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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 2009

- Revenue was approximately RMB6,380 million, representing a decrease of 28.2% over the same period of last year.
- Gross profit was approximately RMB485 million, representing a decrease of 28.3% over the same period of last year.
- Net profit attributable to equity holders of the Company was approximately RMB395 million, representing an increase of 44.7% over the same period of last year.
- The Group enhanced internal control and cost control, strengthened production innovation and technological upgrade, optimized resource allocation and enhanced its core competitiveness.
- The Group's thermal power assets has an installed power generation capacity of 1,590 MW and provided stable energy supply for the Group's production and operations, while increasing the Group's profit growth.
- The Group continued to maintain its leading position in the PRC cotton textile industry.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six-month period ended 30 June 2009

	Notes	**Six-month period ended 30 June 2009 (unaudited)** *RMB'000*	Six-month period ended 30 June 2008 (unaudited) *RMB'000*
Revenue	*4*	**6,379,533**	8,888,187
Cost of sales		**(5,894,214)**	(8,211,776)
Gross profit		**485,319**	676,411
Other income and gains	*4*	**582,417**	295,966
Selling and distribution costs		**(128,546)**	(184,211)
Administrative expenses		**(94,195)**	(98,567)
Other expenses		**(36,475)**	(50,413)
Finance costs	*6*	**(276,319)**	(367,267)
Profit before tax	*5*	**532,201**	271,919
Tax	*7*	**(138,831)**	1,794
Profit for the period		**393,370**	273,713
Attributable to:			
Equity holders of the parent		**394,626**	272,566
Minority interests		**(1,256)**	1,147
		393,370	273,713
Dividend	*9*	**Nil**	Nil
Earnings per share attributable to ordinary equity holders of the parent			
Basic (RMB) – for profit for the period	*8*	**0.33**	0.23

The Group had no other comprehensive income for the six-month period ended 30 June 2009 and 30 June 2008. Thus no separate statement of comprehensive income has been provided.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2009

	Notes	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**17,878,451**	18,449,075
Investment properties		**124,136**	125,727
Prepaid land lease payments		**122,002**	123,409
Intangible assets		**3,900**	4,501
Deferred tax assets	*17*	**136,271**	118,007
TOTAL NON-CURRENT ASSETS		**18,264,760**	18,820,719
CURRENT ASSETS			
Inventories		**3,208,256**	3,780,115
Trade receivables	*11*	**723,271**	427,019
Amounts due from related parties	*12*	**–**	226
Amount due from the immediate holding company	*12*	**118,268**	258,788
Prepayments, deposits and other receivables		**102,564**	49,436
Derivative financial instruments		**180**	292
Pledged time deposits		**97,274**	270,435
Non-pledged time deposits maturing over three months		**1,855,957**	1,045,627
Cash and cash equivalents		**1,886,891**	2,643,593
TOTAL CURRENT ASSETS		**7,992,661**	8,475,531
CURRENT LIABILITIES			
Trade payables	*13*	**1,845,330**	2,847,475
Bills payable	*14*	**680,000**	680,000
Amounts due to related parties	*12*	**6,552**	9,969
Amount due to the immediate holding company	*12*	**–**	959
Other payables and accruals	*15*	**977,647**	1,193,006
Derivative financial instruments		**–**	1,245
Interest-bearing bank and other borrowings, current portion	*16*	**3,512,136**	3,329,350
Tax payable		**682,074**	520,236
Deferred income, current portion		**9,535**	8,982
TOTAL CURRENT LIABILITIES		**7,713,274**	8,591,222
NET CURRENT ASSETS/(LIABILITIES)		**279,387**	(115,691)
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,544,147**	18,705,028

	Notes	**30 June 2009 (unaudited)** *RMB'000*	31 December 2008 (audited) *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings, long term portion	*16*	**4,733,465**	5,097,305
Deferred income		**134,161**	131,834
Deferred tax liabilities	*17*	**5,355**	10,388
TOTAL NON-CURRENT LIABILITIES		**4,872,981**	5,239,527
NET ASSETS		**13,671,166**	13,465,501
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	*18*	**1,194,389**	1,194,389
Reserves	*19*	**12,381,915**	11,987,289
Proposed final dividend		**–**	187,400
		13,576,304	13,369,078
Minority interests		**94,862**	96,423
TOTAL EQUITY		**13,671,166**	13,465,501

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six-month period ended 30 June 2009

	Attributable to equity holders of the parent							
	Issued capital	Capital reserve	Statutory surplus reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2008	1,194,389	6,673,380	972,658	3,932,439	597,813	13,370,679	101,977	13,472,656
Final 2007 dividend declared	–	–	–	–	(597,813)	(597,813)	–	(597,813)
Dividend paid to minority shareholders	–	–	–	–	–	–	(4,884)	(4,884)
Transfer of minority interests of a subsidiary to the Company (i)	–	–	–	–	–	–	(513)	(513)
Net profit for the period	–	–	–	272,566	–	272,566	1,147	273,713
As at 30 June 2008	1,194,389	6,673,380(ii)	972,658(ii)	4,205,005(ii)	–	13,045,432	97,727	13,143,159

	Attributable to equity holders of the parent							
	Issued capital	**Capital reserve**	**Statutory surplus reserve**	**Retained profits**	**Proposed final dividend**	**Total**	**Minority interests**	**Total equity**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
As at 1 January 2009	1,194,389	6,673,380	1,033,485	4,280,424	187,400	13,369,078	96,423	13,465,501
Final 2008 dividend declared	–	–	–	–	(187,400)	(187,400)	–	(187,400)
Dividend paid to minority shareholders	–	–	–	–	–	–	(305)	(305)
Net profit for the period	–	–	–	394,626	–	394,626	(1,256)	393,370
As at 30 June 2009	1,194,389	6,673,380(ii)	1,033,485(ii)	4,675,050(ii)	–	13,576,304	94,862	13,671,166

(i) In April 2008, Mr. Liu Guangmin, the minority shareholder of Weihai Weiqiao Technology Industrial Park Company Limited ("Weihai Industrial Park"), transferred his entire equity interest to the Company for a consideration of RMB520,000, making the subsidiary wholly owned by the Company.

(ii) These reserve accounts comprise the consolidated reserves of RMB12,381,915,000 and RMB11,851,043,000 in the condensed consolidated statement of financial position as at 30 June 2009 and 30 June 2008, respectively.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six-month period ended 30 June 2009

	Six-month period ended 30 June 2009 (unaudited) *RMB'000*	Six-month period ended 30 June 2008 (unaudited) *RMB'000*
Net cash inflow from operating activities	**227,820**	607,325
Net cash outflow from investing activities	**(640,792)**	(2,175,747)
Net cash outflow before financing activities	**(412,972)**	(1,568,422)
Net cash outflow from financing activities	**(342,713)**	(1,044,133)
Net decrease in cash and cash equivalents	**(755,685)**	(2,612,555)
Cash and cash equivalents at beginning of the period	**2,643,593**	4,014,049
Effect of foreign exchange rate changes, net	**(1,017)**	(11,038)
Cash and cash equivalents at end of the period	**1,886,891**	1,390,456
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**1,836,891**	1,336,856
Non-pledged time deposits with original maturity of less than three months when acquired	**50,000**	53,600
	1,886,891	1,390,456

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As at 30 June 2009

1. CORPORATE INFORMATION

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

The Company and its subsidiaries (collectively, the "Group") are principally engaged in the manufacture and sale of cotton yarn, grey fabrics and denim in the PRC and overseas.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Group are Shandong Weiqiao Chuangye Group Company (the "Holding Company"), a limited liability company established in the PRC, and Zouping County Supply and Marketing Corporation Union ("ZCSU"), a collectively-owned enterprise formed in the PRC, respectively.

