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

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 2698)**

**Interim results announcement for the six months ended 30 June 2011**

- Revenue was approximately RMB8,031 million, representing a decrease of approximately 3.3% over the same period of last year.
- Gross profit was approximately RMB1,017 million, representing a decrease of approximately 2.2% over the same period of last year.
- Net profit attributable to owners of the Company was approximately RMB545 million, approximately at the same level as the corresponding period of last year.
- Despite the overall difficult operating environment of cotton textile industry in China, the Group still maintained stable gross profit margin of approximately 12.7%.
- The Group continued to maintain its leading position in the PRC cotton textile industry.

\* For identification purpose only

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

*For the six-month period ended 30 June 2011*

	<i>Notes</i>	<b>Six-month period ended 30 June 2011 (unaudited) RMB'000</b>	Six-month period ended 30 June 2010 (unaudited) RMB'000
Revenue	4	<b>8,030,788</b>	8,303,867
Cost of sales		<b>(7,014,239)</b>	(7,263,612)
		<hr/>	<hr/>
Gross profit		<b>1,016,549</b>	1,040,255
Other income and gains	4	<b>155,081</b>	223,992
Selling and distribution costs		<b>(83,183)</b>	(135,272)
Administrative expenses		<b>(111,800)</b>	(102,326)
Other expenses		<b>(35,302)</b>	(52,824)
Finance costs	6	<b>(270,724)</b>	(240,084)
Share of profit of an associate		<b>1,290</b>	–
		<hr/>	<hr/>
Profit before tax	5	<b>671,911</b>	733,741
Income tax expense	7	<b>(122,894)</b>	(188,040)
		<hr/>	<hr/>
Profit and total comprehensive income for the period		<b><u>549,017</u></b>	<b><u>545,701</u></b>
Profit and total comprehensive income attributable to:			
Owners of the parent		<b>545,370</b>	544,513
Non-controlling interests		<b>3,647</b>	1,188
		<hr/>	<hr/>
		<b><u>549,017</u></b>	<b><u>545,701</u></b>
Dividend	9	<b><u>Nil</u></b>	<b><u>Nil</u></b>
Earnings per share attributable to ordinary equity holders of the parent			
Basic	8	<b><u>RMB0.46</u></b>	<b><u>RMB0.46</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

		<b>30 June 2011 (unaudited) RMB'000</b>	31 December 2010 (audited) RMB'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>10</i>	<b>16,268,706</b>	16,680,090
Investment properties		–	39,902
Prepaid land lease payments		<b>197,675</b>	200,167
Other intangible assets		<b>2,848</b>	3,528
Investment in an associate		<b>46,290</b>	–
Deferred tax assets	<i>18</i>	<b>153,823</b>	101,825
		<hr/>	<hr/>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>16,669,342</b>	17,025,512
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories	<i>11</i>	<b>9,351,926</b>	5,871,114
Trade receivables	<i>12</i>	<b>465,986</b>	521,086
Due from the immediate holding company	<i>13</i>	<b>87,552</b>	46,040
Due from other related parties	<i>13</i>	<b>52,269</b>	–
Prepayments, deposits and other receivables		<b>670,031</b>	752,005
Pledged time deposits		<b>297,566</b>	167,014
Non-pledged time deposits maturing over three months		<b>630,310</b>	1,594,500
Cash and cash equivalents		<b>1,595,417</b>	2,412,583
		<hr/>	<hr/>
<b>TOTAL CURRENT ASSETS</b>		<b>13,151,057</b>	11,364,342
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>14</i>	<b>2,855,138</b>	1,601,224
Bills payable	<i>15</i>	<b>130,000</b>	580,000
Due to the immediate holding company	<i>13</i>	<b>428</b>	–
Due to other related parties	<i>13</i>	<b>5,516</b>	9,740
Other payables and accruals	<i>16</i>	<b>959,436</b>	998,452
Interest-bearing bank and other borrowings	<i>17</i>	<b>4,513,506</b>	3,610,289
Tax payable		<b>523,819</b>	684,115
Deferred income		<b>14,810</b>	8,927
		<hr/>	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>		<b>9,002,653</b>	7,492,747
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continue)**As at 30 June 2011*

		<b>30 June 2011 (unaudited) RMB'000</b>	31 December 2010 (audited) RMB'000
<b>NET CURRENT ASSETS</b>		<b>4,148,404</b>	3,871,595
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>20,817,746</b>	20,897,107
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	<i>17</i>	<b>5,039,662</b>	5,190,910
Deferred income		<b>225,279</b>	175,663
Deferred tax liabilities	<i>18</i>	<b>4,800</b>	6,124
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5,269,741</b>	5,372,697
<b>NET ASSETS</b>		<b>15,548,005</b>	15,524,410
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital	<i>19</i>	<b>1,194,389</b>	1,194,389
Reserves		<b>14,250,926</b>	13,705,556
Proposed final dividend	<i>9</i>	–	522,665
		<b>15,445,315</b>	15,422,610
Non-controlling interests		<b>102,690</b>	101,800
<b>TOTAL EQUITY</b>		<b>15,548,005</b>	15,524,410

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

For the six-month period ended 30 June 2011

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

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Issued capital	Capital reserve	Statutory surplus reserve	Retained profits	Proposed final dividend	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
As at 1 January 2011	1,194,389	6,673,380	1,263,477	5,768,699	522,665	15,422,610	101,800	15,524,410	
Final 2010 dividend declared	-	-	-	-	(522,665)	(522,665)	-	(522,665)	
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	(2,757)	(2,757)	
Profit and total comprehensive income for the period	-	-	-	545,370	-	545,370	3,647	549,017	
As at 30 June 2011	<u>1,194,389</u>	<u>6,673,380<sup>(i)</sup></u>	<u>1,263,477<sup>(i)</sup></u>	<u>6,314,069<sup>(i)</sup></u>	<u>-</u>	<u>15,445,315</u>	<u>102,690</u>	<u>15,548,005</u>	

<sup>(i)</sup> These reserve accounts comprise the consolidated reserves of RMB14,250,926,000 and RMB13,145,358,000 in the condensed consolidated statement of financial position as at 30 June 2011 and 30 June 2010, respectively.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)***For the six-month period ended 30 June 2011*

	<b>Six-month period ended 30 June 2011 (unaudited) RMB'000</b>	Six-month period ended 30 June 2010 (unaudited) RMB'000
Net cash (outflow)/inflow from operating activities	<b>(1,520,608)</b>	1,592,244
Net cash inflow/(outflow) from investing activities	<b>460,439</b>	(380,336)
Net cash (outflow)/inflow before financing activities	<b>(1,060,169)</b>	1,211,908
Net cash inflow/(outflow) from financing activities	<b>257,568</b>	(285,429)
Net (decrease)/increase in cash and cash equivalents	<b>(802,601)</b>	926,479
Cash and cash equivalents at beginning of the period	<b>2,412,583</b>	3,264,210
Effect of foreign exchange rate changes, net	<b>(14,565)</b>	(680)
Cash and cash equivalents at end of the period	<b>1,595,417</b>	4,190,009
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<b>1,595,417</b>	3,583,759
Non-pledged time deposits with original maturity of less than three months when acquired	<b>–</b>	606,250
	<b>1,595,417</b>	4,190,009

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 June 2011

## 1. CORPORATE INFORMATION

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

The Company and its subsidiaries (collectively, the “Group”) are principally engaged in the manufacture and sale of cotton yarn, grey fabric and denim in Mainland China and overseas.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Group are Shandong Weiqiao Chuangye Group Company (the “Holding Company”), and Zouping Supply and Marketing Investment Company Limited (“Zouping Investment”), both of which are limited liability companies established in the PRC.

