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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)

**ANNUAL RESULTS ANNOUNCEMENT FOR
THE YEAR ENDED 31 DECEMBER 2009**

Annual results for the year ended 31 December 2009

Revenue	a decrease of 12.9% to RMB14,333,000,000
Gross profit	a decrease of 13.1% to RMB1,244,000,000
Profit attributable to owners of the parent	an increase of 49.7% to RMB892,000,000
Earnings per share	an increase of 50.0% to RMB0.75
Proposed final dividend per share	an increase of 48.8% to RMB0.2335

The Board of Directors (the “**Board**”) of Weiqiao Textile Company Limited (the “**Company**” or “**Weiqiao Textile**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2009 (the “**Year**” or “**Period under Review**”). During the Period under Review, the revenue of the Group was approximately RMB14,333,000,000, a decrease of approximately 12.9% as compared with the year ended 31 December 2008. Net profit attributable to owners of the parent amounted to approximately RMB892,000,000, with an increase of approximately 49.7% as compared with the year ended 31 December 2008.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CONTINUING OPERATIONS			
REVENUE	4	14,333,088	16,453,087
Cost of sales		<u>(13,089,531)</u>	<u>(15,022,353)</u>
Gross profit		1,243,557	1,430,734
Other income and gains	4	1,109,936	629,849
Selling and distribution costs		(248,941)	(346,116)
Administrative expenses		(190,024)	(193,173)
Other expenses		(201,450)	(103,991)
Finance costs	6	<u>(513,678)</u>	<u>(696,714)</u>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	1,199,400	720,589
Income tax expense	7	<u>(309,106)</u>	<u>(124,534)</u>
PROFIT FOR THE YEAR		<u>890,294</u>	<u>596,055</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR*		<u>890,294</u>	<u>596,055</u>
Profit attributable to:			
Owners of the parent		892,446	596,212
Minority interests		<u>(2,152)</u>	<u>(157)</u>
		<u>890,294</u>	<u>596,055</u>
Total comprehensive income attributable to:			
Owners of the parent		892,446	596,212
Minority interests		<u>(2,152)</u>	<u>(157)</u>
		<u>890,294</u>	<u>596,055</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted – for profit for the year	9	<u>RMB0.75</u>	<u>RMB0.50</u>

* During the years ended 31 December 2009 and 31 December 2008, the Group did not have any profit from discontinued operations and other comprehensive income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	<i>Notes</i>	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		17,202,236	18,449,075
Investment properties		122,545	125,727
Prepaid land lease payments		120,593	123,409
Intangible asset		3,301	4,501
Deferred tax assets		173,328	118,007
		<hr/>	<hr/>
Total non-current assets		17,622,003	18,820,719
CURRENT ASSETS			
Inventories		2,780,810	3,780,115
Trade receivables	<i>10</i>	871,475	427,019
Due from related parties		–	226
Due from the immediate holding company		51,954	258,788
Prepayments, deposits and other receivables		441,120	49,436
Derivative financial instruments		–	292
Pledged time deposits	<i>11</i>	186,430	270,435
Non-pledged time deposits maturing over three months	<i>11</i>	1,536,783	1,045,627
Cash and cash equivalents	<i>11</i>	3,264,210	2,643,593
		<hr/>	<hr/>
Total current assets		9,132,782	8,475,531
CURRENT LIABILITIES			
Trade payables	<i>12</i>	1,700,358	2,847,475
Bills payable	<i>13</i>	748,300	680,000
Due to related parties		7,291	9,969
Due to the immediate holding company		–	959
Other payables and accruals		881,791	1,193,006
Derivative financial instruments		–	1,245
Interest-bearing bank and other borrowings		3,911,785	3,329,350
Tax payable		499,097	520,236
Deferred income		9,535	8,982
		<hr/>	<hr/>
Total current liabilities		7,758,157	8,591,222
NET CURRENT ASSETS/(LIABILITIES)			
		1,374,625	(115,691)

