



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

2017

Interim Report



Contents

1.	Summary	2
2.	Corporate Information	3
3.	Chairman's Statement	4
4.	Management Discussion and Analysis	7
5.	Supplementary Information	17
6.	Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	22
7.	Interim Condensed Consolidated Statement of Financial Position	23
8.	Interim Condensed Consolidated Statement of Changes in Equity	25
9.	Interim Condensed Consolidated Statement of Cash Flows	26
10.	Notes to the Interim Condensed Consolidated Financial Statements	27

Summary

Interim results for the six months ended 30 June 2017

- Revenue was approximately RMB8,507 million, representing an increase of approximately 43.4% over the corresponding period of last year.
- Gross profit was approximately RMB991 million, representing a decrease of approximately 1.2% over the corresponding period of last year.
- Net profit attributable to owners of the Company was approximately RMB299 million, representing a decrease of approximately 12.8% over the corresponding period of last year.
- Earnings per share were approximately RMB0.25 (same period last year: approximately RMB0.29).

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Zhang Shiping
Zhao Suhua

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wang Naixin
Chen Shuwen
Chan Wing Yau, George

SUPERVISORS

Lv Tianfu
Wang Wei
Wang Xiaoyun

COMPANY SECRETARY

Zhang Jinglei

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Wang Naixin (*Chairman*)
Zhang Hongxia
Chen Shuwen

NOMINATION COMMITTEE

Zhang Hongxia (*Chairman*)
Wang Naixin
Chen Shuwen

AUTHORISED REPRESENTATIVES

Zhao Suwen
Zhang Jinglei

PLACE OF BUSINESS IN HONG KONG

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

LEGAL ADDRESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

LEGAL ADVISOR AS TO HONG KONG LAW

Luk & Partners in Association with Morgan, Lewis & Bockius

INTERNATIONAL AUDITOR

SHINEWING (HK) CPA Limited

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY WEBSITE

www.wqfz.com

STOCK CODE

2698

INVESTOR RELATIONS

Ms. Zhou Meng
Tel: (852) 2815 1090
Fax: (852) 2815 0089
Email: catherine@wqfz.com

IR & PR CONSULTANT

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

Chairman's Statement

It is my pleasure to present on behalf of the board (the "Board") of directors (the "Directors") of Weiqiao Textile Company Limited ("Weiqiao Textile" or the "Company") the unaudited consolidated interim results of the Company together with its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017 (the "Period" or "Period under Review").

With the further implementation of the "One Belt and One Road" initiative of the PRC and the international capacity cooperation strategy, the Chinese textile industry has entered into a new phase to speed up global distribution. In the first half of 2017, the global economy continued to improve. The developed economies recovered at a steady pace, while the PRC economy maintained a reasonable range of growth, showing stronger signs of the stabilized and positive development trend. In terms of the industry, the textile industry also improved with stable growth in output and sales volume.

In terms of the export of textile products and apparel, the segment made a successful turnaround to register positive growth in the first half of 2017. However, affected by intensified international competition, the export price and profit of China's textile products remained under pressure. According to statistics from the General Administration of Customs of the PRC, China's aggregate exports of textile products and apparel amounted to approximately US\$124.3 billion in the first half of 2017, which was basically in line with that of the corresponding period last year. Among these, exports of textile products increased by approximately 1.7% year-on-year to approximately US\$53.2 billion, and exports of apparel decreased by approximately 1.2% year-on-year to approximately US\$71.1 billion.

In terms of domestic demand, China's macro economy maintained good development momentum with an increase of approximately 8.8% in resident's per capita disposable income, achieving satisfactory performance in retail industry driven by persistently increasing domestic demand. According to the statistics from the National Bureau of Statistics of the PRC, retail sales of apparel, footwear, headwear and knitwear for the first half of 2017 by companies above a designated size in China (with annual revenue of over RMB20 million) amounted to approximately RMB717.2 billion, posting a year-on-year increase of approximately 7.3%.

In terms of raw materials, international cotton price showed a declining trend after a surge during the Period, while the domestic cotton price fluctuated within a range. Despite the gap between domestic cotton output and market demand during the 2016/17 year, the domestic market maintained a relatively balanced supply-and-demand condition under the orderly implementation of the cotton reserve policy.

During the Period, the Group proactively took measures to seize market opportunities, strengthened corporate management, focused on technology innovation and stepped up efforts in textile product development and business expansion. During the Period, the Group recorded revenue of approximately RMB8,507 million, representing an increase of approximately 43.4% over the same period in 2016. Net profit attributable to owners of the Company was approximately RMB299 million, representing a decrease of approximately 12.8% over the same period in 2016. Earnings per share was approximately RMB0.25. The Group's overall gross profit margin was approximately 11.7% for the Period, representing a decrease of approximately 5.2 percentage points over the same period last year.

Chairman's Statement

During the Period under Review, the Group adhered to the “Sanpin Strategy (三品戰略)” of “enriching product varieties, improving product quality and building the brand name (增品種、提品質、創品牌)” as a direction guideline to improve the overall quality of the work. Focusing on “product innovation and management innovation (產品創新, 管理創新)”, we strived to transition from “made by Weiqiao (魏橋製造)” to “created by Weiqiao (魏橋創造)”. Keeping abreast with market trends and leveraging on our advanced equipment and technological edge, the Company made strenuous efforts to develop new products. During the Period, the Group successfully developed several new products such as graphene-compound functional materials (石墨烯復合功能性面料), blended fabric of cotton and bamboo pulp fiber (棉與天竹長絲交織面料), and series of hollow cotton yarn (中空棉紗系列), which have strong market demand and have become new growth drivers for the Group.

In terms of electricity and steam business, the thermal power assets of the Group performed well. Following the completion of acquisition of the thermal power assets, the Group achieved increases in power generation volume and sales of electricity over the same period of last year. During the Period, despite the further optimization of the productivity of the own power plants, the Group recorded increase in the costs for power generation due to the dramatic increase in coal price, putting pressure on the profitability of the electricity business of the Group.

Looking forward to the second half of 2017, the global economy is expected to maintain a growth momentum. However, the economic growth will be surrounded with uncertainties due to several factors such as the aggravated trade protectionism and the accelerated tightening process by the United States. The PRC economy is expected to maintain a stable and positive development trend with a reasonable range of growth. With the new market opportunities in the global markets brought by the further implementation of the “One Belt and One Road” initiative, and benefiting from the stable growth in the domestic economy and the increasing improvement in household income and consumption ability, the Chinese textile industry will have greater market potential and market demand prospect, and is expected to maintain overall growth. However, the fluctuation in cotton price, the rising production cost, the increase in the energy cost, the intensified international competition and other adverse factors still remain.

Facing the challenges and opportunities under the new environment, the Group will continue to focus on innovating management approaches, reducing costs and enhancing efficiency, with technology improvement and optimization of the product portfolio, with an aim to enhance the competitive edge and development potential, striving to move to a higher level in the global textile industrial chain. The Group will also exert efforts to build a multi-layer talent cultivation system that advocates entrepreneurship and craftsmanship, so as to improve the corporate management level and innovation capability. The Group will stick to the strategy of developing middle to high-end products, improving products quality and increasing the number of products catering to the market and consumer needs, so as to continuously improve the gross margin. While exploring both overseas and domestic markets, the Group will place equal emphasis on domestic and export sales and adopt a flexible sales strategy. The Group will arrange cotton procurement in response to the government policy, in an effort to reduce the impact of the fluctuation of raw material costs on the production and operation of the Group. At the same time, the Group will continue to optimize the productivity and operation of the own power plants, with an aim to improve the overall profitability and create greater return for its shareholders.