As at 30 June 2009, the Company had direct interests in the following subsidiaries and joint ventures:

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

Company name	Place and date of incorporation/ registration and operations	Legal status	Paid-up capital/ registered capital	Percentage of equity interests directly attributable to the Company	Principal activities
Joint ventures					
Shandong Luteng Textile Company Limited ("Luteng Textile")	Zouping, the PRC 12 September 2002	Sino-foreign equity joint venture	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	Sino-foreign equity joint venture	US$15,430,000	75	Production and sale of compact yarn and related products

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

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 2008.

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 2008, except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (collectively referred to as the "HKFRSs") issued by the HKICPA as follows:

	Applicable for periods beginning on or after
HK(IFRIC) – Int 13 Customer Loyalty Programmes	1 July 2008
HK(IFRIC) – Int 16 Hedges of a Net Investment in a Foreign Operation	1 October 2008
HKAS 1 (Revised) Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised) Borrowing Costs	1 January 2009
Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations	1 January 2009
HKFRS 7 Amendment to Financial Instruments: Disclosures	1 January 2009
HKFRS 8 Operating Segments	1 January 2009
Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
HK(IFRIC)-Int 15 Agreements for the Construction of Real Estate	1 January 2009

	Applicable for periods ending on or after
Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives	30 June 2009

The adoption of these HKFRSs did not affect the Group's results of operations or financial position.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these HKFRSs, will have no material impact on the financial position and results of the Group.

	Applicable for periods beginning on or after
HKAS 27 (Revised) Consolidated and Separate Financial Statements	1 July 2009
HKFRS 3 (Revised) Business Combinations	1 July 2009
HKAS 39 Amendment to Financial Instruments: Recognition and Measurement	1 July 2009
HK(IFRIC)-Int 17 Distribution of Non-cash Assets to Owners	1 July 2009
Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions	1 January 2010

Besides, HK(IFRIC)-Int 18 Transfers of Assets from Customers requires entities to apply the interpretation prospectively to transfers of assets from customers received on or after 1 July 2009.

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs in response to the International Accounting Standards Board's (IASB) annual improvements project to make necessary, but non-urgent, amendments to IFRSs. Unless otherwise specified, the amendments are effective for annual periods beginning on or after 1 January 2010, although entities are permitted to adopt them earlier.

* *Improvements to HKFRSs contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.*

3. SEGMENT INFORMATION

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

An analysis by geographical segment, as determined by the location of the Group's operations, is as follows:

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

	Six-month period ended 30 June 2008		
	Sales to external customers (unaudited)	Cost of sales (unaudited)	Gross profit (unaudited)
	RMB'000	*RMB'000*	*RMB'000*
Mainland China	4,476,168	3,955,046	521,122
Hong Kong	1,906,014	1,835,302	70,712
East Asia	1,061,236	1,026,230	35,006
Others	1,444,769	1,395,198	49,571
	8,888,187	8,211,776	676,411

4. REVENUE, OTHER INCOME AND GAINS

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

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

	Six-month period ended 30 June 2009 (unaudited) ***RMB'000***	Six-month period ended 30 June 2008 (unaudited) *RMB'000*
Revenue		
Sale of textile goods	**6,379,533**	8,888,187
Other income		
Bank interest income	**28,440**	37,024
Compensation from suppliers on supply of sub-standard goods	**31,531**	11,897
Penalty income from employees	**2,674**	3,057
Recognition of deferred income	**4,860**	3,825
Revenue on plant and equipment leasing	**1,500**	917
Others	**7,352**	1,031
	76,357	57,751
Gains		
Sale of electricity and steam	**1,553,097**	438,105
Less: cost thereon	**(1,053,176)**	(358,921)
Gains on sale of electricity and steam	**499,921**	79,184
Gains on sale of waste and spare parts	**5,006**	4,625
Foreign exchange differences, net	**–**	151,470
Realised gains on derivative financial instruments transactions	**–**	2,936
Fair value gains, net:		
Derivative financial instruments – transactions not qualifying as hedges	**1,133**	–
	506,060	238,215
	582,417	295,966

5. PROFIT BEFORE TAX

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

	Six-month period ended 30 June 2009 (unaudited)	Six-month period ended 30 June 2008 (unaudited)
	RMB'000	*RMB'000*
Cost of goods sold	**5,896,174**	8,038,703
Staff costs (excluding directors' and supervisors' remuneration):		
Wages, salaries and social security costs	**796,736**	1,069,591
Pension scheme contributions	**44,621**	40,866
	841,357	1,110,457
Depreciation *(note 10)*	**631,441**	581,256
Recognition of prepaid land lease payments	**1,407**	1,407
(Gains)/losses on disposal of items of property, plant and equipment	**(77)**	22,957
Amortisation of intangible assets	**600**	600
Auditors' remuneration	**1,880**	1,850
Directors' and supervisors' remuneration	**2,301**	2,315
Foreign exchange differences, net	**7,559**	(151,470)
(Reversal of provision)/provision against inventories	**(8,300)**	5,900
Reversal of provision against trade receivables	**–**	(12,000)
Minimum lease payments under operating leases:		
Land and buildings	**13,338**	12,382

6. FINANCE COSTS

	Six-month period ended 30 June 2009 (unaudited)	Six-month period ended 30 June 2008 (unaudited)
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**264,113**	368,257
Interest on finance lease	**927**	–
Total interest expenses on financial liabilities not at fair value through profit or loss	**265,040**	368,257
Less: Interest capitalised	**–**	(990)
	265,040	367,267
Other finance costs:		
Increase in discounted amounts of long term payable to a third party	**11,279**	–
	276,319	367,267

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 2009 (six-month period ended 30 June 2008: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six-month period ended 30 June 2009 (unaudited) ***RMB'000***	Six-month period ended 30 June 2008 (unaudited) *RMB'000*
Current – Mainland China	**162,128**	17,868
Deferred *(note 17)*	**(23,297)**	(19,662)
Total tax charged/(credited) for the period	**138,831**	(1,794)

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the locations in which the Company, its subsidiaries and joint ventures are situated to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Six-month period ended 30 June 2009 (unaudited) ***RMB'000***	*%*	Six-month period ended 30 June 2008 (unaudited) *RMB'000*	*%*
Profit before tax	**532,201**		271,919	
Tax in the PRC statutory tax rate	**133,050**	**25.0**	67,980	25.0
Expenses not deductible for tax	**5,781**	**1.1**	2,123	0.8
Tax loss not recognised	**–**	**–**	395	0.1
Tax exemption (i)	**–**	**–**	(309)	(0.1)
Tax concession in respect of purchase of the PRC manufactured machinery and equipment	**–**	**–**	(83,878)	(30.8)
Others	**–**	**–**	11,895	4.3
Tax charge at the Group's effective rate	**138,831**	**26.1**	(1,794)	(0.7)

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").