	<i>Notes</i>	2009 RMB'000	2008 <i>RMB'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>18,996,628</u>	<u>18,705,028</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		4,693,672	5,097,305
Deferred income		129,394	131,834
Deferred tax liabilities		<u>5,472</u>	<u>10,388</u>
Total non-current liabilities		<u>4,828,538</u>	<u>5,239,527</u>
Net assets		<u>14,168,090</u>	<u>13,465,501</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		1,194,389	1,194,389
Reserves		12,600,845	11,987,289
Proposed final dividends	8	<u>278,890</u>	<u>187,400</u>
		14,074,124	13,369,078
Minority interests		<u>93,966</u>	<u>96,423</u>
Total equity		<u>14,168,090</u>	<u>13,465,501</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

	Attributable to owners of the parent							
	Issued capital <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory		Proposed		Minority interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
			surplus	Retained	final	Total		
			reserve	profits	dividend			
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
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)
Transfer of interests to the parent company (a)	-	-	-	-	-	-	(513)	(513)
Dividend paid to minority shareholders	-	-	-	-	-	-	(4,884)	(4,884)
Total comprehensive income for the year	-	-	-	596,212	-	596,212	(157)	596,055
Proposed final 2008 dividend (note 8)	-	-	-	(187,400)	187,400	-	-	-
Transfer from retained profits	-	-	60,827	(60,827)	-	-	-	-
At 31 December 2008	<u>1,194,389</u>	<u>6,673,380(b)</u>	<u>1,033,485(b)</u>	<u>4,280,424(b)</u>	<u>187,400</u>	<u>13,369,078</u>	<u>96,423</u>	<u>13,465,501</u>

	Attributable to owners of the parent							
	Issued capital <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory		Proposed		Minority interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
			surplus	Retained	final	Total		
			reserve	profits	dividend			
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
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)
Total comprehensive income for the year	-	-	-	892,446	-	892,446	(2,152)	890,294
Proposed final 2009 dividend (note 8)	-	-	-	(278,890)	278,890	-	-	-
Transfer from retained profits	-	-	95,622	(95,622)	-	-	-	-
At 31 December 2009	<u>1,194,389</u>	<u>6,673,380(b)</u>	<u>1,129,107(b)</u>	<u>4,798,358(b)</u>	<u>278,890</u>	<u>14,074,124</u>	<u>93,966</u>	<u>14,168,090</u>

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

(b) These reserve accounts comprise the consolidated reserves of RMB12,600,845,000 (2008: RMB11,987,289,000) in the consolidated statement of financial position as at 31 December 2009.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	<i>Notes</i>	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,199,400	720,589
Adjustments for:			
Finance costs	6	513,678	696,714
Bank interest income	4	(52,084)	(85,115)
Recognition of deferred income	4	(9,627)	(7,873)
(Gains)/losses on disposal of items of property, plant and equipment	5	(415)	30,507
Fair value (gains)/losses on derivative financial instruments	5	(953)	6,717
Depreciation	5	1,265,689	1,183,649
Foreign exchange differences, net	5	17,825	(158,323)
Amortisation of intangible asset	5	1,200	1,200
Recognition of prepaid land lease payments	5	2,816	2,816
Revenue on property leasing	4	(3,000)	(2,416)
Reversal of impairment of trade receivables	5	(24)	(15,212)
Impairment of property, plant and equipment and investment properties	5	127,800	22,899
(Reversal)/recognition of provision against inventories	5	(5,461)	27,396
		3,056,844	2,423,548
Decrease/(increase) in inventories		1,004,766	(219,720)
(Increase)/decrease in trade receivables		(443,811)	441,683
(Increase)/decrease in prepayments, deposits and other receivables		(397,983)	28,225
Decrease/(increase) in amounts due from the immediate holding company		206,834	(257,209)
Decrease in amounts due to the immediate holding company		(959)	(36,834)
Decrease/(increase) in amounts due from related parties		226	(225)
Decrease in amounts due to related parties		(2,678)	(6,913)
(Decrease)/increase in trade payables		(1,197,521)	305,610
Increase in bills payable		68,300	30,849
(Decrease)/increase in other payables and accruals		(248,394)	402,002
		2,045,624	3,111,016
Cash generated from operations		(520,323)	(710,976)
Interest paid		(390,482)	(612,897)
PRC corporate income tax paid		(390,482)	(612,897)
		1,134,819	1,787,143
Net cash flows from operating activities		1,134,819	1,787,143