Chairman's Statement

On behalf of the management of Weiqiao Textile, I would like to express my gratitude to our shareholders for their unwavering support towards the Group. As the PRC economy has entered into the critical period of structural transition and dynamic change, Weiqiao Textile will tightly seize the opportunity arising from the transition and upgrade of the textile industry, continue to integrate internal and external resources and step up efforts in product innovation to enhance its competitive edge in domestic and overseas markets, while proactively pursuing innovation and breakthroughs as well as seeking and exploring new business opportunities, so as to create new growth drivers for the Group. While continuous efforts will be made to increase the intrinsic value and create maximum returns for the shareholders, the Group is committed to contributing to the sustainable development of society.

Zhang Hongxia

Chairman

Shandong, the PRC

25 August 2017

Management Discussion and Analysis

INDUSTRY REVIEW

During the first half of 2017, the global economy experienced a mild recovery and the major economies around the world maintained a growth momentum. The PRC economy showed a stabilized and positive development trend, becoming an important growth driver for the global economy. Under this macro backdrop, the Chinese textile industry recorded growth in export and achieved improvement in domestic sales, with the continuous advancement in industrial and structural adjustment.

According to the statistics released by the National Commercial Information Center of the PRC, retail sales by the top 100 major retail enterprises in China increased year-on-year by approximately 3.1% in the first half of 2017, representing an increase of approximately 6.3 percentage points in growth rate as compared with the corresponding period in 2016. During the Period, the completed fixed asset investment projects with over RMB5 million of the Chinese textile industry amounted to approximately RMB613.0 billion, representing a year-on-year increase of approximately 9.1% and an increase of approximately 2.0 percentage points in growth rate as compared with the corresponding period of last year.

During the Period under Review, driven by the increase in demands from the overseas markets, the export of Chinese textile products and apparel maintained a stable performance, with an accumulated export amount of approximately US\$124.3 billion, remaining in line with the corresponding period of last year. According to the statistics released by the General Administration of Customs of the PRC, China's exports of textile products and apparel to the following countries and regions for the first half of 2017 were summarized as follows:

- Exports to the United States: approximately US\$20.2 billion, representing an increase of approximately 1.0% as compared with the corresponding period of last year.
- Exports to European Union: approximately US\$22.3 billion, representing a decrease of approximately 1.6% as compared with the corresponding period of last year.
- Exports to Japan: approximately US\$9.2 billion, representing a decrease of approximately 0.5% as compared with the corresponding period of last year.
- Exports to Hong Kong: approximately US\$6.0 billion, representing a decrease of approximately 16.4% as compared with the corresponding period of last year.
- Exports to the emerging markets including the Association of Southeast Asian Nations and the Middle East: decreases of approximately 1.9% and 9.9%, respectively as compared with the corresponding period of last year; exports to Africa: an increase of approximately 3.8% as compared with the corresponding period of last year.

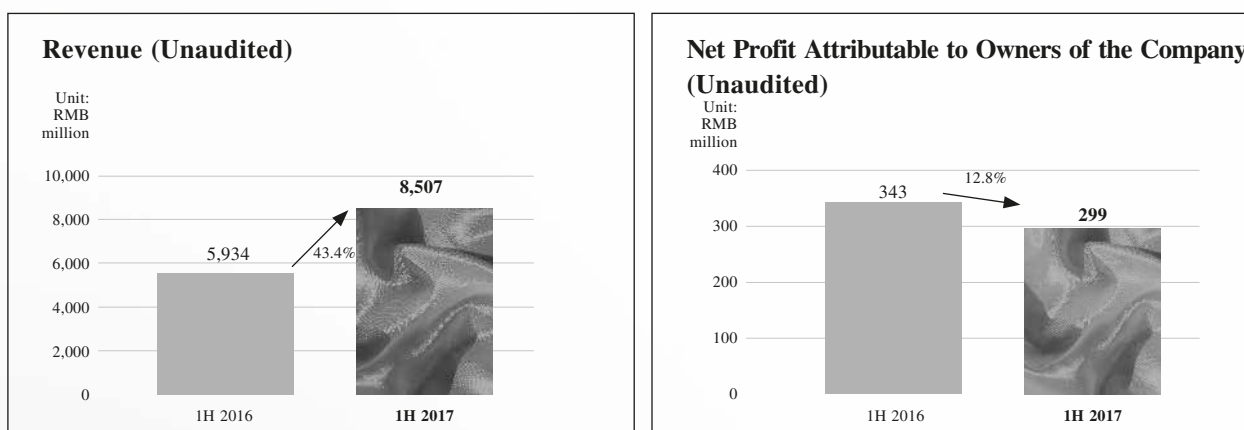
In terms of raw materials, international cotton price continued to rise at the beginning of the year 2017 against the backdrop of increasing global demand and the decrease in inventory level, which began to drop from the high level since May 2017 due to the noticeable expectation of the increased cotton output in the 2017/18 year. Affected in turn by a number of factors including the gap between annual cotton output and sales volume for the year 2016/17, the cotton reserve policy and international cotton price, the domestic cotton price maintained fluctuations within a range.

Management Discussion and Analysis

BUSINESS REVIEW

During the first half of 2017, the Group proactively took measures to seize market opportunities, strengthened corporate management, focused on technology innovation and stepped up efforts in textile product development and business expansion. As a result of the Group's acquisition of thermal power assets completed in May 2016, the aggregate power generation capacity of the Group achieved growth.

For the six months ended 30 June 2017 and the corresponding period of 2016, the Group's unaudited revenue and the net profit attributable to owners of the Company, together with the comparative figures are as follows:

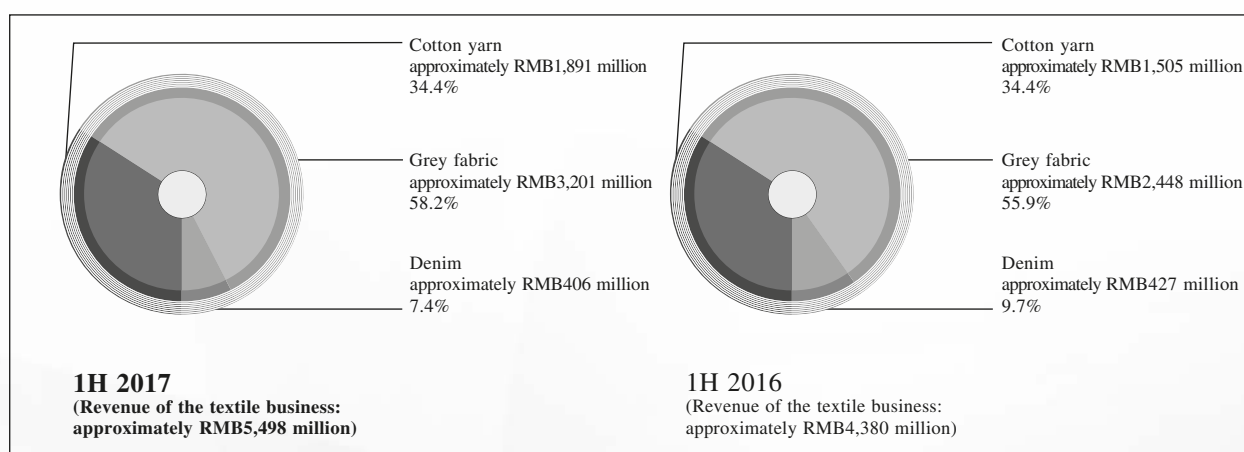


For the six months ended 30 June 2017, the Group recorded revenue of approximately RMB8,507 million, representing an increase of approximately 43.4% as compared with the corresponding period of 2016, and the net profit attributable to owners of the Company of approximately RMB299 million, representing a year-on-year decrease of approximately 12.8%. The main reasons for the increase in revenue were the increase in product sales volume due to the Group's reinforced efforts in sales promotion for textile products, and the increase in sales of electricity following the completion of acquisition of the thermal power assets by the Group in May 2016. The decrease in the net profit attributable to owners of the Company was primarily due to the narrowing profit margin resulting from the increasing coal price during the Period, the adjustment to the sales policy by the Group and the decreasing sales price of electricity.