(i) Being a Sino-foreign joint venture enterprise, Binteng Textile is subject to a CIT rate of 25% and is entitled to a full exemption for the first two years and a 50% reduction in the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years. Binteng Textile was entitled to a 50% reduction in the CIT rate for the year of 2008. This entitlement ceased in 2009.

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, and 1,194,389,000 ordinary shares in issue during the period.

Diluted earnings per share amounts for the six-month periods ended 30 June 2009 and 2008 have not been disclosed as no diluting events existed during these periods.

9. DIVIDEND

The proposed final dividend for the year ended 31 December 2008 was approved by the Company's shareholders on 1 June 2009.

At a meeting of the board of directors held on 4 September 2009, the directors did not recommend paying an interim dividend to shareholders (six-month period ended 30 June 2008: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired buildings, machinery and equipment, motor vehicles and construction in progress with an aggregate cost of approximately RMB59,546,000 (six-month period ended 30 June 2008: RMB2,396,275,000), and disposed of buildings, machinery and equipment with an aggregate net carrying value of approximately RMB844,000 (six-month period ended 30 June 2008: RMB38,724,000). There were no buildings, machinery and equipment classified as held for sale (six-month period ended 30 June 2008: RMB291,468,000).

The depreciation charge of the Group for the six-month period ended 30 June 2009 was approximately RMB631,441,000 (six-month period ended 30 June 2008: RMB581,256,000).

11. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the statement of financial position date, based on the invoice date, is as follows:

	30 June 2009 (unaudited) *RMB'000*	31 December 2008 (audited) *RMB'000*
Within 3 months	**720,108**	420,611
3 to 6 months	**2,314**	2,501
6 months to 1 year	**489**	1,454
1 to 2 years	**188**	2,453
2 to 3 years	**172**	–
	723,271	427,019

The Group normally allows a credit period of not more than 45 days to its customers, although an extension of the credit period is not uncommon for customers with a long term relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The trade receivables are non-interest-bearing.

12. AMOUNTS DUE FROM/TO THE IMMEDIATE HOLDING COMPANY/RELATED PARTIES

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

13. TRADE PAYABLES

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

	30 June 2009 (unaudited) *RMB'000*	31 December 2008 (audited) *RMB'000*
Within 3 months	**1,623,058**	1,342,638
3 to 6 months	**15,664**	1,317,330
6 months to 1 year	**41,241**	24,814
Over 1 year	**165,367**	162,693
	1,845,330	2,847,475

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

14. BILLS PAYABLE

	30 June 2009 (unaudited) *RMB'000*	31 December 2008 (audited) *RMB'000*
Within 3 months	**520,000**	450,000
3 to 6 months	**160,000**	230,000
	680,000	680,000

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

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

Certain of the Group's bills payable amounting to RMB230 million as at 31 December 2008 were drawn by Weihai Industrial Park in favour of the Company and were discounted with banks by the Company prior to 31 December 2008.

Certain of the Group's bills payable amounting to RMB450 million as at 31 December 2008 were drawn by the Company in favour of Binzhou Industrial Park and were discounted with banks by Binzhou Industrial Park prior to 31 December 2008.

15. OTHER PAYABLES AND ACCRUALS

	30 June 2009 (unaudited) *RMB'000*	31 December 2008 (audited) *RMB'000*
Payroll payable	**159,253**	147,740
Other taxes payable	**171,179**	465,185
Accruals	**25,375**	42,613
Other payables	**621,840**	537,468
	977,647	1,193,006

The other payables are non-interest-bearing.

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

Set out below is information relating to the security interest and banking guarantees of the Group's bank loans as at 30 June 2009:

(i) Other than certain of the bank loans in the aggregate amount of US$150 million (equivalent to RMB1,025 million) as at 30 June 2009 (31 December 2008: US$343 million, equivalent to RMB2,345 million), all of the Group's bank loans are denominated in Renminbi.

(ii) Certain of the Group's bank loans amounting to approximately RMB5,511 million (31 December 2008: RMB5,234 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 RMB9,918 million as at 30 June 2009 (31 December 2008: RMB8,926 million).

Certain of the Group's bank loans amounting to RMB140 million (31 December 2008: Nil) were secured by certain of Binzhou Industrial Park's raw materials of RMB161 million (31 December 2008: Nil) as at 30 June 2009.

Included in the Group's secured loans, certain of Weihai Industrial Park's bank loans amounting to approximately RMB200 million (31 December 2008: RMB200 million) were secured by certain of the Company's machinery and equipment with an aggregate value of approximately RMB1,368 million (31 December 2008: RMB1,368 million) as at 30 June 2009.

(iii) Weihai Civil Aviation Industrial Company Limited, the minority shareholder of Weihai Weiqiao, guaranteed bank loans for Weihai Weiqiao of up to approximately RMB35 million (31 December 2008: RMB35 million) as at 30 June 2009.

(iv) The Company has guaranteed bank loans of Weihai Industrial Park and Weihai Weiqiao up to approximately RMB482 million (31 December 2008: RMB405 million) as at 30 June 2009.

(v) Certain of the Group's bank loans amounting to RMB289 million (31 December 2008: RMB147 million) were secured by certain of Binzhou Industrial Park's trade receivables from the Company of RMB372 million (31 December 2008: RMB188 million) as at 30 June 2009, which has been eliminated in the condensed consolidated statement of financial position.

17. DEFERRED TAX

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

	Six-month period ended 30 June 2009 (unaudited) *RMB'000*	Six-month period ended 30 June 2008 (unaudited) *RMB'000*
Deferred tax assets		
At 1 January	**118,007**	70,088
Credited to the condensed consolidated income statement during the period	**18,264**	19,487
At 30 June	**136,271**	89,575
Deferred tax liabilities		
At 1 January	**10,388**	5,773
Credited to the condensed consolidated income statement during the period	**(5,033)**	(175)
At 30 June	**5,355**	5,598
Credited to the condensed consolidated income statement, net *(note 7)*	**23,297**	19,662

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

	30 June 2009 (unaudited) *RMB'000*	31 December 2008 (audited) *RMB'000*
Deferred tax assets		
Tax deductible losses	**61,980**	49,494
Provision against inventories	**19,454**	21,529
Impairment of trade receivables	**1,974**	1,974
Impairment of properties and investment properties	**5,725**	5,725
Net fair value (gains)/losses on derivative financial instruments	**(45)**	238
Government grants received yet not recognised as income	**42,674**	35,204
Interest capitalisation on fixed assets, net of related depreciation	**(6,410)**	(6,583)
Difference in depreciation for tax purposes	**6,938**	6,015
Union fund and staff education fund accrued over payment	**3,355**	–
Others	**626**	4,411
	136,271	118,007
Deferred tax liabilities		
Interest capitalisation on fixed assets, net of related depreciation	**5,355**	5,495
Unrealised losses arising from the intra–group sales	**–**	4,893
	5,355	10,388

There was no material unprovided deferred tax during the period.