As at 30 June 2011, the Company had interests in the following subsidiaries, joint ventures and an associate, all of which are private companies:

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

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

30 June 2011

Company name	Place and date of incorporation/ registration and operations	Legal status	Paid-up capital/ registered capital	Percentage of equity interests attributable to the Company		Principal activities
				Direct	Indirect	
<b>Joint ventures</b>						
Shandong Luteng Textile Company Limited (“Luteng Textile”)	Zouping, the PRC 12 September 2002	Limited liability company	US\$9,790,000	75	–	Production and sale of polyester yarn and related products
Shandong Binteng Textile Company Limited (“Binteng Textile”)	Zouping, the PRC 12 March 2004	Limited liability company	US\$15,430,000	75	–	Production and sale of compact yarn and related products
<b>An associate</b>						
Weihai Huancui District Hongyuan Microfinance Company Limited	Weihai, the PRC 5 January 2011	Limited liability company	RMB150,000,000	–	30	Provision of finance and financial advisory services to small enterprises

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

**2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES**

The interim condensed consolidated financial statements have been prepared in accordance with HKAS 34.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2010.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2010, except for the adoption of, for the first time, the new standards, amendments and interpretations (collectively referred to as “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, noted below:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>



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

30 June 2011

Apart from the above, *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs, primarily with a view to removing inconsistencies and clarifying wording. The Group has adopted all the amendments from 1 January 2011. The adoption of these HKFRSs did not affect the Group's result of operations or financial position.

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

**3. SEGMENT INFORMATION**

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

An analysis by geographical segment, as determined by the location of customers, is as follows:

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

	<b>Six-month period ended 30 June 2010</b>		
	<b>Sales to external customers (unaudited) RMB'000</b>	<b>Cost of sales (unaudited) RMB'000</b>	<b>Gross profit (unaudited) RMB'000</b>
Mainland China	4,980,496	4,365,977	614,519
Hong Kong	1,046,566	905,828	140,738
East Asia	904,802	803,249	101,553
Others	1,372,003	1,188,558	183,445
	<u>8,303,867</u>	<u>7,263,612</u>	<u>1,040,255</u>

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

30 June 2011

**4. REVENUE, OTHER INCOME AND GAINS**

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

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

	<b>Six-month period ended 30 June 2011 (unaudited) RMB'000</b>	Six-month period ended 30 June 2010 (unaudited) RMB'000
<b>Revenue</b>		
Sale of textile goods	<u><b>8,030,788</b></u>	<u>8,303,867</u>
<b>Other income</b>		
Bank interest income	18,749	27,522
Compensation from suppliers on supply of sub-standard goods and service	31,083	11,437
Penalty income from employees	4,031	3,402
Recognition of deferred income	4,463	4,716
Revenue on plant and equipment leasing	375	1,283
One-off government subsidies	2,264	7,739
Others	<u>1,804</u>	<u>3,708</u>
	<u><b>62,769</b></u>	<u>59,807</u>
<b>Gains</b>		
Sale of electricity and steam	1,511,900	1,315,987
Less: cost thereon	<u>(1,458,948)</u>	<u>(1,161,730)</u>
Gains on sale of electricity and steam	52,952	154,257
Gains on sale of waste and spare parts	1,548	6,747
Foreign exchange differences, net	<u>37,812</u>	<u>3,181</u>
	<u><b>92,312</b></u>	<u>164,185</u>
	<u><b>155,081</b></u>	<u>223,992</u>

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

30 June 2011

**5. PROFIT BEFORE TAX**

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

	<b>Six-month period ended 30 June 2011 (unaudited) RMB'000</b>	Six-month period ended 30 June 2010 (unaudited) RMB'000
Cost of goods sold	<b>6,999,924</b>	7,254,437
Staff costs (excluding directors' and supervisors' remuneration):		
Wages, salaries and social security costs	<b>1,382,244</b>	1,120,945
Pension scheme contributions	<b>59,954</b>	51,649
	<b><u>1,442,198</u></b>	<b><u>1,172,594</u></b>
Depreciation	<b>680,534</b>	641,934
Recognition of prepaid land lease payments	<b>2,331</b>	1,407
Loss on disposal of items of property, plant and equipment	<b>823</b>	18,080
Amortisation of intangible assets	<b>679</b>	679
Auditors' remuneration	<b>1,670</b>	1,850
Directors' and supervisors' remuneration	<b>2,187</b>	2,007
Foreign exchange differences, net	<b>(37,812)</b>	(3,181)
Provision/(reversal of provision) against inventories	<b>154,375</b>	(6,100)
Minimum lease payments under operating leases:		
Land and buildings	<b>12,552</b>	12,919

**6. FINANCE COSTS**

An analysis of finance costs is as follows:

	<b>Six-month period ended 30 June 2011 (unaudited) RMB'000</b>	Six-month period ended 30 June 2010 (unaudited) RMB'000
Interest on bank loans wholly repayable within five years	<b>270,514</b>	239,865
Interest on a finance lease	<b>210</b>	219
	<b><u>270,724</u></b>	<b><u>240,084</u></b>

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

30 June 2011

**7. TAX**

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the six-month period ended 30 June 2011 (six-month period ended 30 June 2010: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates.