Management Discussion and Analysis

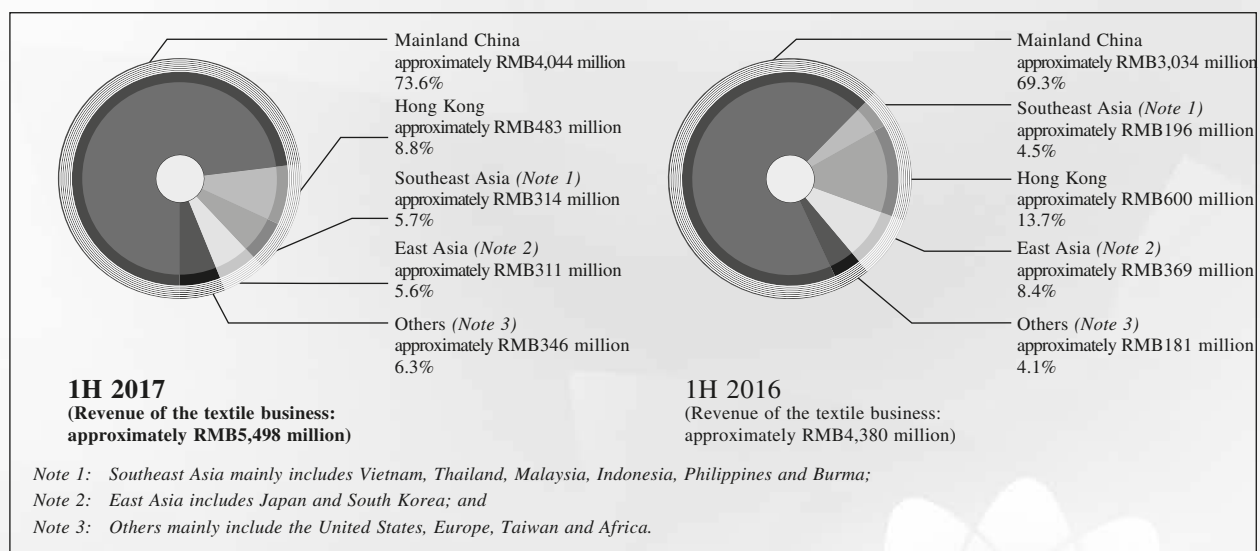
Textile Business

The charts below are the comparison of the breakdown of revenue of the textile business by products for the six months ended 30 June 2017 and the corresponding period of 2016, respectively:



For the six months ended 30 June 2017, the proportion of revenue of the textile business contributed by the Group's cotton yarn, grey fabric and denim remained in line with that as recorded in the corresponding period of last year.

The following charts show the geographic breakdown of revenue of the textile business for the six months ended 30 June 2017 and the corresponding period of 2016, respectively:



For the six months ended 30 June 2017, the respective proportion of the domestic and overseas sales of the Group's textile business remained relatively stable, with the proportion of overseas revenue being approximately 26.4% and the proportion of domestic revenue amounting to approximately 73.6% during the Period.

Management Discussion and Analysis

During the Period under Review, the Group adjusted the production plans timely according to the market conditions. The output of the Group's cotton yarn was approximately 191,000 tons, representing an increase of approximately 13.7% compared with the corresponding period of last year; the output of grey fabric was approximately 415 million meters, representing an increase of approximately 2.2% as compared with the corresponding period of last year; the output of denim was approximately 35 million meters, representing a decrease of approximately 10.3% as compared with the corresponding period of last year.

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

Electricity and Steam Business

The profits from the sales of electricity recorded an increase due to the increase in the total power generation volume and the corresponding increase in the external sales of electricity, resulting from the Group's owned thermal power assets.

As at 30 June 2017, the installed capacity of the Group's thermal power assets amounted to 2,820 MW, remaining the same with that as at 31 December 2016. In the first half of 2017, the power generation amount of the Group was approximately 9,222 million kWh, representing an increase of approximately 91.2% as compared with the corresponding period of last year and the volume of electricity sold out amounted to approximately 8,113 million kWh, representing an increase of approximately 119.2% over the corresponding period of last year, which was mainly due to the completion of acquisition of the thermal power assets by the Group in May 2016.

During the Period under Review, the average utilization hours of the power generating units of the Group amounted to approximately 3,498 hours, basically in line with that of approximately 3,412 hours as recorded for the corresponding period last year.

During the Period under Review, the average unit cost of the Group's electricity business was approximately RMB268.6 per MWh, representing an increase of approximately 56.5% from RMB171.6 per MWh as recorded in the corresponding period last year, which was mainly due to the increase in coal price during the Period. The Group will continue to enhance the management of the coal price, make appropriate adjustment to the coal inventory level in light of market changes, and explore new coal supply channels so as to enhance the Group's bargaining power and lower the procurement costs.

Pursuant to the requirements of the national environmental protection policies, the Group fully implemented the ultra-low emission ahead of schedule by installing flue gas dedusting facilities (煙氣除塵裝置) and desulphurization and denitrification facilities (脫硫脫硝裝置) for all of the Group's power generating units.

Management Discussion and Analysis

Sales of Electricity and Steam

For the first half of 2017, the revenue of the Group's sales of electricity amounted to approximately RMB3,009 million, representing an increase of approximately 93.6% as compared with the corresponding period of last year; the gross profit thereof was approximately RMB859 million, representing a decrease of approximately 7.5% as compared to the corresponding period of last year. The increase in revenue of the sales of electricity as compared with the corresponding period of last year was mainly attributable to the increase in external sales volume of electricity as a result of the increase in the electricity generation volume of the Group's own thermal power assets following the completion of acquisition of the thermal power assets by the Group in May 2016. The gross profit of this segment decreased as compared with the corresponding period of last year, mainly due to (1) the adjustment to the sales policy by the Group and the decrease in sales price of electricity; and (2) the increase in the cost of electricity due to the rising coal price.

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 2017 and the corresponding period in 2016, respectively:

Product categories	For the six months ended 30 June			
	2017		2016	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Cotton yarn	110,441	5.8	66,377	4.4
Grey fabric	(55,218)	(1.7)	(86,420)	(3.5)
Denim	77,183	19.0	93,753	21.9
Electricity and steam	858,909	28.5	928,868	59.8
Total	991,315	11.7	1,002,578	16.9

For the six months ended 30 June 2017, the gross profit from the sales of textile products of the Group increased by approximately 78.4% from approximately RMB74 million recorded for the corresponding period of last year to approximately RMB132 million, which was primarily due to the increase in the price of textile products during the Period. The gross profit margin of the Group's textile business was approximately 2.4%, representing an increase of approximately 0.7 percentage point over the corresponding period of last year, which was mainly due to the increase in textile product prices during the Period.