18. ISSUED CAPITAL

Shares	**30 June 2009 (unaudited)** *RMB'000*	31 December 2008 (audited) *RMB'000*
Registered, issued and fully paid:		
780,770,000 (31 December 2008: 780,770,000) domestic shares of RMB1.00 each	**780,770**	780,770
413,619,000 (31 December 2008: 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.

19. DISTRIBUTABLE RESERVES

As at 30 June 2009, in accordance with the PRC Company Law, an amount of approximately RMB6,673 million standing to the credit of the Company's capital reserve account and an amount of approximately RMB979 million standing to the credit of the Company's statutory surplus reserve, as determined under the PRC GAAP, were available for distribution by way of a future capitalisation issue. In addition, the Company's retained profits of approximately RMB4,235 million were available for distribution as dividends. Save as the aforesaid, the Company did not have any reserves available for distribution to its shareholders as at 30 June 2009.

20. RELATED PARTY TRANSACTIONS

The Group is part of a larger group of companies under ZCSU and has extensive transactions and relationships with the members of ZCSU. 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 ZCSU 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 2009 (unaudited) *RMB'000*	Six-month period ended 30 June 2008 (unaudited) *RMB'000*
The Holding Company	The immediate holding company	Purchase of items of property, plant and equipment	**–**	2,210,000
		Expenses on land use rights and property leasing	**12,055**	12,169
		Sale of cotton yarn	**147,984**	35,018
		Revenue on supply of electricity	**566,799**	396,304
		Revenue on property leasing	**1,500**	917
Weihai Xijiao Thermal Power Company Limited	A fellow subsidiary*	Expense on provision of electricity and steam	**–**	24,082
		Expenses on land use right leasing	**370**	213
Shandong Weilian Printing and Dyeing Co., Ltd.	A fellow subsidiary	Sale of grey fabrics	**129,722**	330,841
Shandong Weiqiao Hengfu Knitting Co., Ltd.	A fellow subsidiary	Sale of cotton yarn	**16,621**	47,788
Shandong Weiqiao Bleaching-Dyeing Co., Ltd.	An associate of the Holding Company**	Sale of cotton yarn	**2,793**	53,149
Shandong Weiqiao Hongyuan Home Textile Co., Ltd.	A fellow subsidiary	Sale of grey fabrics	**8,710**	30,363
Shandong Weiqiao Tekuanfu Co., Ltd.	A fellow subsidiary	Sale of grey fabrics	**84,444**	222,226
Shandong Weiqiao Clothes Co., Ltd.	A fellow subsidiary	Sale of denim	**155**	–
		Sale of grey fabrics	**2**	39
Shandong Weiqiao Elite Garment Co., Ltd.	A fellow subsidiary	Sale of grey fabrics	**17**	370
Shandong Weiqiao Jiajia Home Textile Co.,Ltd	A fellow subsidiary*	Sale of grey fabrics	**9,101**	31,886

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

** *This company became a third party in May 2009.*

(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 2009 (unaudited)	31 December 2008 (audited)	**30 June 2009 (unaudited)**	31 December 2008 (audited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The Holding Company	**118,268**	258,788	**–**	959
Fellow subsidiaries	**–**	226	**6,552**	9,969

(c) Compensation of key management personnel of the Group

	Six-month period ended 30 June 2009 (unaudited)	Six-month period ended 30 June 2008 (unaudited)
	RMB'000	*RMB'000*
Short term employee benefits	**2,354**	2,375
Post-employment benefits	**9**	9
Share-based payments	**–**	–
Total compensation paid to key management personnel	**2,363**	2,384

21. CAPITAL COMMITMENTS

At the statement of financial position date, the Group had the following capital commitment, for an equity investment:

	30 June 2009 (unaudited)	31 December 2008 (audited)
	RMB'000	*RMB'000*
Contracted, but not provided for	**50,475**	50,475

22. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At the statement of financial position date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2009 (unaudited)	31 December 2008 (audited)
	RMB'000	*RMB'000*
Within one year	**3,000**	3,000
In the second to third years, inclusive	**1,917**	3,417
	4,917	6,417

(b) As lessee

At the statement of financial position date, the Group had the following total future minimum lease payments under non-cancellable operating leases in respect of land and buildings:

	30 June 2009 (unaudited)	31 December 2008 (audited)
	RMB'000	*RMB'000*
Within one year	**26,064**	26,309
In the second to fifth years, inclusive	**102,838**	102,890
After five years	**287,188**	300,050
	416,090	429,249

23. CONTINGENT LIABILITIES

At the statement of financial position date, the Group's contingent liabilities not provided for in the condensed consolidated financial statements were as follows:

	30 June 2009 (unaudited) ***RMB'000***	31 December 2008 (audited) *RMB'000*
Letters of credit issued	**14,593**	85,926

24. SUBSEQUENT EVENTS

On 3 August 2009, the Company entered into a three-year term loan facility (the "Syndicate Loan Agreement") with a syndicate of banks. The principal amount of the facility available to the Company is US$105 million and the Company may request that new banks or financial institutions become parties to this agreement and increase the facility up to US$150 million provided certain conditions are met. According to the terms of the Syndicate Loan Agreement, the Company will firstly use the proceeds borrowed under the Syndicate Loan Agreement to repay in full all outstanding borrowings under the syndicate loan agreement dated 11 August 2006 (the "Old Syndicate Loan Agreement") and apply the remaining balance for general funding purposes. In addition, The Syndicate Loan Agreement contains certain undertakings and financial covenants including, but not limited to, a minimum level of consolidated tangible net worth, maximum level of consolidated total net debts, consolidated total secured debt and consolidated secured bank debt, and the maintenance of net consolidated current assets and certain financial ratios.

Up to 4 September 2009, an aggregate of US$118 million (equivalent to approximately RMB806 million) has been drawn down under the facility of the Syndicate Loan Agreement. The outstanding balance under the Old Syndicate Loan Agreement of US$56 million (equivalent to approximately RMB383 million) was subsequently repaid in full.

25. APPROVAL OF THE INTERIM FINANCIAL REPORT

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 4 September 2009.

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Weiqiao Textile Company Limited ("Weiqiao Textile" or the "Company"), I hereby present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2009 (the "Period" or "Period under Review").

The year 2009 was a year of "challenges" and "opportunities" for the cotton textile industry in the PRC. On one hand, as the impacts of the global financial tsunami on the global economy subsequently emerge, major economies worldwide are descending into recession with shrinking exports and weakened consumption market. On the other hand, the Chinese government has taken decisive measures in light of the negative changes in the global condition. On 4 February 2009, the textile industry adjustment and revival plan was approved in principle at the executive meeting of the State Council. A number of specific measures including market expansion and technology upgrade, have been implemented to support the development of the textile industry in the PRC at a macro level. During the Period, the Chinese government further raised the VAT rebate rate of the exports of textile products to 16%. As the economic stimulus package totaling to RMB4 trillion gradually delivers its synergies, positive factors in the prevailing economy continue to accumulate and the government's policies to expand the domestic demand, ensure growth and adjust structure begin to take effect, the PRC economic environment is showing tentative signs of recovery. According to the figures released by the National Bureau of Statistics of the PRC, the gross domestic product for the first half of 2009 amounted to approximately RMB13,986.2 billion, representing an increase of approximately 7.1% over the same period last year.