	<b>Six-month period ended 30 June 2011 (unaudited) RMB'000</b>	Six-month period ended 30 June 2010 (unaudited) RMB'000
Current – Mainland China	<b>176,216</b>	208,599
Deferred ( <i>note 18</i> )	<b>(53,322)</b>	(20,559)
Total tax charge for the period	<b><u>122,894</u></b>	<b><u>188,040</u></b>

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the locations in which the Company, its subsidiaries and joint ventures are 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:

	<b>Six-month period ended 30 June 2011 (unaudited) RMB'000</b>	%	Six-month period ended 30 June 2010 (unaudited) RMB'000	%
Profit before tax	<b><u>671,911</u></b>		<b><u>733,741</u></b>	
Tax at the PRC statutory tax rate	<b>167,978</b>	<b>25.0</b>	183,435	25.0
Expenses not deductible for tax	<b>4,267</b>	<b>0.6</b>	4,641	0.6
Tax losses not recognised	<b>(322)</b>	–	–	–
Tax concessions in respect of purchase of PRC manufactured machinery and equipment ( <i>note</i> )	<b>(48,599)</b>	<b>(7.2)</b>	–	–
Others	<b>(430)</b>	<b>(0.1)</b>	(36)	–
Tax charge at the Group's effective rate	<b><u>122,894</u></b>	<b><u>18.3</u></b>	<b><u>188,040</u></b>	<b><u>25.6</u></b>

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

*Note: The amount represents a tax concession, approved by the local tax bureau, in respect of the purchases of PRC manufactured machinery and equipment. The tax concession is calculated at 40% of the purchase cost of PRC manufactured machinery and equipment for prior years, and is limited to the amount of increase in income tax for the applied period compared with the tax amount of the preceding year.*

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

30 June 2011

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

The calculation of basic earnings per share is based on the net profit for the period attributable to ordinary equity holders of the parent of RMB545,370,000 (six-month period ended 30 June 2010: RMB544,513,000), and on 1,194,389,000 (six-month period ended 30 June 2010: 1,194,389,000) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six-month periods ended 30 June 2011 and 30 June 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

**9. DIVIDEND**

The proposed final dividend for the year ended 31 December 2010 was approved by the Company's shareholders on 24 May 2011.

At the board of directors meeting held on 19 August 2011, the directors did not recommend the payment of any interim dividend to shareholders (six-month period ended 30 June 2010: Nil).

**10. PROPERTY, PLANT AND EQUIPMENT**

During the six-month period ended 30 June 2011, the Group acquired buildings, machinery and equipment, motor vehicles and construction in progress with an aggregate cost of approximately RMB233 million (six-month period ended 30 June 2010: RMB249 million), and disposed of buildings, machinery and equipment with an aggregate net carrying value of approximately RMB4 million (six-month period ended 30 June 2010: RMB68 million).

The depreciation charge of the Group for the six-month period ended 30 June 2011 was approximately RMB681 million (six-month period ended 30 June 2010: RMB642 million).

**11. INVENTORIES**

During the six-month period ended 30 June 2011, the Group made a provision of approximately RMB154,375,000 to its inventories due to the decrease in their net realisable value.

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

30 June 2011

**12. TRADE RECEIVABLES**

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

	<b>30 June 2011 (unaudited) RMB'000</b>	31 December 2010 (audited) RMB'000
Within 3 months	459,930	516,529
3 to 6 months	4,164	464
6 months to 1 year	1,892	2,354
1 to 2 years	—	1,739
	<u>465,986</u>	<u>521,086</u>

The Group normally allows a credit period of not more than 45 days to its customers, although an extension of the credit period is not uncommon for customers with a long term relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of 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 trade receivables are non-interest-bearing.

**13. AMOUNTS DUE FROM/TO THE IMMEDIATE HOLDING COMPANY/OTHER RELATED PARTIES**

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

**14. TRADE PAYABLES**

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

	<b>30 June 2011 (unaudited) RMB'000</b>	31 December 2010 (audited) RMB'000
Within 3 months	2,740,914	1,287,700
3 to 6 months	14,263	206,366
6 months to 1 year	13,590	14,414
Over 1 year	86,371	92,744
	<u>2,855,138</u>	<u>1,601,224</u>

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

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

30 June 2011

**15. BILLS PAYABLE**

	<b>30 June 2011 (unaudited) RMB'000</b>	31 December 2010 (audited) RMB'000
Within 3 months	78,000	160,000
3 to 6 months	<u>52,000</u>	<u>420,000</u>
	<b><u>130,000</u></b>	<b><u>580,000</u></b>

All of the Group's bills payable as at 30 June 2011 were drawn by Weihai Industrial Park in favour of the Company and were discounted with banks by the Company prior to 30 June 2011 (31 December 2010: RMB260 million).

Certain of the Group's bills payable amounting to RMB320 million as at 31 December 2010 were drawn by the Company in favour of Binzhou Industrial Park and were discounted with banks by Binzhou Industrial Park prior to 31 December 2010. There was no such balance as at 30 June 2011.

**16. OTHER PAYABLES AND ACCRUALS**

	<b>30 June 2011 (unaudited) RMB'000</b>	31 December 2010 (audited) RMB'000
Payroll payable	250,085	263,110
Other taxes payable	20,287	16,586
Accruals	25,743	27,567
Other payables	<u>663,321</u>	<u>691,189</u>
	<b><u>959,436</u></b>	<b><u>998,452</u></b>

The other payables are non-interest-bearing.

**17. INTEREST-BEARING BANK AND OTHER BORROWINGS**

Set out below is the information relating to the Group's bank loans as at 30 June 2011:

- (i) Other than certain of the bank loans in the aggregate amount of US\$211 million (equivalent to RMB1,365 million) as at 30 June 2011 (31 December 2010: US\$232 million, equivalent to RMB1,536 million), all of the Group's bank loans are denominated in Renminbi.

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

30 June 2011

- (ii) Certain of the Group's bank loans amounting to approximately RMB6,172 million (31 December 2010: RMB5,245 million) were secured by certain of the Group's buildings, machinery and equipment, and land use rights (prepaid land lease payments) with an aggregate value of approximately RMB9,032 million as at 30 June 2011 (31 December 2010: RMB9,130 million).
- (iii) Weihai Civil Aviation Industrial Company Limited, the non-controlling shareholder of Weihai Weiqiao, guaranteed bank loans for Weihai Weiqiao of up to approximately RMB26 million (31 December 2010: RMB32 million) as at 30 June 2011.
- (iv) The Company has guaranteed bank loans of Weihai Industrial Park and Weihai Weiqiao up to approximately RMB554 million (31 December 2010: RMB448 million) as at 30 June 2011.
- (v) Certain of the Group's bank loans amounting to RMB567 million (31 December 2010: RMB488 million) were secured by certain of Binzhou Industrial Park's trade receivables from the Company of RMB768 million (31 December 2010: RMB679 million) as at 30 June 2011, which has been eliminated in the condensed consolidated statement of financial position.
- (vi) Certain of the Group's bank loans up to RMB17 million (31 December 2010: RMB47 million) were secured by certain of Weihai Weiqiao and Binzhou Industrial Park's bills of lading of approximately RMB19 million (31 December 2010: RMB53 million) as at 30 June 2011.