Management Discussion and Analysis

Selling and Distribution Expenses

For the six months ended 30 June 2017, the Group's selling and distribution expenses were approximately RMB100 million, representing an increase of approximately 49.3% as compared with approximately RMB67 million as recorded in the corresponding period of last year. Among these expenses, transportation costs increased by approximately 46.7% to approximately RMB66 million from approximately RMB45 million for the same period of last year, which was mainly due to the increase in the fees for transportation resulting from the increase in the sales volume of textile products of the Group during the Period. Salary of the sales staff was approximately RMB22 million, representing an increase of approximately 175.0% from approximately RMB8 million for the corresponding period of last year, which was mainly due to the increase in product sales volume. Sales commission was approximately RMB4 million, which remained in line with that as recorded in the corresponding period of last year.

Administrative Expenses

For the six months ended 30 June 2017, the administrative expenses of the Group was approximately RMB126 million, representing a decrease of approximately 31.1% from approximately RMB183 million for the corresponding period of last year. The decrease was primarily attributable to the adjustments to the relevant items regarding certain tax amounts during the Period as a result of the implementation of the tax policy of replacing business tax with value-added tax.

Finance Costs

For the six months ended 30 June 2017, finance costs of the Group were approximately RMB299 million, basically in line with that of the corresponding period of last year.

Liquidity and Financial Resources

The working capital of the Group is mainly financed by cash inflow from operating activities. For the six months ended 30 June 2017, the Group recorded a net cash inflow from operating activities of approximately RMB1,446 million, a net cash inflow from investing activities of approximately RMB2,913 million and a net cash outflow from financing activities of approximately RMB1,325 million.

Management Discussion and Analysis

As of 30 June 2017, cash and cash equivalents of the Group were approximately RMB14,326 million, representing an increase of approximately 26.9% from approximately RMB11,292 million as of 31 December 2016, mainly attributable to the decrease in the textile product inventory as a result of the proactive sales strategy adopted by the Group. The Group will continue to take effective measures to ensure adequate liquidity and financial resources to satisfy its business needs so as to maintain a sound and stable financial position.

For the six months ended 30 June 2017, the average turnover days of the Group's receivables was 9 days, which was in line with the turnover days of 9 days as recorded for the corresponding period of 2016.

For the six months ended 30 June 2017, the inventory turnover days of the Group were 67 days, representing a decrease of 81 days from 148 days for the same period of 2016, which was mainly due to the decrease in the textile product inventory as a result of the proactive sales strategy adopted by the Group.

For the six months ended 30 June 2017, the Group did not use financial derivative instruments and the Group also did not use financial derivative instruments for the corresponding period of last year.

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

Net profit attributable to owners of the Company was approximately RMB299 million for the six months ended 30 June 2017, representing a decrease of approximately 12.8% from approximately RMB343 million for the corresponding period of last year.

For the six months ended 30 June 2017, basic earnings per share of the Company were RMB0.25.

Capital Structure

The major objective of the Group's capital management is to ensure the ongoing operations and maintain a satisfactory capital ratio in order to support its business operations and maximize shareholders' interests. The Group continued to maintain an appropriate mix of equity and debt to ensure an efficient capital structure in order to reduce capital cost.

As at 30 June 2017, the debts of the Group were mainly bank loans totaling of approximately RMB3,702 million (31 December 2016: approximately RMB4,759 million) and corporate bonds amounting to approximately RMB5,997 million (31 December 2016: approximately RMB5,992 million). Cash and cash equivalents of the Group were approximately RMB14,326 million (31 December 2016: approximately RMB11,292 million). As at 30 June 2017, the Group's gearing ratio (net debt (after deducting interest-bearing bank and other borrowings of cash and cash equivalents) divided by total equity) was approximately -25.6% (31 December 2016: approximately 3.0%).

Management Discussion and Analysis

Details of the outstanding bank loans as at 30 June 2017 are set out in Note 19 to the unaudited interim condensed consolidated financial statements. The Group manages its interest expenses through a fixed rate and floating rate liabilities portfolio. As at 30 June 2017, approximately 79.7% of the Group's bank loans were subject to fixed interest rates while the remaining of approximately 20.3% were subject to floating interest rates.

The Group maintains a balance between the continuity and flexibility of funds through bank loans and corporate bonds. At any time, the borrowings due within the upcoming 12-month period shall not exceed 50.0% of the total borrowings. As at 30 June 2017, approximately 34.2% of the Group's debts will become due within one year.

As at 30 June 2017, the Group's loans were denominated in Renminbi, while cash and cash equivalents were denominated in RMB and US dollars, of which cash and cash equivalents denominated in US dollars represented approximately 2.9% of the total amount.

Details of Pledged Assets of the Group

Details of pledged assets of the Group are set out in Note 19 to the unaudited interim condensed consolidated financial statements.

Employees and Remuneration Policies

As at 30 June 2017, the Group had a total of approximately 58,000 employees, representing a decrease of approximately 5,000 employees as compared with that as at the end of last year. Such change in the number of the staff was normal employee turnover during the Period. Total staff costs of the Group during the Period amounted to approximately RMB1,394 million, representing an increase of approximately 4.1% from approximately RMB1,339 million as recorded for the corresponding period of last year, which was mainly attributable to the increase in staff salaries by the Group during the Period.

The remuneration of the Group's employees is determined based on their performance, experience and the prevailing industry practices. The management of the Group will periodically review the remuneration policies and packages. In addition, the management also grants bonuses and rewards to the employees based on their performance to encourage and motivate them to engage in technological innovation and technique improvement. The Group also provides relevant trainings, such as safety trainings and skills trainings, to the employees based on the technical requirements of different positions.

Management Discussion and Analysis

Exposure to Foreign Exchange Risks

The Group adopts a strict and prudent policy in managing exchange rate risks. Export revenue and import procurement of the Group are settled in US dollars, and a portion of bank deposits and bank borrowings are denominated in US dollars. For the six months ended 30 June 2017, approximately 26.3% of the Group's revenue and approximately 2.3% of the costs of the procurement of cotton were denominated in US dollars. For the six months ended 30 June 2017, the Group recorded the exchange loss of approximately RMB17 million due to the appreciation of Renminbi. During the Period, the Group did not experience any significant difficulties or impacts on the operations or liquidity as a result of the fluctuations in currency exchange rates. The Directors believe that the Group will have sufficient foreign currency to meet its demands.

Capital Commitments

Details of capital commitments are set out in Note 21 to the unaudited interim condensed consolidated financial statements.

Contingent Liabilities

As at 30 June 2017, the Group did not have any significant contingent liabilities.

Taxation

The tax of the Group decreased from approximately RMB259 million for the first half of 2016 to approximately RMB235 million for the first half of 2017, representing a decrease of approximately 10.2%. Such decrease in tax was mainly attributable to the decrease in the Group's profit before tax for the Period.

SUBSEQUENT EVENTS

Resumption of Trading in the Shares

Reference is made to the announcement of the Company dated 20 June 2017, in relation to the conditions (the "Resumption Conditions") for the resumption of trading in the shares imposed by the Stock Exchange to the Company. The Company has taken appropriate measures to fulfill all the Resumption Conditions, and trading in the shares of the Company on the Stock Exchange has resumed with effect from 9:00 a.m. on 14 August 2017. For details on the fulfillment of Resumption Conditions by the Company, please refer to the announcement of the Company dated 11 August 2017 headed "Fulfillment of All Resumption Conditions and Resumption of Trading".