In spite of the signs of gradual recovery of the Chinese economy, the overall global economic downturn has resulted in shrinking international market demand for textile products and decreasing prices of international primary products, thus affecting the global trade activities. During the first half of 2009, the total imports and exports of China amounted to US$946.1 billion, a decrease of 23.5% over the same period last year. Among which exports fell by 21.8% over the same period last year to US$521.5 billion. According to the statistics released by China Customs, total exports of textile products in the PRC amounted to approximately US$26.96 billion during the first half of 2009, down by 15.02% over the same period last year. During the Period, exports of textile and apparel products of the PRC maintained negative growth.

In response to the extremely challenging market environment, the Group has strengthened its production innovation and technology upgrade, and produced more value-added and medium-to-high-end products complying with the Chinese government's efforts to promote technology upgrade among the enterprises. In addition to improving internal management, providing staff training and improving staff quality, the Group has exercised stringent cost control whilst optimized the product mix and strengthened its core competitiveness, so as to maintain its leading position among its industry peers.

The revenue of the Group amounted to approximately RMB6,380 million for the six months ended 30 June 2009, representing a decrease of 28.2% over the same period last year, which was mainly attributable to the decrease in the Group's export sales due to weakening overseas market demand. Net profit attributable to equity holders of the Company was approximately RMB395 million, representing an increase of 44.7% over the same period last year. Earnings per share were RMB0.33. The Board recommended no payment of the interim dividend for the six months ended 30 June 2009 in the meeting held on 4 September 2009.

In addition, the Company acquired the thermal power assets from Shandong Weiqiao Chuangye Group Company ("Holding Company") and Zouping Gaoxin Thermal Power Co., Ltd. ("Gaoxin Thermal Power") in 2008. The Group's operation of such assets has also contributed to energy cost savings and strong profit growth for the first half of 2009. During the Period, the revenue arising from the sale of electricity and steam amounted to RMB1,553 million, with gains of RMB500 million.

The textile industry, as an industry highly reliant on exports, will continue to be affected by the global economic environment. Looking into the future, the Group will expand its domestic market share in accordance with market demand to capture market opportunities. With respect to the overseas markets, the Group will continue to capitalize on the economies of scale and optimized product mix, expand the geographical coverage of its businesses and maintain its market share in the overseas markets.

We believe that our sound and comprehensive operating strength, alongside with solid financial status will help us cope with the challenges prevailing in the market, thereby further enhancing our leading position in the industry.

Finally, I would like to take this opportunity to express my gratitude, on behalf of the Board, to all shareholders, investors and business partners for their trust and support over the years; and thank all the management and staff of the Group for their endeavors to make valuable contributions for the long-term development of the Group. It is hoped that the Group will continue to develop and grow along with these parties in the days ahead. The Directors believe that, in united efforts, the Group will certainly be able to maintain its core competitiveness under the current domestic and overseas economic environment and extend its potential to the fullest, with an aim of achieving remarkable results and creating value for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

For the first half of 2009, the Chinese government aimed to ensure growth, expand domestic demand and adjust structure and continued to implement active fiscal policies and moderately expansionary monetary policies. As positive factors in the PRC current economy continued to accumulate, the domestic economy began to show tentative signs of recovery. At present, despite that the global economic downturn is decelerating, driving factors for economic recovery remain weak. Economic recession prevails and the pace of recovery will remain slow. The shrinking international market demand and intensifying domestic market competition continued to create pressure on the production and operation of the cotton textile manufacturers in the PRC and resulted in severe challenges for textile manufacturers who are highly reliant on exports. From January to May 2009, approximately 23.46% of scalable enterprises in the PRC textile industry recorded a loss.

During the Period under Review, the exports of textile products of China suffered a setback whilst the domestic sales began to see a slowdown. However, domestic sales partly offset the decrease that arose as a result of the decline in exports. According to the figures released by China Customs, total exports of apparel textile products in the PRC for the first half of 2009 dropped by approximately 10.82% to approximately US$72,854 million, down by approximately 21.92 percentage points as compared with the growth of approximately 11.1% over the same period in 2008. In particular, the accumulated exports of cotton textile products and apparels posted a decline of approximately 12.73% over the same period last year to approximately US$28,991 million, down by 13.40 percentage points over the same period last year. According to the figures released by China National Textile and Apparel Council Statistics Center, during the first half of 2009, domestic sales of textile products grew by 10.72%, down by 9.68 percentage points as compared to the same period last year. Besides, the proportion of domestic sales increased to 79.90% from 76.99% for the same period last year. Domestic sales remained the major driver for the steady recovery of the textile and apparel industry in the PRC.

Based on the analysis of major export markets, during the first half of 2009, the export of textile and apparel products from the PRC to EU, the US and Japan were US$15,914 million, US$11,027 million and US$9,506 million respectively. In particular, the export to EU fell by 8.62%, while the export to the US and Japan increased by 1.96% and 2.03% respectively. The combined exports to EU, the US and Japan accounted for 50% of the total export value of textile and apparel products in the PRC for the Period. On the other hand, the export of textile and apparel products from the PRC to Hong Kong, ASEAN and Africa amounted to US$6,425 million, US$4,570 million and US$3,890 million, down by 15.72%, 10.20% and 7.00% respectively. The full recovery of the textile industry in the PRC is subject to the picking up of the international market.

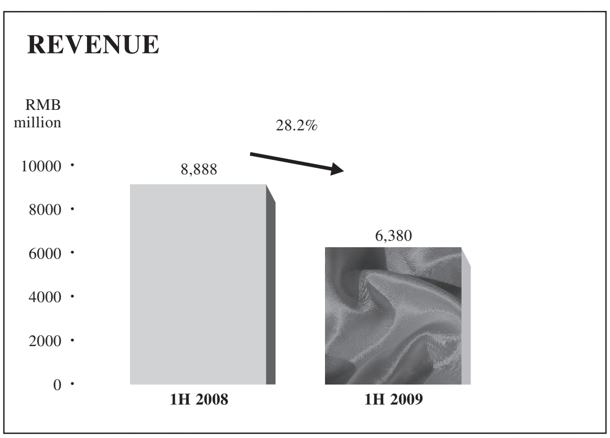
For the first half of 2009, the price of domestic cotton declined as compared with that in the same period last year. Based on the China Cotton Index, the average price of domestic cotton was approximately RMB12,373 per tonne, representing a year-on-year decrease of 13.90%. With respect to the international market, the average cotton price also dropped to approximately US$57.42 cents per pound according to the Cotlook A Index, representing a decrease of 24.29%. However, the surging cotton price as a result of the national cotton reserve policies promulgated by the Chinese government in the first half of the year resulted in pressure on production and operation of the cotton textile manufacturers in the PRC who were recovering from the crisis.