**18. DEFERRED TAX**

The movements in the deferred tax assets and liabilities during the six-month period ended 30 June 2011 are as follows:

	<b>Six-month period ended 30 June 2011 (unaudited) RMB'000</b>	Six-month period ended 30 June 2010 (unaudited) RMB'000
<b>Deferred tax assets</b>		
As at 1 January	101,825	173,328
Credited to profit or loss during the period	<u>51,998</u>	<u>20,719</u>
As at 30 June	<u><u>153,823</u></u>	<u><u>194,047</u></u>
<b>Deferred tax liabilities</b>		
As at 1 January	6,124	5,472
(Credited)/charged to profit or loss during the period	<u>(1,324)</u>	<u>160</u>
As at 30 June	<u><u>4,800</u></u>	<u><u>5,632</u></u>
Credited to profit or loss, net (note 7)	<u><u>53,322</u></u>	<u><u>20,559</u></u>



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

30 June 2011

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

	<b>30 June 2011 (unaudited) RMB'000</b>	31 December 2010 (audited) RMB'000
<b>Deferred tax assets</b>		
Tax deductible losses	20,285	28,721
Provision against inventories	58,167	19,573
Impairment of trade receivables	1,968	1,968
Impairment of properties and investment properties	5,725	5,725
Government grants recognised as deferred income	60,022	46,148
Interest capitalisation on fixed assets, net of related depreciation	(5,721)	(5,893)
Difference in depreciation for tax purposes	6,922	5,583
Accrued workers' union fund	6,455	—
	<u>153,823</u>	<u>101,825</u>
<b>Deferred tax liabilities</b>		
Interest capitalisation on fixed assets, net of related depreciation	4,800	4,940
Unrealised losses arising from the intra-group sales	—	1,184
	<u>4,800</u>	<u>6,124</u>

Deferred tax assets have not been recognised in respect of tax losses of RMB149 million (31 December 2010: RMB150 million), as it is not considered probable that taxable profits will be available against which the above items can be utilised.

**19. SHARE CAPITAL**

	<b>30 June 2011 (unaudited) RMB'000</b>	31 December 2010 (audited) RMB'000
<b>Shares</b>		
Registered, issued and fully paid:		
780,770,000 domestic ordinary shares of RMB1.00 each	780,770	780,770
413,619,000 H shares of RMB1.00 each	413,619	413,619
	<u>1,194,389</u>	<u>1,194,389</u>

The Company does not have any share option scheme.

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

30 June 2011

**20. RELATED PARTY TRANSACTIONS**

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

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

**(a) Transactions with related parties**

Name of related parties	Relationship with the Company	Nature of transactions	Six-month period ended 30 June 2011 (unaudited) RMB'000	Six-month period ended 30 June 2010 (unaudited) RMB'000
The Holding Company	The immediate holding company	Expenses on land use rights and property leasing	11,733	11,990
		Sale of cotton yarn	80,503	22,151
		Revenue on supply of electricity	729,240	617,460
		Revenue on property leasing	375	1,208
Shandong Weilian Printing and Dyeing Co., Ltd.	A fellow subsidiary	Sale of grey fabric	161,834	165,088
Shandong Weiqiao Hengfu Knitting Co., Ltd.	A fellow subsidiary	Sale of cotton yarn	39,448	–
		Sale of grey fabric	–	155
Shandong Huibin Cotton Textile & Bleaching-Dyeing Co., Ltd.	A company controlled by the key management personnel	Sale of cotton yarn	34,025	4,407
Shandong Weiqiao Hongyuan Home Textile Co., Ltd.	A fellow subsidiary	Sale of grey fabric	1	3,347
Shandong Weiqiao Tekuanfu Co., Ltd.	A fellow subsidiary	Sale of grey fabric	56,601	56,512
Shandong Weiqiao Clothes Co., Ltd.	A fellow subsidiary	Sale of denim	501	43,983
		Sale of grey fabric	95	8
Shandong Weiqiao Jijia Home Textile Co., Ltd	A fellow subsidiary	Sale of grey fabric	3,548	28,060

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

30 June 2011

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

	Due from related parties		Due to related parties	
	30 June 2011 (unaudited) RMB'000	31 December 2010 (audited) RMB'000	30 June 2011 (unaudited) RMB'000	31 December 2010 (audited) RMB'000
The Holding Company	87,552	46,040	428	–
Fellow subsidiaries	52,269	–	5,516	9,740

**(c) Compensation of key management personnel of the Group**

	Six-month period ended 30 June 2011 (unaudited) RMB'000	Six-month period ended 30 June 2010 (unaudited) RMB'000
Short term employee benefits	2,244	2,219
Post-employment benefits	19	15
Total compensation paid to key management personnel	<u>2,263</u>	<u>2,234</u>

**21. CAPITAL COMMITMENTS**

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

	30 June 2011 (unaudited) RMB'000	31 December 2010 (audited) RMB'000
Contracted, but not provided for	<u>97,955</u>	<u>151,594</u>

The Group has letters of credit issued for purchasing machinery amounting to approximately RMB48 million (31 December 2010: RMB102 million), which was also included in the contingent liabilities in note 23.

**22. OPERATING LEASE ARRANGEMENTS**

**(a) As lessor**

Since 2008, the Group had leased its investment properties under an operating lease arrangement, with a lease negotiated for a term of three years. The agreement was terminated in April 2011.

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

30 June 2011

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

	<b>30 June 2011 (unaudited) RMB'000</b>	31 December 2010 (audited) RMB'000
Within one year	<u>          -</u>	<u>          292</u>

**(b) As lessee**

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

	<b>30 June 2011 (unaudited) RMB'000</b>	31 December 2010 (audited) RMB'000
Within one year	<b>24,926</b>	24,926
In the second to fifth years, inclusive	<b>97,659</b>	97,956
After five years	<u><b>229,163</b></u>	<u>241,218</u>
	<u><b>351,748</b></u>	<u>364,100</u>

**23. CONTINGENT LIABILITIES**

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

	<b>30 June 2011 (unaudited) RMB'000</b>	31 December 2010 (audited) RMB'000
Letters of credit issued	<u><b>901,551</b></u>	<u>200,374</u>

Certain of the letters of credit issued amounting to approximately RMB48 million (31 December 2010: RMB102 million) were for the purchase of machinery, which was also included in the capital commitments in note 21.

**24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 19 August 2011.

## CHAIRMAN'S STATEMENT

It is my pleasure to present on behalf of the board of directors (the "Board") of Weiqiao Textile Company Limited ("Weiqiao Textile" or the "Company") the unaudited consolidated interim report of the Company together with its subsidiaries (collectively, the "Group") for the six months ended 30 June 2011 (the "Period" or "Period under Review").

During the Period under Review, the textile industry in China faced a very complex macro-economic environment. The entire textile industry in China was under increased operation pressure as a result of various unfavourable factors including the slowdown of the global economic recovery, tightened monetary policy of the rising interest rate and increased deposit reserve ratio as well as the fluctuation of cotton price at a high level and other increasing production costs in China. Although the PRC textile industry experienced rapid growth in early 2011, general growth of the industry slowed down during the rest of the Period under Review.