Management Discussion and Analysis

Outlook

In the second half of 2017, the global economy is expected to maintain good recovery momentum. With the continuous development of the PRC economy, the endogenous growth dynamics is expected to enjoy further enhancement. The Group believes that the textile industry of the PRC will maintain good development momentum with recovery of the export business and increasingly higher demand from domestic residents for textile and apparel product.

Looking into the second half of the year, the Group will enhance innovation efforts, accelerate technology improvements and pursue the development strategy of “green development”. With respect to daily operations, the Group will focus on refined management and improve operation efficiency. The Group will further explore in the middle to high-end markets, develop new products to cater to market needs and optimize product mix, with an aim to increase the added value of the products. The Group will enhance the research and development capacity and step up efforts in building talent reserves. The Group will also coordinate all resources to achieve synergies and enhance overall performance. In addition, the Group will make better use of all available resources, source cotton globally in line with changes in the market for raw textile materials, so as to effectively control procurement costs and reduce the impact of cotton price fluctuations on operating results. Furthermore, adhering to the strategy of placing equal emphasis on domestic sales and overseas exports, the Group will optimize the trade structure. Leveraging on the Group’s consistently high quality products and scale advantages, the Group will improve the order delivery capability and bargain power. Efforts will be stepped up to promote equipment and technology upgrade and transformation, enhance automation level and improve operation efficiency. The Group will strictly comply with the requirements of energy conservation and environmental protection, in an effort to promote “green manufacturing”.

By leveraging on the Group’s positive brand image, product with high quality as well as extensive management and operational experience, the Group is confident to improve the core competitiveness continuously, seize opportunities arising from industrial transition and upgrade, take an active part in the industrial chain consolidation of the textile industry, enhance the overall competence of the Group, maintain and reinforce the position as an industry leader and achieve sustainable development.

Supplementary Information

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, so far as known to any Directors, supervisors and chief executives of the Company, the following persons (other than a Director, supervisor and 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”) or, were directly or indirectly interested in 10% or above of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital:

Interests in the domestic shares of the Company:

Name of shareholders	Number of domestic shares (Note 1)	Approximate percentage of total issued domestic share capital as at 30 June 2017 (%)	Approximate percentage of total issued share capital as at 30 June 2017 (%)
Shandong Weiqiao Chuangye Group Company Limited (the “Holding Company”)	757,869,600 (Long position)	97.07	63.45
Shandong Weiqiao Investment Holdings Company Limited (“Weiqiao Investment”)	757,869,600 (Long position) (Note 2)	97.07	63.45

Interests in the H Shares of the Company:

Name of shareholders	Type of interest	Number of H Shares (Note 3)	Approximate percentage of total issued H share capital as at 30 June 2017 (%)	Approximate percentage of total issued share capital as at 30 June 2017 (%)
Brandes Investment Partners, L.P.	Investment manager	69,693,852 (Long position) (Note 4)	16.85	5.84
Citigroup Inc.	Interest of a controlled corporation	21,021,861 (Long position)	5.08	1.76
	Custodian corporation/ approved lending agent	20,934,351 (Lending pool) (Note 5)	5.06	1.75

Supplementary Information

Note 1: Unlisted shares.

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

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

Note 4: According to the disclosure of interest published on the website of the Stock Exchange by Brandes Investment Partners, L.P., these 69,693,852 H Shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.

Note 5: According to the disclosure of interest published on the website of the Stock Exchange by Citigroup Inc., these 21,021,861 H Shares (L) and 20,934,351 H Shares (P), in which Citigroup Inc. was deemed interested, were held by Citigroup Global Markets Hong Kong Limited, Citigroup Global Markets Limited, Citigroup Global Markets Inc., Morgan Stanley Smith Barney Holdings LLC, Citibank N.A., Citigroup Alternative Investments LLC, Automated Trading Desk Financial Services, LLC, Citigroup Trust – Delaware, National Association, Citicorp Trust, National Association, Citicorp Trust South Dakota, Citigroup Global Markets Asia Limited, Cititrust (Bahamas) Limited, Cititrust (Switzerland) Limited, Citigroup Global Markets Deutschland AG, Citigroup Derivatives Markets Inc., Citigroup First Investment Management Limited, Cititrust Jersey Limited, Citibank (Switzerland) AG, Citigroup Global Markets Funding Luxembourg SCA, Impulsora de Fondos Banamex S.A. de C.V., Acciones y Valores, S.A. de C.V., Citigroup Financial Products Inc., Citigroup Global Markets Holdings Inc., Citigroup Global Markets Europe Limited, Citigroup Global Markets (International) Finance AG, Citigroup Global Markets International LLC, Citigroup Global Markets Inc., Citicorp Holdings Inc., Citigroup Investments Inc., Automated Trading Desk, LLC, Automated Trading Desk Holdings, Inc., Citigroup Acquisition LLC, Citibank N.A., Citigroup Global Markets Hong Kong Holdings Ltd, Citigroup Global Markets Overseas Finance Limited, Citigroup Global Markets Switzerland Holding GmbH, Citigroup Participation Luxembourg Limited, Citigroup International Luxembourg Limited, Citigroup Overseas Investments Bahamas Inc., Citibank Overseas Investment Corporation, Citigroup Global Markets Hong Kong Holdings Limited, Grupo Financiero Banamex, S.A. de C.V., Citicorp (Mexico) Holdings LLC, NAMGK Mexico Holding, S. de R.L. de C.V., Citigroup Capital Partners Mexico, S. de R.L. de C.V., Citicorp Global Holdings, Inc., Citicorp Banking Corporation, Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG, Citigroup Global Markets Finance LLC, Acciones y Valores, S.A. de C.V., Citibank N.A., Citibank Canada, Citigroup Trust – Delaware, National Association, all being directly or indirectly controlled by Citigroup Inc.. Citigroup Inc. was deemed interested in the Shares held by these companies under the SFO.

Save as disclosed above, so far as known to the Directors, supervisors and chief executives of the Company, as at 30 June 2017, there was no other person (other than a Director, supervisor and 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' AND THE COMPANY'S CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2017, the interests of the Directors, supervisors and 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 were deemed or taken to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Supplementary Information

Interests in the domestic shares of the Company:

Name of shareholders	Type of interest	Number of domestic shares (Note 1)	Approximate percentage of total issued domestic share capital as at 30 June 2017 (%)	Approximate percentage of total issued share capital as at 30 June 2017 (%)
Zhang Hongxia (Executive Director/ Chairman)	Beneficial interests	17,700,400	2.27	1.48
Zhang Shiping (Non-executive Director)	Beneficial interests	5,200,000	0.67	0.44

Note 1: Unlisted shares.

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

Name of shareholders	Name of associated corporation	Type of interest	Approximate percentage of total issued share capital as at 30 June 2017 (%)
Zhang Shiping (Non-executive Director)	Holding Company	Beneficial interests	31.59
Zhang Hongxia (Executive Director)	Holding Company	Beneficial interests and spouse interests (Note 1)	9.73 (Note 1)
Zhang Yanhong (Executive Director)	Holding Company	Beneficial interests	5.63
Zhao Suwen (Executive Director)	Holding Company	Beneficial interests	0.38
Zhao Suhua (Non-executive Director)	Holding Company	Spouse interests (Note 2)	4.93 (Note 2)

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

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

Supplementary Information

Save as disclosed above, as at 30 June 2017, none of the Directors, supervisors and chief executives of the Company and any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERIM DIVIDEND

The Board did not recommend any payment of the interim dividend for the six months ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries, have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in accordance with the requirements of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules for the purpose of reviewing and supervising the Group's financial reporting process. The Audit Committee is comprised of three independent non-executive Directors. An audit committee meeting was convened on 25 August 2017 to review the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 and give opinions and recommendations to the Board of the Company.