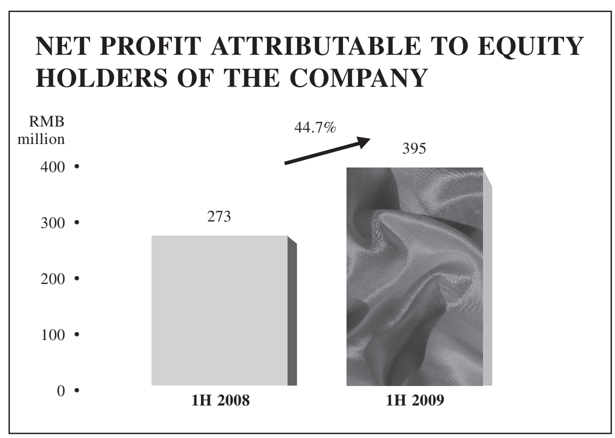
During the Period, the Chinese government has taken a number of measures to stimulate economic growth and support the development of the textile industry. In April 2009, the Chinese government further increased the VAT rebate rate for exports of textile products to 16%. However, improvement of the overall macro-economic environment has yet to be realized and it is difficult to reverse the prevailing shrinking demand in a short term. The textile industry will continue to be affected by the overall global economic environment.

BUSINESS REVIEW

During the first half of 2009, the operating environment of the PRC cotton textile industry remained challenging. Despite that favorable measures taken by the Chinese government alleviated, to a certain extent, the operational pressure on the PRC textile industry, the shrinking export demand and slowdown in the domestic demand have had an adverse impact on the entire PRC textile industry and the Group. By consolidating business development, strengthening internal management and cost control, optimizing resource allocation, adjusting the product mix in accordance with market demand and securing its market share through the establishment of a stable customer base, the Group effectively curbed the downward profit trends.

For the six months ended 30 June 2008 and 30 June 2009, the revenue and net profit attributable to the equity holders of Weiqiao Textile are as follows:



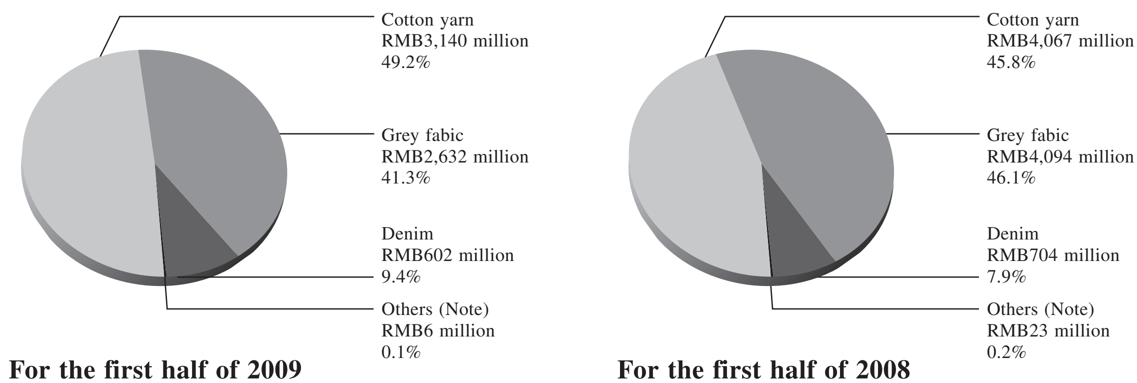


For the six months ended 30 June 2009, revenue decreased by 28.2% over the same period in 2008 to approximately RMB6,380 million. Net profit attributable to equity holders of the Company increased by 44.7% over the same period last year to approximately RMB395 million. The decrease in revenue was mainly due to the impact of the global financial crisis on the PRC textile industry and the shrinking overall export demand, declining export orders and revenue from exports, resulting in the decrease in the overall turnover. The increase in net profit attributable to equity holders of the Company was primarily due to the revenue derived from the sales of electricity and steam and the decrease in cost incurred for the Period.

The acquisition of the thermal power assets from the Holding Company and Gaoxin Thermal Power in 2008 increased the Group's installed power generation capacity to approximately 1,590 MW. In the current challenging operating environment, the operation of these thermal power assets by the Group could effectively reduce the costs of production, while increasing profit. For the six months ended 30 June 2009, Weiqiao Textile's sale of electricity and steam amounted to approximately RMB1,553, resulting in gains of approximately RMB500 million.

The chart below is a comparison of the breakdown of revenue by products for the six months ended 30 June 2008 and 30 June 2009:

A BREAKDOWN OF REVENUE IN TERMS OF PRODUCT

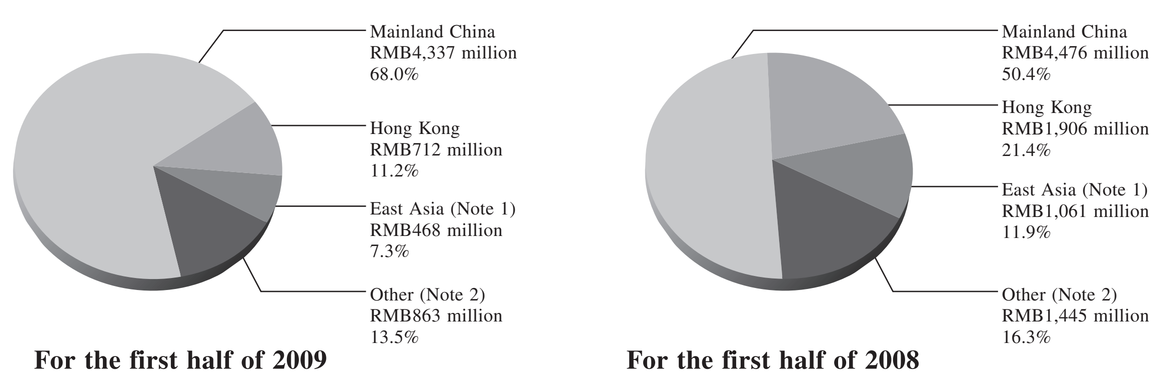


Note: Others include cotton seed and other by-products.

For the six months ended 30 June 2009, the proportion of revenue generated from the sales of cotton yarn and denim increased as compared with the same period last year, which was mainly due to the adjustment of product mix based on the changes in market demand; whereas the proportion of revenue from grey fabrics decreased as compared with that same period of last year, which was mainly due to the negative impact on grey fabrics exported to the overseas markets under weakening export market demand and intensifying competition.

The following charts show the breakdown of the Group's revenue in terms of geographical location for the six months ended 30 June 2008 and 2009:

A BREAKDOWN OF REVENUE IN TERMS OF GEOGRAPHICAL LOCATION



Note 1: East Asia includes Japan and Korea;
Note 2: Others mainly include Southeast Asia, the US and Europe.

For the six months ended 30 June 2009, the proportion of revenue from export to all regions showed a decrease as compared to the same period last year, which was mainly due to the shrinking overseas market demand for textile products and the reduction in export orders as a result of the global economic crisis.

During the first half of 2009, the production of cotton yarn, grey fabric and denim was approximately 291,000 tonnes, 550,000,000 meters and 54,000,000 meters, representing decreases of approximately 31.0%, 26.8% and 38.6% respectively over the same period last year. Such decline was primarily due to the shrinking export market demand and the decline in the amount of export orders under the impacts of the global financial crisis. Meanwhile, customers had become more selective and therefore had higher requirements on the products. Hence, the Company took measures to lower rotation rate of equipment to ensure product quality, which affected the production output. In addition, as a result of high turnover rate of staff, it takes some time for new employees to master relevant skills, which also affected the production output. Furthermore, as the scale of the Group grew, more workers from other regions were employed. With the extension of Chinese New Year holidays for staff by the Group, the productivity was also partly affected.