During the Period under Review, total export of textile products and apparel in China was approximately US\$111.7 billion, representing an increase of approximately 25.8% over the same period of last year. Although the overall export of textile products and apparel during the first half of 2011 maintained a growth momentum, it dropped 0.8 percentage points compared to the approximately 26.6% growth in export during the first five months of 2011 and decreased by 1.6 percentage points compared to the approximately 27.4% growth in export during the first four months of 2011. An increase in export price was the major factor supporting the export growth of China's textile products and apparel for the first half of 2011. However, the export volume decreased significantly over the corresponding period of the previous year.

As a result of the domestic and global macro-economic environment and the supply and demand of cotton, cotton price first increased and then decreased during the first half of 2011. Therefore, downstream customers adopted a wait-and-see approach, which affected the sales of the Group for the first half of 2011. Despite the overall difficult operating environment of cotton textile industry in China, the Group still maintained relatively steady operating results. During the Period, the Group's revenue was approximately RMB8,031 million, representing a decrease of approximately 3.3% as compared with the same period of 2010. Net profit attributable to owners of the Company was approximately RMB545 million, approximately at the same level as compared with the corresponding period of the previous year. Earnings per share were approximately RMB0.46. More importantly, the Group also managed to maintain a stable gross profit margin. The Group's gross profit margin for the first half of 2011 was approximately 12.7%, approximately 0.2 percentage points higher than that in the corresponding period of 2010.

Looking ahead, the Board expects continuous recovery of the global economy although it may be at a slow growth rate. The growth in the demand for cotton textile products in international market may also slow down. At the same time, there will be fiercer competition from overseas markets in the region. Under the challenging international competition environment, export of textile products may continue to slow down. For the domestic market, the Board believes the overall domestic demand will maintain

a steady growth momentum and therefore the domestic market will become the major support to the development of the textile industry in China. However, domestic consumption power for textile products and apparel may be affected to a certain extent by expected rising inflation and other negative factors. Rising costs and tight capital environment are crucial problems faced by the textile industry in China. Although cotton prices showed a fast decreasing trend recently, the wait-and-see market sentiment remains and the industry chain is negatively affected, which will continue to impose pressure on the increase in profit in the textile industry. Also, the monetary policy may continue to tighten in the second half of the year which will cause increased financing costs and curb investments in the textile industry in China. The Board believes that the general development of the textile industry in China may slow down in the second half of 2011.

The Group will continue to raise the output per person, reduce the use of labour and control production costs by upgrading the automation of machinery and enhancing the overall technology. As the global competitiveness of the cotton textile industry of China in low-end textile products is weakening as a result of rising costs in raw materials and labour, the Group will continue to focus on the research and development of medium-to-high-end products and to increase the percentage of combed yarn, knotless yarn, shuttleless fabric and high-end combed yarn in the Group's product mix. The Group will strive to increase sales of medium-to-high-end textile products and improve its competitiveness in exports so as to maintain its market share. With its extensive operating experience, the Group will continue to adopt effective measures to strengthen internal management, to optimize its capital structure and reasonably control its finance costs for higher economic benefits. The Board believes that the Group's leading position in the global cotton textile industry will be further consolidated with the upgrade of technology and equipment, the effective internal control management and sufficient working capital.

I would like to express my sincere gratitude to our shareholders, investors and business partners for their trust and support, and to thank the members of the Board, management team and all staff for their contribution and dedication to the Group.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INDUSTRY OVERVIEW**

During the Period under Review, the steady growth in the domestic market remained as the major support to the development of the textile industry in China. According to the figures released by China National Textile and Apparel Council Statistics Center, during the first five months of 2011, domestic sales of China textile enterprises above standard size grew by approximately 31.9%; whereas the proportion of domestic sales of the textile industry in China increased to approximately 82.7% from approximately 81.7% for the corresponding period of the previous year.

At the same time, the export of China's textile products experienced an increase but the growth rate showed signs of slowing down. According to the figures released by the China Customs, China's export of textile products in the first half of 2011 rose by approximately 28.8% over the corresponding period of last year to approximately US\$45.9 billion. The growth rate was down by 3.4 percentage points as compared with the growth of approximately 32.2% of the corresponding period in 2010.

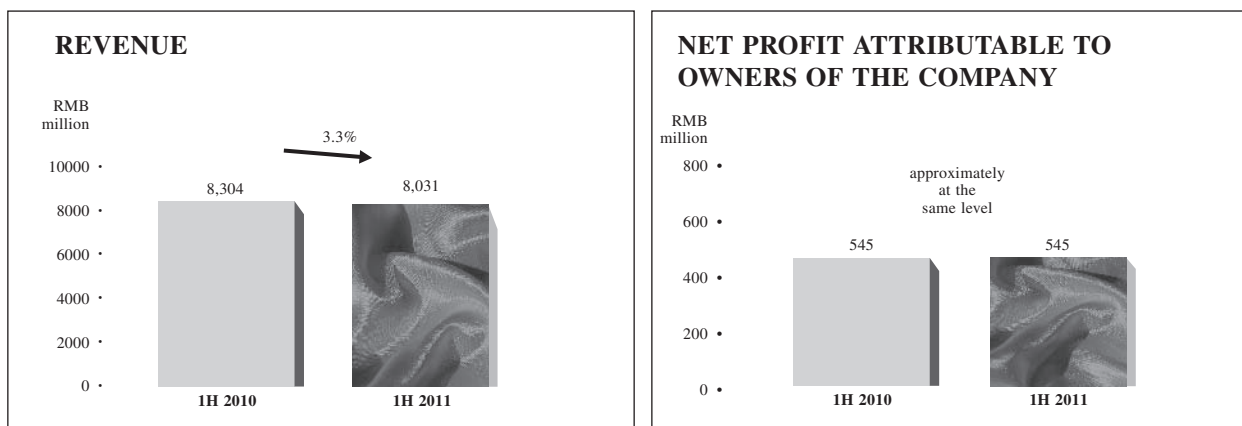
Based on the analysis of the demand in major markets, during the first half of 2011, the export of textile products and apparel from Mainland China to the US and Hong Kong was approximately US\$16.2 billion and US\$7.5 billion, respectively. The export to the US rose approximately 14.2% over the corresponding period of the previous year. The growth decreased by approximately 14.4 percentage points; whereas the export to Hong Kong increased approximately 6.2%, with the growth rate down by approximately 3.9 percentage points over the corresponding period of the previous year. Textile products and apparel exported to the European Union amounted to approximately US\$24.3 billion, representing an increase of approximately 28.9% over the corresponding period of last year, which increased approximately 10.5 percentage points as compared to the same period of last year. The export of textile products and apparel to Japan was approximately US\$11.9 billion, representing an increase of approximately 23.2% from the same period of last year, being approximately 22.0 percentage points higher than the corresponding period of last year.

