: RMB461 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 RMB665 million (31 December 2015: RMB263 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 2016** **RMB'000**	31 December 2015 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
	1,194,389	1,194,389

The Company does not have any share option scheme.

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 30 June 2016, the Group had total future minimum lease receivables under the non-cancellable operating lease with its tenant falling due as follows:

	30 June 2016	31 December 2015
	RMB'000	RMB'000
Within one year	**1,000**	800
In the second to fifth years, inclusive	**900**	–
	1,900	800

(b) As lessee

The Group leases certain of its land and properties under operating lease arrangements. Leases for land are negotiated for terms of twenty years and those for properties for terms of three years.

As 30 June 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016	31 December 2015
	RMB'000	RMB'000
Within one year	**18,778**	17,680
In the second to fifth years, inclusive	**71,878**	69,459
After five years	**66,628**	75,281
	157,284	162,420

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 2016	31 December 2015
	RMB'000	RMB'000
Contracted, but not provided for	**84,853**	3,800

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	
	2016	2015
	RMB'000	RMB'000
The Holding Company:		
Sale of textile products	**–**	26,407
Sale of electricity	**1,381,795**	1,145,400
Gross rental income	**400**	400
Expenses on land use rights and property leasing	**8,982**	8,982
Purchase of steam	**4,831**	–
Sale of textile products to fellow subsidiaries	**159,080**	164,360
Purchase of steam from a company of which a non-executive director of the Company is an indirect controlling shareholder	**13,087**	–

(b) Commitments with related parties

At the end of the reporting period, in addition to the lease agreements in note 20(a), the Group entered into several agreements of sale of textile products with certain fellow subsidiaries with commitments amounting to RMB9,800,000 (31 December 2015: RMB19,680,000), which are expected to be fulfilled before the end of 2016.

22. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties

	30 June 2016 RMB'000	31 December 2015 RMB'000
Due from related parties		
The Holding Company	**75,407**	77,414
Fellow subsidiaries	**4,067**	11
Due to related parties		
Fellow subsidiaries	**5,670**	4,655

The balances with the Holding Company and fellow subsidiaries 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	
	2016 RMB'000	2015 RMB'000
Short term employee benefits	**2,385**	2,343
Post-employment benefits	**68**	41
Total compensation paid to key management personnel	**2,453**	2,384

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

23. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	30 June 2016		
	Loans and receivables RMB'000	**Available-for-sale financial assets RMB'000**	**Total RMB'000**
Available-for-sale investments	**–**	**1,298,000**	**1,298,000**
Trade receivables	**306,651**	**–**	**306,651**
Financial assets included in prepayments, deposits and other receivables	**99,383**	**–**	**99,383**
Pledged deposits	**83,545**	**–**	**83,545**
Cash and cash equivalents	**8,688,829**	**–**	**8,688,829**
	9,178,408	**1,298,000**	**10,476,408**

	31 December 2015		
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	1,298,000	1,298,000
Trade receivables	254,270	–	254,270
Financial assets included in prepayments, deposits and other receivables	59,802	–	59,802
Pledged deposits	58,945	–	58,945
Cash and cash equivalents	12,031,910	–	12,031,910
	12,404,927	1,298,000	13,702,927

23. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	30 June 2016 Financial liabilities at amortised cost RMB'000	31 December 2015 Financial liabilities at amortised cost RMB'000
Trade payables	**458,878**	904,415
Financial liabilities included in other payables and accruals	**1,125,483**	935,275
Interest-bearing bank and other borrowings	**8,808,930**	9,015,413
	10,393,291	10,855,103

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2016 RMB'000	31 December 2015 RMB'000	30 June 2016 RMB'000	31 December 2015 RMB'000
Financial asset				
Available-for-sale investments	**1,298,000**	1,298,000	**1,298,000**	1,298,000
Financial liabilities				
Interest-bearing bank borrowings	**2,827,500**	3,043,350	**2,827,500**	3,051,243
Corporate bonds	**5,981,430**	5,972,063	**6,057,955**	6,242,625
	8,808,930	9,015,413	**8,885,455**	9,293,868

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of available-for-sale investments and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values of corporate bonds are based on quoted market prices. The Group's own non-performance risk for interest-bearing bank and other borrowings at 30 June 2016 was assessed to be insignificant.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 30 June 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments	–	1,298,000	–	1,298,000

During the six months ended 30 June 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments	–	1,298,000	–	1,298,000

25. EVENTS AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 30 June 2016.

26. 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 19 August 2016.