During the Period under Review, the Group continued to actively expand its market share and consolidate its customer base. As at 30 June 2009, the Group had 8,500 domestic customers and 830 overseas customers, representing an increase of approximately 3.7% and 3.8% respectively over the same period last year, hence consolidating and expanding the Group's sales network and customer base.

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

FINANCIAL REVIEW

Gross profit and gross profit margin

The following table was an analysis of gross profit and gross profit margin of the Group's major products for the six months ended 30 June 2008 and six months ended 30 June 2009, respectively:

	For the six months ended 30 June			
	2009		2008	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Product categories				
Cotton yarn	**219,319**	**7.0**	272,337	6.7
Grey fabric	**189,731**	**7.2**	318,259	7.8
Denim	**76,024**	**12.6**	85,514	12.2
Others	**245**	**3.9**	301	1.3
Total	**485,319**	**7.6**	676,411	7.6

For the six months ended 30 June 2009, the profit margin of the Group's products remained substantially the same over the same period last year.

Selling and Distribution Costs

During the first half of 2009, the Group's selling and distribution costs decreased by 29.9% from approximately RMB184 million in the first half of 2008 to approximately RMB129 million, of which transportation costs decreased by 31.8% from approximately RMB148 million in the same period last year to approximately RMB101 million, which was mainly due to the corresponding decrease in transportation costs as a result of declining sales revenue from the cotton textile products of the Group. On the other hand, the Group recorded a reduction in transportation costs per unit since the second half of 2008. Sales commission amounted to approximately RMB7 million, representing a decrease of 50.0% over approximately RMB14 million for the same period last year. It was mainly due to the decrease in the export sales of the Group, resulting in a corresponding decrease in the commission expense.

Administrative Expenses

For the six months ended 30 June 2009, the Group's administrative expenses were approximately RMB94 million, representing a decrease of 5.1% as compared to approximately RMB99 million for the same period last year. It was primarily due to the strengthening and improvement of the internal control, and the cost control over energy saving and consumption reduction of the Group.

Finance Costs

For the six months ended 30 June 2009, the Group's finance costs decreased by 24.8% to approximately RMB276 million as compared with RMB367 million over the same period last year, which was primarily due to the decrease in interest expense as a result of the decrease in the Group's interest bearing bank borrowings. Meanwhile, the reduction of the lending rate among domestic financial institutions resulted in a corresponding decrease in the Group's interest expense.

Liquidity and Financial Resources

The cash and cash equivalents of the Group were approximately RMB1,887 million as at 30 June 2009, representing a decrease of 28.6% as compared with approximately RMB2,644 million as at 31 December 2008. It was mainly due to the increase in term deposits and the repayment of part of bank borrowings due during the Period.

For the six months ended 30 June 2009, the Group had a net cash outflow for investing activities of approximately RMB641 million, a net cash outflow for financing activities of approximately RMB413 million and a net cash inflow of approximately RMB228 million from operating activities. The Group principally satisfies its demand for operating capital with cash inflow from operation. The Directors believe that the Group will maintain a sound and stable financial position, with sufficient liquid capital and financial resources to satisfy its business needs.

The average turnover days of the Group's account receivables decreased to approximately 16 days from 21 days for the first half of 2008, which was due to the decrease in export sales of the Group during the Period because of shrinking overseas demand, resulting in the decline in the settlement of letters of credit and the credit period of letters of credit is longer than domestic sales.

Inventory turnover days increased to 108 days for the six months ended 30 June 2009 from 82 days for the same period last year, primarily as a result of the relatively large decrease in the sales revenue of the Group due to the impacts of the global financial crisis.

For the six months ended 30 June 2009, the Group used interest rate swap to minimize the risk of interest rate movements.

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

During the six months ended 30 June 2009, the Company's net profit attributable to equity holders of the Company was approximately RMB395 million, representing an increase of 44.7% as compared with approximately RMB273 million during the corresponding period last year. During the six months ended 30 June 2009, basic earnings per share of the Company were RMB0.33.

Capital Structure

The Group continued to strive to maintain an appropriate mix of equity and debt to ensure an efficient capital structure in order to reduce capital costs. As of 30 June 2009, the debts of the Group mainly included bank and other borrowings totaling approximately RMB8,246 million and cash and cash equivalents amounted to approximately RMB1,887 million. Gearing ratio (total liabilities (interest bearing bank and other borrowings net of cash and cash equivalents) divided by total net assets) was 46.5% (first half of 2008: 55.4%).

As at 30 June 2009, 28.1% of the Group's bank borrowings were subject to fixed interest rates while the remaining 71.9% was subject to floating interest rates.

The Group maintained a balance between the continuity and flexibility of capital by using bank borrowings. In any 12-month period, borrowings due shall not exceed 50.0% of total borrowings. As at 30 June 2009, 42.6% of the Group's debt will become due within a year.

As at 30 June 2009, the Group's borrowings were primarily denominated in RMB and US dollars, of which borrowings in US dollars represented 12.5% of the total borrowings, which its cash and cash equivalents were mainly denominated in RMB and US dollars, of which cash and cash equivalents denominated in US dollars represented approximately 6.8% of the total amount.

Details of Pledged Assets of the Group

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

Exposure to Foreign Exchange Risks

The Group adopted a prudent policy in managing its exchange rate risks. Export revenue and import purchases of the Group are settled in US dollars, whereas some bank deposits and some bank borrowings are denominated in US dollars. The repayment period of the import purchases and foreign borrowings is longer than that of export trade payments. During the first half of 2009, the exchange rate between RMB and US dollars was substantially stable. For the six months ended 30 June 2009, the Group recorded the exchange loss of approximately RMB8 million. The Group has not experienced any significant difficulties or impacts on its operations or liquidity as a result of fluctuations in currency exchange rates during the Period under Review. The Board believes 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

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

Employees and Emolument Policies

As at 30 June 2009, the Group had a total of approximately 99,000 employees, representing a decrease of approximately 14,000 employees as compared with the amount of employees as at 31 December 2008. The decrease in the number of staff was due to higher turnover rate, difficulty to recruit new workers in the first half of year 2009 and low replacement of workers in a timely manner. Other factors included the increased mechanization of the Group, change of operation procedures and declined employment per 10,000 cotton spindles. Total staff costs of the Group amounted to approximately RMB844 million during the Period under Review, representing 13.2% of the Group's revenue. Employee remuneration and bonuses are based on their performances, experience and the prevailing industry practice. The Group's remuneration policies and packages were reviewed periodically by the management of the Group. In addition, the Group provides bonuses and incentives based on their performance to encourage and drive its staff to strive for better performance. The Group provides relevant training to the staff based on technical requirements of different positions.

Taxation

Income tax credited for the first half of 2008 by approximately RMB2 million whereas it charged for the Period by approximately RMB139 million, which is primarily due to the increase in the profit before tax of the Group during the Period under Review and the tax credits amounting to RMB84 million given to a subsidiary of the Company during the same period of last year due to its purchase of domestic manufactured machinery and equipment in previous years.