During the Period under Review, the cotton price fluctuated significantly as a result of influences from the domestic and overseas macro-economic environment and the demand and supply of cotton. Based on the Cotton A Index in China, the average price for the first half year of 2011 was RMB29,162 per tonne, representing an increase of approximately 77.6% as compared with the corresponding period of last year. The average price climbed from RMB28,889 per tonne in January to RMB31,733 per tonne in March 2011, with the highest record at RMB32,163 per tonne. The average price started to drop in March and the average cotton price decreased to RMB26,388 per tonne in June 2011. According to the Cotlook A Index, the average price was US190.37 cents per pound for the first half of 2011, representing an increase of 122.7% from the corresponding period of last year. The average price rose from US178.93 cents per pound in January to US229.67 cents per pound in March 2011 with the highest price at US243.65 cents per pound. According to the Cotlook A Index, the cotton price started to drop in March and it decreased to US149.63 cents per pound in June. The fluctuating cotton price at a high level led to a wait-and-see market sentiment and deferred the demand of downstream customers, and thus imposed pressure on the production and operation of the cotton textile enterprises in the PRC.

## **BUSINESS REVIEW**

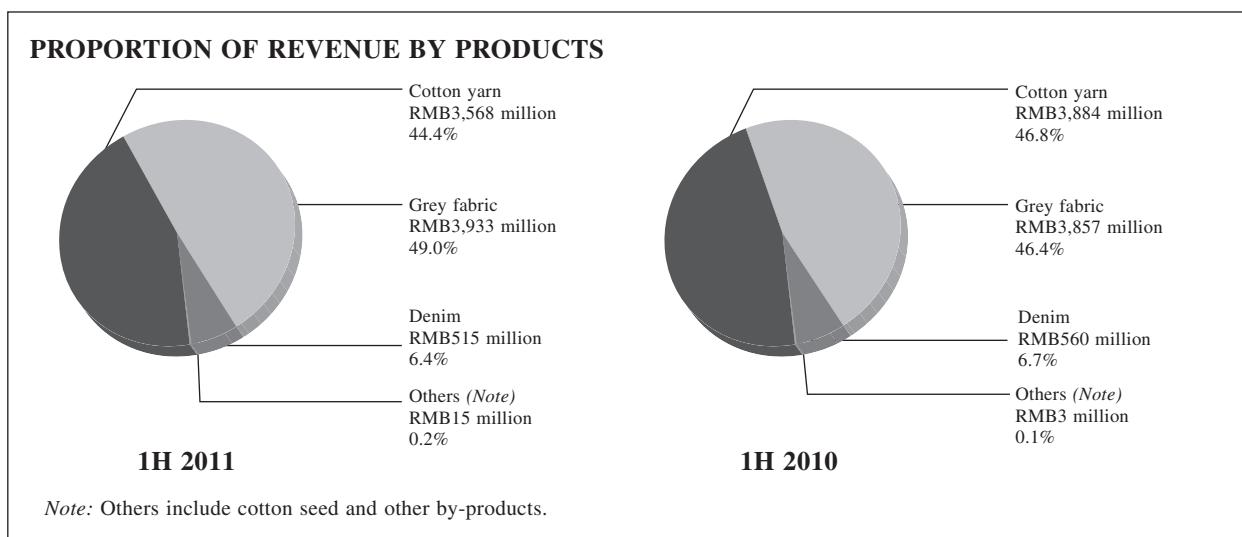
During the first half of 2011, Weiqiao Textile focused on the improvement of the overall industry chain which comprises research and development, procurement, production and marketing and sales network. Despite uncertainties in the market, the Group continued to consolidate its business by strengthening internal management and cost control, optimizing resource allocation and adjusting product portfolio according to market demand. By leveraging on its solid customer base, the Group adjusted its sales strategy in a timely manner to maintain a stable gross profit margin despite the negative impact from the fluctuation of cotton price and hesitating downstream customers. In such unfavourable market environment, the Group managed to achieve stable operating results.

For the six months ended 30 June 2011, the revenue of the Group and net profit attributable to owners of the Company are as follows:



For the six months ended 30 June 2011, the Group recorded a revenue of approximately RMB8,031 million, representing a decrease of approximately 3.3% as compared with the corresponding period of 2010. Net profit attributable to owners of the Company was approximately RMB545 million, being approximately at the same level as the corresponding period of last year. Such decrease in revenue was mainly due to that the significant fluctuation in the price of the cotton at a high level in the first half of the year caused a strong wait-and-see market sentiment among downstream customers and the decrease in market demand and thus the sales volume of the Group's products decreased accordingly.

The charts below are a comparison of the breakdown of revenue by products for the six months ended 30 June 2011 and the corresponding period of 2010:







During the Period under Review, the Group continued to actively expand its market share and consolidate its customer base. As at 30 June 2011, the Group had approximately 9,000 domestic customers and approximately 900 overseas customers, representing a slight increase as compared to the corresponding period of last year. While stabilizing its existing customer resources, the Group continued to strive to expand the international and domestic markets.

Being one of the world's largest cotton textile manufacturers, Weiqiao Textile will continue to produce more value-added and medium-to-high-end products, improve internal management, strengthen cost control, accelerate technological upgrade, improve product quality and operating efficiency as well as actively expanding its market share. Leveraging on its reputable brand image, extensive operating experience and solid financial position, the Group is confident to maintain and strengthen its position as the first-choice supplier for international cotton textile purchasers in the PRC and around the world.

## FINANCIAL REVIEW

### *Gross Profit and Gross Profit Margin*

The table below is an analysis of the Group's gross profit and gross profit margin attributable to its major products for the six months ended 30 June 2011 and 2010, respectively:

	For the six months ended 30 June			
	2011		2010	
	Gross Profit <i>RMB'000</i>	Gross Profit Margin %	Gross Profit <i>RMB'000</i>	Gross Profit Margin %
Product categories				
Cotton yarn	751,746	21.1	609,987	15.7
Grey Fabric	191,668	4.9	345,955	9.0
Denim	71,796	13.9	83,997	15.0
Others	1,339	9.0	316	12.3
Total	<u>1,016,549</u>	<u>12.7</u>	<u>1,040,255</u>	<u>12.5</u>

For the six months ended 30 June 2011, the gross profit margin of the Group remained approximately at the same level as the same period of last year. The Group will increase the consolidated gross profit margin of the products according to the market condition, and adopt the "maximization of integrated benefits" as its development objective.

### ***Other Income and Gains***

For the six months ended 30 June 2011, other income and gains of the Group was approximately RMB155 million, representing a decrease of approximately 30.8% as compared with approximately RMB224 million of the same period of last year. Such decrease was mainly due to the decrease in profit generated from electricity and steam of the Group during the Period.

For the six months ended 30 June 2011, the Group's revenue generated from the sales of electricity and steam amounted to approximately RMB1,512 million (representing an increase of approximately 14.9% over the same period of last year) and recorded gross profit of approximately RMB53 million (representing a decrease of approximately 65.6% over the same period of last year). Revenue generated from the sales of electricity and steam climbed up as compared to the corresponding period of last year, mainly attributable to a slight increase in the Group's production volume of electricity and steam and an increase in the sales volume for external sales. Gross profit of electricity and steam decreased over the corresponding period of last year, primarily due to the increasing price of coal and labour cost resulting in the rising production cost of electricity.