REMUNERATION COMMITTEE

The Company has established a remuneration committee in accordance with the corporate governance requirements of listed companies of the Stock Exchange. The objective of this committee is to set out and make suggestions on the appraisal standards for Directors and senior management, and study and review the remuneration policies and arrangements for Directors and senior management. The remuneration committee is comprised of three Directors. A remuneration committee meeting was convened on 11 August 2017, at which the resolution with regard to Directors' payroll and bonus as well as supervisors' payment for the year of 2017 was passed.

Supplementary Information

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions and, where applicable, adopted the recommended best practices as set out in the CG Code contained in Appendix 14 to the Listing Rules throughout the six-month period ended 30 June 2017.

SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code for securities transactions on terms no less exacting than 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 complied with the Model Code during the six months ended 30 June 2017.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this interim report will be published simultaneously on the websites of both the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.wqfz.com>). This interim report will be despatched to the shareholders on or before 15 September 2017.

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

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	3	8,506,539	5,934,141
Cost of sales		<u>(7,515,224)</u>	<u>(4,931,563)</u>
Gross profit		991,315	1,002,578
Other income	5	97,654	124,899
Selling and distribution expenses		(100,104)	(66,972)
Administrative expenses		(126,110)	(183,364)
Other expenses		(31,537)	(6,414)
Finance costs	6	(298,734)	(271,996)
Share of profit of an associate		<u>1,424</u>	<u>805</u>
Profit before taxation		533,908	599,536
Income tax expenses	7	<u>(234,949)</u>	<u>(258,590)</u>
Profit and total comprehensive income for the period	8	<u>298,959</u>	<u>340,946</u>
Attributable to:			
Owners of the Company		299,495	343,264
Non-controlling interests		<u>(536)</u>	<u>(2,318)</u>
		<u>298,959</u>	<u>340,946</u>
Earnings per share attributable to the Owners of the Company			
Basic and diluted (RMB)	10	<u>0.25</u>	<u>0.29</u>

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	<i>Notes</i>	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	12,300,599	12,835,224
Investment properties		22,626	22,994
Prepaid lease payments		343,911	348,330
Other intangible assets		114	122
Investment in an associate		73,425	72,000
Deferred tax assets		123,564	148,709
		<u>12,864,239</u>	<u>13,427,379</u>
Current assets			
Inventories	13	2,426,520	3,099,067
Trade receivables	14	408,603	450,470
Deposits, prepayments and other receivables	15	776,487	480,494
Amount due from immediate holding company		–	2,976,009
Pledged deposits	16	45,592	90,985
Cash and cash equivalents	16	14,325,936	11,292,430
		<u>17,983,138</u>	<u>18,389,455</u>
Non-current assets classified as held for sale	11	–	15,467
Total current assets		<u>17,983,138</u>	<u>18,404,922</u>
Current liabilities			
Trade payables	17	610,971	941,598
Other payables and accruals	18	1,338,994	1,231,077
Income tax payable		934,515	867,107
Amount due to immediate holding company		–	59,060
Bank and other borrowings	19	3,312,850	3,824,500
Deferred income		17,675	18,322
Total current liabilities		<u>6,215,005</u>	<u>6,941,664</u>
Net current assets		<u>11,768,133</u>	<u>11,463,258</u>
Total assets less current liabilities		<u>24,632,372</u>	<u>24,890,637</u>

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

As at 30 June 2017

	<i>Notes</i>	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Equity			
Issued capital	20	1,194,389	1,194,389
Reserves		16,847,535	16,520,606
		18,041,924	17,714,995
Non-controlling interests		29,517	65,743
Total equity		18,071,441	17,780,738
Non-current liabilities			
Bank and other borrowings	19	6,386,167	6,926,167
Deferred income		171,628	180,457
Deferred tax liabilities		3,136	3,275
		6,560,931	7,109,899
		24,632,372	24,890,637

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company				Total	Non-controlling interests	Total equity
	Issued capital	Capital reserve	Statutory surplus reserve	Retained profits			
	RMB'000	RMB'000	RMB'000 <i>(note)</i>	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017 (Audited)	1,194,389	6,664,645	1,690,526	8,165,435	17,714,995	65,743	17,780,738
Profit and total comprehensive income for the period	-	-	-	299,495	299,495	(536)	298,959
Acquisition of additional interests in subsidiaries <i>(note 22)</i>	-	27,434	-	-	27,434	(35,690)	(8,256)
At 30 June 2017 (Unaudited)	<u>1,194,389</u>	<u>6,692,079</u>	<u>1,690,526</u>	<u>8,464,930</u>	<u>18,041,924</u>	<u>29,517</u>	<u>18,071,441</u>
At 1 January 2016 (Audited)	1,194,389	6,664,645	1,586,203	7,579,710	17,024,947	70,237	17,095,184
Profit and total comprehensive income for the period	-	-	-	343,264	343,264	(2,318)	340,946
Final 2015 dividend declared	-	-	-	(302,658)	(302,658)	-	(302,658)
At 30 June 2016 (Unaudited)	<u>1,194,389</u>	<u>6,664,645</u>	<u>1,586,203</u>	<u>7,620,316</u>	<u>17,065,553</u>	<u>67,919</u>	<u>17,133,472</u>

Note: As required by applicable law and regulations, entities established and operated in the People's Republic of China (the "PRC") shall set aside/ appropriate a portion of its after tax profits of each period to fund statutory surplus reserve. The statutory surplus reserve can be utilised to offset prior periods' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the registered capital after such usage.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>1,445,530</u>	<u>1,428,223</u>
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	<u>2,913,106</u>	<u>(4,128,114)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(1,325,130)</u>	<u>(643,190)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,033,506	(3,343,081)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>11,292,430</u>	<u>12,031,910</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTED BY CASH AND CASH EQUIVALENT	<u>14,325,936</u>	<u>8,688,829</u>

Notes To The Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Weiqiao Textile Company Limited (the “Company”) is a limited company incorporated in the People’s Republic of China (the “PRC”). The registered office of the Company is located at No. 34, Qidong Road, Weiqiao Town, Zuoping County, Shandong Province, the PRC. The immediate holding company and the ultimate holding company of the Group are 山東魏橋創業集團有限公司 Shandong Weiqiao Chuangye Group Company Limited* (the “Holding Company”) and 山東魏橋投資控股有限公司 Shandong Weiqiao Investment Holdings Company Limited* (“Weiqiao Investment”), both of which are limited liability companies established in the PRC.

The Group was principally engaged in the manufacture and sale of cotton yarn, grey fabric and denim, and the generation and sales of electricity.

The condensed consolidated interim financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company. RMB is the currency of the primary economic environment in which the principal subsidiary of the Company operates (the functional currency of the principal subsidiary).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed consolidated interim financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretation (“new HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2017.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the above new and revised HKFRSs in the current period had no material impact on the Group’s financial performance and positions for the current period and prior years and/or on the disclosures set out in these condensed consolidated interim financial statements.

* For identification purpose only.