	<i>Notes</i>	2009 RMB'000	2008 <i>RMB'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		52,550	79,970
Purchases of items of property, plant and equipment		(141,686)	(2,571,441)
Receipt of government grants		7,740	16,240
Proceeds from disposal of items of property, plant and equipment		2,616	104,014
Acquisition of minority interests		-	(520)
Revenue on property leasing	<i>4</i>	3,000	2,416
(Increase)/decrease in non-pledged time deposits maturing over three months		(491,156)	639,061
Decrease/(increase) in pledged time deposits		84,005	(116,355)
Net cash flows used in investing activities		(482,931)	(1,846,615)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		5,915,671	4,877,012
Repayment of bank loans		(5,740,445)	(5,469,432)
Dividends paid to owners of the parent		(187,400)	(702,036)
Dividends paid to minority shareholders		(305)	(4,884)
Net cash flows used in financing activities		(12,479)	(1,299,340)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		2,643,593	4,014,049
Effect of foreign exchange rate changes, net		(18,792)	(11,644)
CASH AND CASH EQUIVALENTS AT END OF YEAR	<i>11</i>	<u>3,264,210</u>	<u>2,643,593</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	<i>11</i>	2,264,210	2,058,743
Non-pledged time deposits less than three months of maturing		<u>1,000,000</u>	<u>584,850</u>
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows	<i>11</i>	<u>3,264,210</u>	<u>2,643,593</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2009

1. CORPORATE INFORMATION

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

The Company and its subsidiaries are principally engaged in the manufacture and sale of cotton yarn, grey fabric and denim in the PRC and overseas.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated in full on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 <i>Revenue – Determining whether an entity is acting as a principal or as an agent</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC) -Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) -Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>
HK(IFRIC) -Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC) -Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC) -Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC) -Int 18	<i>Transfers of Assets from Customers</i> (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

3. OPERATING SEGMENT INFORMATION

The Group has only one business segment, which is the manufacture and sale of cotton yarn, grey fabric and denim. An analysis by products, as summarized by the group of similar products for the years ended 31 December 2009 and 2008, is as follows:

	Year ended 31 December 2009 RMB'000	Year ended 31 December 2008 RMB'000
Cotton yarn	6,689,279	6,533,252
Grey fabric	6,497,017	8,426,382
Denim	1,137,226	1,458,345
Others	9,566	35,108
	<u>14,333,088</u>	<u>16,453,087</u>

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers. The Group conducts the majority of its business activities in four geographical areas, namely, Mainland China, Hong Kong, East Asia (principally comprising Japan and South 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 customers for the years ended 31 December 2009 and 2008, is as follows:

Year ended 31 December 2009

	Revenue from external customers <i>RMB'000</i>	Cost of sales <i>RMB'000</i>	Gross profit <i>RMB'000</i>
Mainland China	9,295,880	8,465,011	830,869
Hong Kong	1,898,101	1,796,668	101,433
East Asia	1,054,532	942,330	112,202
Others	2,084,575	1,885,522	199,053
	<u>14,333,088</u>	<u>13,089,531</u>	<u>1,243,557</u>

Year ended 31 December 2008

	Revenue from external customers <i>RMB'000</i>	Cost of sales <i>RMB'000</i>	Gross profit <i>RMB'000</i>
Mainland China	9,789,055	8,781,760	1,007,295
Hong Kong	2,829,423	2,646,867	182,556
East Asia	1,775,440	1,674,912	100,528
Others	2,059,169	1,918,814	140,355
	<u>16,453,087</u>	<u>15,022,353</u>	<u>1,430,734</u>

The revenue information from continuing operations above is based on the location of the customers.