### ***Selling and Distribution Costs***

The Group's selling and distribution costs decreased by approximately 38.5% to approximately RMB83 million for the six months ended 30 June 2011 from approximately RMB135 million for the same period of last year. In particular, transportation cost decreased by approximately 40.4% to approximately RMB62 million from approximately RMB104 million for the same period of last year. This was mainly due to decreased market demand for the textile products and sales volume of the Group's products during the Period, which reduced transportation cost accordingly. Sales commission was approximately RMB9 million, representing a decrease of approximately 18.2% as compared with approximately RMB11 million of the same period of last year. Such decrease was primarily due to a decrease in overseas sales through intermediate traders which resulted in a drop in the commission paid.

### ***Administrative Expenses***

Administrative expenses of the Group for the six months ended 30 June 2011 amounted to approximately RMB112 million, representing an increase of approximately 9.8% as compared with approximately RMB102 million of the same period of last year. It was primarily due to the upward adjustment of wages by the Group and the corresponding increase in the salary expenses of administration and management staff during the Period.

### ***Finance Costs***

For the six months ended 30 June 2011, finance costs of the Group were approximately RMB271 million, representing an increase of approximately 12.9% as compared with approximately RMB240 million for the corresponding period of last year. This was mainly due to the corresponding increase in interest expenses as a result of the increase in the loans of the Group and the increase in the interest rate of bank borrowings by China during the Period.

### ***Liquidity and Financial Resources***

As at 30 June 2011, cash and cash equivalents of the Group were approximately RMB1,595 million, representing a decrease of approximately 33.9% as compared with that of approximately RMB2,413 million as at 31 December 2010. It was mainly due to a decrease in demand in downstream market, which resulted in a slight decrease in the revenue of the Group and raised the Group's inventory at the end of the Period and thus led to a decrease in cash and cash equivalents at the end of the Period.

For the six months ended 30 June 2011, the Group had a net cash outflow from operating activities of approximately RMB1,521 million, a net cash inflow from investing activities of approximately RMB460 million and a net cash inflow from financing activities of approximately RMB258 million. As at the end of the Period, the cash and cash equivalents dropped approximately RMB818 million. The Group will take effective measures to ensure adequate liquidity and financial resources to satisfy its business needs and will continue to maintain sound financial status.

For the six months ended 30 June 2011, the average turnover days of the Group's account receivables decreased to 11 days from 23 days for the same period in 2010, which was primarily due to decreased settlement by way of letter of credit as the revenue from exports of the Group decreased at the end of the Period.

For the six months ended 30 June 2011, the inventory turnover days of the Group increased to 243 days from 75 days for the same period in 2010. The increase in inventory turnover days was due to the significant fluctuation in cotton price for the first half of the year which led to a wait-and-see market sentiment among downstream customers and reduced market demand. This affected the sales volume of the Group's products and increased inventory balances.

For the six months ended 30 June 2011, the Group did not have financial derivative instruments.

### ***Net Profit Attributable to Owners of the Company and Earnings per Share***

Net profit attributable to owners of the Company was approximately RMB545 million for the six months ended 30 June 2011, staying approximately at the same level as the same period of last year.

For the six months ended 30 June 2011, basic earnings per share of the Company were approximately RMB0.46.

## ***Capital Structure***

The major objective of the Group's capital management is to ensure the ongoing operations, and maintain a satisfactory capital ratio of the Group. The Group continued to maintain an appropriate mix of equity and debt to ensure an efficient capital structure to reduce capital cost. As at 30 June 2011, the debts of the Group were mainly bank loans and other borrowings totaling approximately RMB9,553 million. The Group had cash and cash equivalents of approximately RMB1,595 million. The gearing ratio (total debt (interest bearing bank and other borrowings after deducting cash and cash equivalents) divided by net assets) was approximately 51.2% (First half of 2010: approximately 30.5%).

Details of the outstanding bank loans as at 30 June 2011 are set out in note 17 to the unaudited condensed consolidated interim financial statements. The Group manages its interest expenses through a fixed rate and floating rate liabilities portfolio. As at 30 June 2011, approximately 21.3% of the Group's bank loans were subject to fixed interest rates while the remaining approximately 78.7% was subject to floating interest rates.

The Group maintains a balance between the continuity and flexibility of funds through bank loans. At any time, the borrowings due within the upcoming 12-month period will not exceed 50.0% of the total loans. As at 30 June 2011, approximately 47.3% of the Group's loans will mature within one year.

As at 30 June 2011, the Group's loans were denominated in Renminbi and US dollars, of which borrowings in US dollars represented approximately 14.3% of the total borrowings, while cash and cash equivalents were denominated in Renminbi and US dollars, of which cash and cash equivalents denominated in US dollars represented approximately 15.3% of the total amount.

## ***Details of Pledged Assets of the Group***

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

## ***Employees and Emolument Policies***

As at 30 June 2011, the Group had a total of approximately 110,000 employees, representing an increase of approximately 5,000 employees as compared with that at the end of the corresponding period of last year. Such increase in the number of staff was due to the recruitment of some new staff as replenishment and reserve for the production department to meet the needs of production. The Group needs to provide trainings to its new employees for the mastery of the production skills. Total staff costs of the Group amounted to approximately RMB1,444 million during the Period, representing approximately 18.0% of the turnover, up by approximately 3.9 percentage point as compared to approximately 14.1% in the corresponding period of last year. The increase in total staff costs over the corresponding period of last year was mainly due to the increase of the salary by the Group during the Period in order to maintain the stability in production and operation. Employee remuneration is determined based on their performance, experience and the industry practice. The Group's remuneration policies and packages were reviewed periodically by the management of the Group. In addition, the management also grants bonuses and rewards to the staff based on their performance to encourage and motivate the technology innovation and technology improvement by staff. The Group also provided the relevant trainings to the staff based on the technical requirements of different positions.

### ***Exposure to Foreign Exchange Risks***

The Group adopted a prudent policy in managing its exchange rate risks. Export sales and import purchases of the Group are settled in US dollars. For the six months ended 30 June 2011, approximately 39.6% of the Group's revenue and approximately 34.8% of the costs of purchase of lint cotton were denominated in US dollars. As the export trade receivables denominated in US dollars were generally settled within a month and the purchase and bank borrowings denominated in US dollars will be offered a longer repayment date, the Group benefited from the appreciation of Renminbi during the Period under Review. For the six months ended 30 June 2011, the Group recorded exchange gain of approximately RMB38 million. 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 condensed consolidated interim financial statements.