Notes To The Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

3. REVENUE

Revenue represents revenue arising from sales of cotton yarn, grey fabric, denim and electricity and steam, net of sales allowances for return, discounts and sales related tax, for the period. An analysis of the Group's revenue for the period is as follows:

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cotton yarn	1,891,225	1,505,070
Grey fabric	3,200,252	2,447,894
Denim	406,112	427,134
Electricity and steam	3,008,950	1,554,043
	<u>8,506,539</u>	<u>5,934,141</u>

4. SEGMENT INFORMATION

Information reported to the directors, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of services provided.

Specifically, the Group's reportable segments are as follows:

- The textile products segment produces and sells cotton yarn, grey fabric and denim; and
- The electricity and steam segment generates electricity and steam for internal use in the production of textile products and sale to external customers.

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

No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Notes To The Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

4. SEGMENT INFORMATION (continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the six months ended 30 June 2017

	Textile products RMB'000 (Unaudited)	Electricity and steam RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
External revenue	5,497,589	3,008,950	8,506,539
Inter-segment revenue	—	338,746	338,746
Segment revenue	<u>5,497,589</u>	<u>3,347,696</u>	8,845,285
Eliminations			(338,746)
Group revenue			<u>8,506,539</u>
Segment profit	<u>67,951</u>	<u>819,446</u>	887,397
Unallocated income			97,654
Unallocated corporate expenses			(153,833)
Unallocated finance costs			(298,734)
Share of profit of an associate			<u>1,424</u>
Profit before tax			<u>533,908</u>

Notes To The Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

4. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the six months ended 30 June 2016

	Textile products RMB'000 (Unaudited)	Electricity and steam RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
External revenue	4,380,098	1,554,043	5,934,141
Inter-segment revenue	—	90,439	90,439
Segment revenue	<u>4,380,098</u>	<u>1,644,482</u>	6,024,580
Eliminations			(90,439)
Group revenue			<u>5,934,141</u>
Segment profit	<u>73,710</u>	<u>928,868</u>	1,002,578
Unallocated income			124,899
Unallocated corporate expenses			(256,750)
Unallocated finance costs			(271,996)
Share of profit of an associate			<u>805</u>
Profit before tax			<u>599,536</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, other income, finance costs and share of profit of an associate. This is the measure reported to the directors with respect to the resource allocation and performance assessment.

Inter-segment sales are conducted with terms mutually agreed by both contract parties.

Notes To The Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

4. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	As at 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Textile products	8,397,477	8,881,991
Electricity and steam	<u>7,563,347</u>	<u>7,928,675</u>
Total segment assets	15,960,824	16,810,666
Investment in an associate	73,425	72,000
Corporate and other assets	<u>14,813,128</u>	<u>14,949,635</u>
Total assets	<u>30,847,377</u>	<u>31,832,301</u>

Segment liabilities

	As at 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Textile products	1,329,769	915,309
Electricity and steam	<u>243,435</u>	<u>830,897</u>
Total segment liabilities	1,573,204	1,746,206
Corporate and other liabilities	<u>11,202,732</u>	<u>12,305,357</u>
Total liabilities	<u>12,775,936</u>	<u>14,051,563</u>

Notes To The Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

4. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segment, other than investment in an associate, deferred tax assets, available-for-sale investments, unallocated deposits, prepayments and other receivables, unallocated amount due from immediate holding company, pledged bank deposits, cash and cash equivalents and other corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- All liabilities are allocated to operating segments, other than unallocated other payables and accruals, unallocated amount due to immediate holding company, income tax payable, bank and other borrowings, deferred income, deferred tax liabilities and other corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

5. OTHER INCOME

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income (note i)	51,312	17,817
Release of deferred income	9,476	18,687
Government grants (note ii)	6,942	–
Compensation from suppliers on the supply of sub-standard goods	11,643	7,079
Gross rental income	400	400
Gain on available-for-sale investments	–	45,554
Exchange gain, net	–	10,649
Gain on sale of waste and spare parts	17,784	10,366
Others	97	14,347
	<u>97,654</u>	<u>124,899</u>

Notes:

- Interest income included accrued interest income from immediate holding company of approximately CNY33,510,000 for the six months ended 30 June 2017 (2016: nil).*
- The income is the government grants received from local government authorities for the outward business development scheme, service industry development scheme and export credit insurance subsidies which were immediately recognised as other income for the period as the Group fulfilled the relevant granting criteria.*

Notes To The Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

6. FINANCE COSTS

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on:		
– bank loans	106,064	84,496
– corporate bonds	192,670	187,500
	<u>298,734</u>	<u>271,996</u>

7. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprises Income Tax (“EIT”)	209,943	183,036
Deferred tax	25,006	75,554
	<u>234,949</u>	<u>258,590</u>

- (a) Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.
- (b) No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for both periods.

Notes To The Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

8. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	628,703	579,639
Depreciation of investment properties	368	381
Amortisation of prepaid lease payments	4,420	3,431
Amortisation of other intangible assets	8	288
Impairment loss on trade receivables	–	1,870
Reversal of impairment loss on trade receivables	(16)	(8,000)
Reversal of allowance for inventories	(116,640)	(47,359)
Amount of inventories recognised as an expense	7,402,798	5,031,124
Exchange loss, net	17,070	–
Loss on disposal of property, plant and equipment	5,049	1,888
Operating leases rental relates to office premises	14,120	9,232

9. DIVIDEND

The proposed final dividend of RMB334,429,000 for the year ended 31 December 2016 was declared by the directors of the Company on 11 August 2017.

No dividend was paid, declared or proposed during the six months ended 30 June 2017, nor has any dividend been proposed since the end of the interim period (six months ended 30 June 2016: nil).

Notes To The Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following:

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>299,495</u>	<u>343,264</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000 shares)	<u>1,194,389</u>	<u>1,194,389</u>

Note: The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding for both periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group spent approximately RMB103 million (six months ended 30 June 2016: approximately RMB3,786 million) on acquisition of property, plant and equipment.

During the six months ended 30 June 2017, the Group has disposed of certain property, plant and equipment with an aggregate carrying values of approximately RMB7 million (six months ended 30 June 2016: approximately RMB10 million) for cash proceeds of approximately RMB2 million (six months ended 30 June 2016: approximately RMB8 million), resulting in a loss on disposal of approximately RMB5 million (six months ended 30 June 2016: loss on disposal of approximately RMB2 million).

Non-current assets classified as held for sale

At 30 June 2017, the non-current assets held for sale were certain items of machinery under sales agreements entered into in 2017 and expected to be sold in the second half of 2017.

At 31 December 2016, the non-current assets held for sale were certain items of machinery under sales agreements. These assets were sold during the six months ended 30 June 2017.

Notes To The Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

12. AVAILABLE-FOR-SALE INVESTMENTS

The available-for-sale investments represented the entrusted assets managed by CITIC-CP Asset Management Co., Ltd. (中信信誠資產管理有限公司), which were entrusted by the Group during the year ended 31 December 2015. According to the asset management agreement entered into between the Group and CITIC-CP Asset Management Co., Ltd., the investment scope of the entrusted assets shall be within the scope of (i) cash assets, such as cash, deposit, monetary fund, etc.; (ii) bonds financial assets, such as national debt traded on the exchanges or inter-bank, corporate bonds, etc.; and (iii) other financial assets with fixed income, such as asset securitisation products, financial products, etc. These investments were classified as available-for-sale financial assets and no other comprehensive income or loss was recognised for the six months ended 30 June 2016, as the aggregate changes in fair value of such financial assets were immaterial since their respective acquisition dates. The available-for-sale investments have been disposed of during the year ended 31 December 2016.