SUPPLEMENTARY INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, so far as known to the Directors, supervisors and chief executive of the Company, the following persons (other than a Director, supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the provisions of Division 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"):

Interests in the domestic shares of the Company:

	Number of Domestic Shares *(Note 1)*	**Approximate percentage of total issued domestic share capital** *(%)*	**Approximate percentage of total issued share capital** *(%)*
Holding Company	738,895,100 (long position)	94.64	61.86
Zouping County Supply and Marketing Cooperation Union ("ZCSU")	738,895,100 (long position) *(Note 2)*	94.64	61.86
CITIC Trust Co., Ltd.	738,895,100 (long position) *(Note 3)*	94.64	61.86

Interests in the H Shares of the Company:

Name of Shareholder	**Type of interest**	**Number of H Shares** *(Note 4)*	**Approximate Percentage of total issued H share capital as at 30 June 2009** *(%)*	**Approximate percentage of total issued share capital as at 30 June 2009** *(%)*
Brandes Investment Partners, L.P.	Investment manager	53,026,500 (long position) *(Note 5)*	12.82	4.44
The Bank of New York Mellon Corporation	Interest of a controlled corporation	96,733,800 (long position)	23.39	8.10
		58,348,900 (lending pool) *(Note 6)*	14.11	4.89
Mellon Financial Corporation	Interest of controlled corporations	41,073,100 (long position) *(Note 7)*	9.93	3.44
The Boston Company Asset Management LLC	Investment manager	35,752,900 (long position) *(Note 8)*	8.64	2.99
FIL Limited	Investment manager	22,220,500 (long position) *(Note 9)*	5.37	1.86

Notes:

1. Unlisted shares.

2. These 738,895,100 Domestic Shares in which ZCSU was deemed interested under the SFO were directly held by the Holding Company, in which ZCSU had a controlling interest.

3. These 738,895,100 Domestic Shares in which CITIC Trust Co., Ltd. was deemed interested under the SFO were directly held by the Holding Company, in which ZCSU had a controlling interest. CITIC Trust Co., Ltd. is a trustee of ZCSU.

4. Shares listed on the Main Board of the Stock Exchange.

5. These 53,026,500 H Shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.

6. These 96,733,800 H Shares in which The Bank of New York Mellon Corporation was deemed interested under the SFO were directly held by The Bank of New York Mellon, which was a corporation 100% controlled by The Bank of New York Mellon Corporation.

7. These 41,073,100 H shares in which Mellon Financial Corporation was deemed interested under SFO were directly held by The Boston Company Asset Management LLC, a corporation wholly controlled by MAM (MA) Trust, which is indirectly and wholly controlled by MAM (DE) Trust. MAM (DE) Trust is wholly controlled by Mellon Financial Corporation.

8. These 35,752,900 H Shares were held by The Boston Company Asset Management LLC in its capacity as investment manager.

9. These 22,220,500 H Shares were held by FIL Limited in its capacity as investment manager.

Save as disclosed above, so far as known to the Directors, supervisors and the chief executive of the Company, as at 30 June 2009, there was no other person (not being a Director, supervisor or chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO.

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

As at 30 June 2009, the interests of the Directors, supervisors or chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Interests in the Domestic Shares of the Company:

	Type of interest	**Number of Domestic Shares** *(Note 1)*	**Approximate percentage of total issued domestic share capital** *(%)*	**Approximate percentage of total issued share capital** *(%)*
Zhang Hongxia *(Executive Director and Chairman)*	Beneficial	17,700,400 (long position)	2.27	1.48
Qi Xingli *(Executive Director)*	Beneficial	6,042,500 (long position)	0.77	0.51
Zhang Shiping *(Non-executive Director)*	Beneficial	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) are as follows:

	Name of associated corporation	Type of interest	Approximate percentage of total issued share capital *(%)*
Zhang Shiping *(Non-executive Director)*	Holding Company	Beneficial	23.52
Zhang Hongxia *(Executive Director)*	Holding Company	Beneficial and spouse *(Note 1)*	5.73 *(Note 1)*
Zhang Yanhong *(Executive Director)*	Holding Company	Beneficial	1.63
Qi Xingli *(Executive Director)*	Holding Company	Beneficial	0.75
Wang Zhaoting *(Non-executive Director)*	Holding Company	Beneficial	0.25
Zhao Suwen *(Executive Director)*	Holding Company	Beneficial	0.38
Liu Mingping *(Supervisor)*	Holding Company	Beneficial	0.14
Zhao Suhua *(Non-executive Director)*	Holding Company	Beneficial and spouse *(Note 2)*	3.09 *(Note 2)*
Wang Xiaoyun *(Non-executive Director)*	Holding Company	Beneficial	0.25

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

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

Save as disclosed above, as at 30 June 2009, none of the Directors, supervisors or chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERIM DIVIDEND

At the board meeting of the Company held on 4 September 2009, the Board recommended no payment of the interim dividend for the six months ended 30 June 2009.

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 2009.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") in accordance with the requirements of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 of the Listing Rules for the purpose of reviewing and supervising the Group's financial reporting process. The Audit Committee comprises of the three independent non-executive Directors of the Company. An audit committee meeting was held on 4 September 2009 to review the interim report, including the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2009. The Audit Committee is of the opinion that the financial statements of the Group for the first half year of 2009 are prepared in accordance with the applicable accounting standards and have made sufficient disclosure.

REMUNERATION COMMITTEE

The Company has established a remuneration committee in accordance with the corporate governance requirements of listed companies of the Hong Kong Stock Exchange. The objective of this committee is to set out and suggest the appraisal standards for Directors and management, and study and review Directors' and senior management's remuneration policies and arrangements. The Remuneration Committee is composed of three Directors. The remuneration committee meeting was held on 27 March 2009, at which the resolution with regard to Directors' payroll and bonus as well as supervisors' payment for the year of 2009 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 Code contained in Appendix 14 of the Listing Rules, throughout the six months ended 30 June 2009.

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 Board of the Company is comprised of the most experienced and talented members, and will regularly meet to discuss on matters that may affect the operations of the Company. The operations of the Board is sufficient to ensure the equilibrium of powers and functions. The Board believes that such arrangement will be helpful in establishing a steady and consistent leading power, which enables the Company to make and implement various decisions efficiently and effectively. The Board believes that the arrangement that Ms. Zhang Hongxia takes up the position of Chairman and Chief Executive Officer will be beneficial for the business development of the Company and better coordinates the Board and the administrative management personnel.

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 under Review, in compliance with the code provisions of the Code.

SECURITIES TRANSACTIONS BY DIRECTORS

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

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this announcement is published on the website of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.wqfz.com). An interim report for the six months ended 30 June 2009 containing all the applicable information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the website of the Stock Exchange and the Company in due course.

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

Shandong, the PRC
4 September 2009

Note: As at the date of this announcement, the board of Directors of the Company comprises 11 directors, namely Ms. Zhang Hongxia, Mr. Qi Xingli, Ms. Zhao Suwen and Ms. Zhang Yanhong 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".*