### ***Contingent Liabilities***

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

### ***Taxation***

The tax of the Group decreased from approximately RMB188 million for the first half of 2010 to approximately RMB123 million for the first half of 2011, representing a decrease of approximately 34.6%. Such decrease in tax was mainly attributable to a tax concession of approximately RMB49 million received by Binzhou Weiqiao Technology Industrial Park Company Limited, a subsidiary of the Company, for the purchase of domestic manufactured equipment and the decrease in profit before tax during the Period.

## SUPPLEMENTARY INFORMATION

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, so far as known to the directors, supervisors and chief executive of the Company, the following persons (other than a director, supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the “SFO”):

Interests in the domestic shares of the Company:

<b>Name of Shareholders</b>	<b>Number of Domestic Shares</b> <i>(Note 1)</i>	<b>Approximate percentage of total issued domestic share capital as at 30 June 2011</b> <i>(%)</i>	<b>Approximate percentage of total issued share capital as at 30 June 2011</b> <i>(%)</i>
Shandong Weiqiao Chuangye Group Company Limited (山東魏橋創業集團有限公司) (“ <i> Holding Company </i> ”)	738,895,100 (Long position)	94.64	61.86
Zouping Supply and Marketing Investment Company Limited (鄒平供銷投資有限公司) (“ <i> Zouping Investment </i> ”)	738,895,100 (Long position) <i>(Note 2)</i>	94.64	61.86

Interests in the H Shares of the Company:

<b>Name of Shareholders</b>	<b>Type of interest</b>	<b>Number of H Shares (Note 3)</b>	<b>Approximate percentage of total issued H share capital as at 30 June 2011 (%)</b>	<b>Approximate percentage of total issued share capital as at 30 June 2011 (%)</b>
Brandes Investment Partners, L.P.	Investment manager	53,784,954 (Long position) (Note 4)	13.00	4.50
The Bank of New York Mellon Corporation	Interest of a controlled corporation	43,780,008 (Long position) 29,493,008 (Lending pool) (Note 5)	10.58 7.13	3.67 2.47
Mellon Financial Corporation	Interest of a controlled corporation	41,073,100 (Long position) (Note 6)	9.93	3.44

*Notes:*

1. Unlisted shares.
2. Zouping Investment holds 51% equity interests in Holding Company.
3. Shares listed on the Main Board of the Stock Exchange.
4. These 53,784,954 H Shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.
5. These 43,780,008 H Shares in which The Bank of New York Mellon Corporation was deemed interested under the SFO were directly held by The Bank of New York Mellon, which was a corporation 100% controlled by The Bank of New York Mellon Corporation.
6. These 41,073,100 H Shares in which Mellon Financial Corporation was deemed interested under SFO were directly held by The Boston Company Asset Management LLC, a corporation wholly controlled by MAM (MA) Trust, which is indirectly and wholly controlled by MAM (DE) Trust. MAM (DE) Trust is wholly controlled by Mellon Financial Corporation.



Save as disclosed above, so far as known to the directors, supervisors or chief executive of the Company, as at 30 June 2011, 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.

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

As at 30 June 2011, the interests of the directors, supervisors or chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Interests in the Domestic Shares of the Company:

<b>Name of Shareholders</b>	<b>Type of Interest</b>	<b>Number of Domestic Shares</b> <i>(Note 1)</i>	<b>Approximate percentage of total issued domestic share capital</b> <i>(%)</i>	<b>Approximate percentage of total issued share capital</b> <i>(%)</i>
Zhang Hongxia <i>(Executive director and Chairman)</i>	Beneficial interests	17,700,400 (Long position)	2.27	1.48
Zhang Shiping <i>(Non-executive director)</i>	Beneficial interests	5,200,000 (Long position)	0.67	0.44

*Note 1:* Unlisted shares.

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

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

*Note 1:* These 48,000,000 shares of the Holding Company will be beneficially owned by Ms. Zhang Hongxia, who is deemed to be interested in the 43,676,000 shares directly held by her husband, Mr. Yang Congsen under the SFO.

*Note 2:* These 4,500,000 shares of the Holding Company will be beneficially owned by Ms. Zhao Suhua, who is deemed to be interested in the 44,911,000 shares directly held by her husband, Mr. Wei Yingzhao under the SFO.

Save as disclosed above, as at 30 June 2011, none of the directors, supervisors or chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

## **INTERIM DIVIDEND**

The Board of the Company did not recommend any payment of the interim dividend for the six months ended 30 June 2011.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2011.

## **AUDIT COMMITTEE**

The Company established an audit committee (the "Audit Committee") in accordance with the requirements of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules for the purpose of reviewing and supervising the Group's financial reporting process. The Audit Committee comprises of the three independent non-executive directors. An audit committee meeting was convened on 19 August 2011 to review the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 and gave opinions and recommendations to the Board of the Company. The Audit Committee also engaged an external auditor to review the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011.

## **REMUNERATION COMMITTEE**

The Company has established a remuneration committee in accordance with the corporate governance requirements of listed companies of the Hong Kong Stock Exchange. The objective of this committee is to set out and suggest the appraisal standards for directors and the management, and study and review directors' and senior management's remuneration policies and arrangements. The remuneration committee is composed of three directors. The remuneration committee meeting was convened on 18 March 2011, at which the resolution with regard to directors' payroll and bonus as well as supervisors' payment for the year of 2011 was passed.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

To the best knowledge of the directors of the Company, other than the deviation from Code Provision A.2.1, the Company has complied with the code provisions of the Corporate Governance Practices contained in Appendix 14 of the Listing Rules, throughout the six months ended 30 June 2011.

Code provision A.2.1 requires that the roles of the chairman and the chief executive officer shall be separated and not be performed by the same individual. Currently, Ms. Zhang Hongxia is the Chairman and Chief Executive Officer of the Company. The Board is of the opinion that this arrangement will not affect the equilibrium of powers and functions between the Board and the management. The operations of the Board are sufficient to ensure the equilibrium of powers and functions.

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

## **SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

The electronic version of this announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.wqfz.com>). An interim report for the six months ended 30 June 2011 containing all the applicable information required by Appendix 16 to the Listing Rules will be despatched to shareholders and published on the website of the Stock Exchange and the Company on or before 2 September 2011.

By Order of the Board  
**Weiqiao Textile Company Limited**  
**Zhang Hongxia**  
*Chairman and Executive Director*

Shandong, the PRC, 19 August 2011

*Note: As at the date of this announcement, the board of directors of the Company comprises 11 directors, namely Ms. Zhang Hongxia, Ms. Zhao Suwen, Ms. Zhang Yanhong and Mr. Zhang Jinglei as executive directors, Mr. Zhang Shiping, Mr. Wang Zhaoting, Ms. Zhao Suhua and Ms. Wang Xiaoyun as non-executive directors and Mr. Wang Naixin, Mr. Xu Wenying and Mr. George Chan Wing Yau as independent non-executive directors.*

\* *The Company is registered in Hong Kong as a non-Hong Kong company under the English name "Weiqiao Textile Company Limited" and the Chinese name of the Company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).*