13. INVENTORIES

During the six months ended 30 June 2017, the Group reversed the inventory provision of approximately RMB116,640,000 and credited it to cost of sales due to the sale of the inventories.

During the six months ended 30 June 2016, the Group reversed the inventory provision of approximately RMB47,359,000 and credited it to cost of sales due to the sale of the inventories.

14. TRADE RECEIVABLES

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Trade receivables	412,935	454,818
Less: allowance for impairment of trade receivables	<u>(4,332)</u>	<u>(4,348)</u>
	<u>408,603</u>	<u>450,470</u>

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

Notes To The Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

14. TRADE RECEIVABLES (continued)

The following is an aged analysis of trade receivables, net of allowance for impairment of trade receivables, presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Within 90 days	403,217	448,651
91 to 180 days	3,458	1,693
181 to 365 days	1,816	16
Over 365 days	<u>112</u>	<u>110</u>
Total	<u>408,603</u>	<u>450,470</u>

15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Prepayments to suppliers	472,355	53,270
Prepaid lease payments	8,839	8,839
Other taxes recoverable	279,885	417,338
Interest receivables	170	160
Other receivables	<u>15,238</u>	<u>887</u>
	<u>776,487</u>	<u>480,494</u>

Notes To The Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

16. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Cash and bank balances	14,325,936	11,292,430
Pledged deposits	<u>45,592</u>	<u>90,985</u>
	14,371,528	11,383,415
Less: Pledged deposits	<u>(45,592)</u>	<u>(90,985)</u>
Cash and cash equivalents	<u>14,325,936</u>	<u>11,292,430</u>

17. TRADE PAYABLES

The following is an aged analysis of trade payable presented based on invoice date at the end of the reporting period.

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Within 90 days	520,485	843,699
91 to 180 days	42,818	50,766
181 to 365 days	15,837	14,538
Over 365 days	<u>31,831</u>	<u>32,595</u>
Total	<u>610,971</u>	<u>941,598</u>

The average credit period granted to the Group is approximately 30 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

Notes To The Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

18. OTHER PAYABLES AND ACCRUALS

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Payroll payable	234,226	245,962
Accrued staff benefits	486,585	441,418
Receipt in advance	118,447	158,995
Other taxes payables	118,034	144,335
Interest payables	258,726	123,899
Other payables	122,976	116,468
	<u>1,338,994</u>	<u>1,231,077</u>

19. BANK AND OTHER BORROWINGS

Set out below is the information relating to the Group's interest-bearing bank and other borrowings as at 30 June 2017:

- a) As at 30 June 2017 and 31 December 2016, all Group's bank loans are denominated in RMB.
- b) As at 30 June 2017, certain of the Group's bank loans amounting to approximately RMB550 million (31 December 2016: RMB615 million) were secured by certain of the Group's buildings, machinery and equipment of an aggregate carrying value of approximately RMB501 million (31 December 2016: RMB653 million).
- c) As at 30 June 2017, nil (31 December 2016: RMB100 million) of bank loans of 威海魏橋科技工業園有限公司 Weihai Weiqiao Technology Industrial Park Company Limited* ("Weihai Industrial Park") were guaranteed by the Company.
- d) In October 2013 and November 2014, the Company issued two domestic corporate bonds, (namely "2013 Bond" and "2014 Bond" respectively) each with a principal amount of RMB3 billion. These corporate bonds carry nominal interest rates of 7.00% and 5.50% per annum respectively, with denomination and issue price of RMB100 and periods of five years.

The Company has the right to raise the nominal interest rate by the end of third year and the bond holders have the right to redeem the corporate bonds within the first three working days only at the beginning of fourth year after the bond issue date (the "Redemption period"). After the Redemption Period, the rights of redemption are forfeited immediately. No right of redemption is granted by the Company after the redemption period to the maturity of the corporate bonds.

Subsequent to the completion of the issue, the corporate bonds were listed on the Shanghai Stock Exchange on 6 November 2013 and 26 November 2014 respectively.

No bond holders of 2013 Bond has exercised the right of redemption during the both periods.

* For identification purpose only.

Notes To The Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

20. SHARE CAPITAL

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
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>

21. COMMITMENTS

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Capital expenditure in respect of the acquisition of machinery contracted for but not provided in the consolidated financial statements	<u>75,437</u>	<u>7,151</u>

22. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the six months ended 30 June 2017, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control.

Acquisition of additional interest in subsidiaries

In February 2017, the Group acquired an additional 25% issued shares of 山東魯藤紡織有限公司 Shantong Luteng Textile Company Limited* (“山東魯藤”), increasing its ownership interest to 100%. Cash consideration of approximately RMB6,880,000 was paid to the non-controlling shareholders of 山東魯藤. The carrying value of the net assets of 山東魯藤 was approximately RMB9,115,000.

In February 2017, the Group acquired an additional 10.2% issued shares of 山東濱藤紡織有限公司 Shantong Binteng Textile Company Limited* (“山東濱藤”), increasing its ownership interest to 85.2%. Cash consideration of approximately RMB1,376,000 was paid to the non-controlling shareholders of 山東濱藤. The carrying value of the net assets of 山東濱藤 was approximately RMB26,575,000.

* For identification purpose only.

Notes To The Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

22. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

A schedule of the effect of two acquisitions of additional interest is as follow:

	For the six months ended 30 June 2017 RMB'000 (Unaudited)
Carrying amounts of non-controlling interest acquired	35,690
Consideration paid for acquisition of additional interest in 山東魯藤 and 山東濱藤	<u>(8,256)</u>
Difference recognised in capital reserve within equity	<u>27,434</u>

23. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, during the period, the Group entered into transactions with related party as follows:

Related party	Nature of transaction	For the six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
The Holding Company	Sales of electricity	1,222,758	1,381,795
	Gross rental income	400	400
	Expenses on land use rights and property leasing	8,489	8,982
	Purchases of steam	3,376	4,831
	Fund inflow	–	3,425,000
	Fund outflow	–	3,425,000
	Labour wages subsidies	–	64,813
	Advance to immediate holding company	–	1,204,446
	Repayment from immediate holding company	2,922,500	1,057,446
Fellow subsidiaries	Sales of textile products	211,750	159,080
濱州市濱北新材料有限公司 Binzhou Municipal Binbei New Material Co., Limited*	Purchases of steam	<u>13,361</u>	<u>13,087</u>

* For identification purpose only.

Notes To The Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

23. RELATED PARTY TRANSACTIONS (Continued)

(b) Commitments with related parties

At the end of the reporting period, the Group has not entered into sales agreements with certain fellow subsidiaries for sale commitments (31 December 2016: RMB28,256,000), which are expected to be fulfilled before the end of 2017.

(c) Compensation to key management personnel

The remuneration of directors of the Company and other members of key management during the period was as follow:

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Short-term benefits	2,397	2,385
Post-employment benefits	58	68
	<u>2,455</u>	<u>2,453</u>

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation of the current period for the purpose of better representation of the Group's activities:

Sales of electricity and steam of approximately RMB1,554,043,000 which had previously been recorded under "Other income" in the interim condensed consolidated financial statements for the six months ended 30 June 2016, was reclassified to "Revenue".

Cost of sales of electricity and steam of approximately RMB625,175,000 which had previously been recorded under "Other income" in the interim condensed consolidated financial statements for the six months ended 30 June 2016, was reclassified to "Cost of sales".

Exchange gain of approximately RMB314,000 which had previously been recorded under "Finance costs" in the interim condensed consolidated financial statements for the six months ended 30 June 2016, was reclassified to "Other income".