There is no revenue from transactions with a single external customer amounting to 10 percent or more of the Group's revenue.

4. REVENUE, OTHER INCOME AND GAINS

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

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

	<i>Notes</i>	2009 RMB'000	2008 <i>RMB'000</i>
Revenue			
Sale of textile goods		<u>14,333,088</u>	<u>16,453,087</u>
Other income			
Bank interest income		52,084	85,115
Compensation from suppliers on supply of sub-standard goods		55,967	36,478
Penalty income from employees		5,861	6,763
Recognition of deferred income		9,627	7,873
Revenue on property leasing		3,000	2,416
One-off government subsidies		12,812	8,184
Others		<u>1,972</u>	<u>10</u>
		<u>141,323</u>	<u>146,839</u>
Gains			
Sale of electricity and steam		3,122,389	1,624,042
Less: cost thereon		<u>(2,165,152)</u>	<u>(1,318,561)</u>
Gains on sale of electricity and steam		957,237	305,481
Gains on sale of waste and spare parts		10,423	16,079
Foreign exchange differences, net	5	–	158,323
Realised gains on derivative financial instruments transactions	5	–	3,127
Net fair value gains on derivative financial instruments	5	<u>953</u>	<u>–</u>
		<u>968,613</u>	<u>483,010</u>
		<u>1,109,936</u>	<u>629,849</u>

5. PROFIT BEFORE TAX

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

	<i>Notes</i>	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Cost of goods sold		13,088,653	14,798,322
Staff costs (excluding directors' and supervisors' remuneration):			
Wages, salaries and social security costs		1,780,321	2,087,197
Pension scheme contributions		76,814	83,269
		<u>1,857,135</u>	<u>2,170,466</u>
Depreciation		1,265,689	1,183,649
Recognition of prepaid land lease payments		2,816	2,816
Repairs and maintenance		357,430	440,982
(Gains)/losses on disposal of items of property, plant and equipment		(415)	30,507
Amortisation of intangible asset		1,200	1,200
Auditors' remuneration		7,285	7,285
Directors' and supervisors' remuneration		4,602	4,623
Foreign exchange differences, net	4	17,825	(158,323)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		3,182	3,212
(Reversal)/recognition of provision against inventories		(5,461)	27,396
Reversal of impairment of trade receivables		(24)	(15,212)
Impairment of property, plant and equipment and investment properties		127,800	22,899
Realised losses/(gains) on derivative financial instruments transactions	4	418	(3,127)
Bank interest income		52,084	85,115
Net fair value (gains)/losses on derivative financial instruments	4	(953)	6,717
Research and development costs included in:			
Wages, salaries, social security cost and pension scheme contribution		17,694	14,784
Consumables		23,808	21,397
		<u>41,502</u>	<u>36,181</u>
Minimum land and buildings lease payments under operating leases		<u>26,309</u>	<u>25,481</u>

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Interest on bank loans		
wholly repayable within five years	501,952	687,135
Interest on a finance lease	447	–
Less: Interest capitalised	<u>–</u>	<u>(1,330)</u>
	502,399	685,805
Other finance costs:		
Increase in discounted amounts of trade payables	<u>11,279</u>	<u>10,909</u>
	<u>513,678</u>	<u>696,714</u>

7. INCOME TAX

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates.

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Current – Mainland China	369,343	167,838
Deferred	<u>(60,237)</u>	<u>(43,304)</u>
Total tax charge for the year	<u>309,106</u>	<u>124,534</u>

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

	2009		2008	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit before tax from continuing operations	<u>1,199,400</u>		<u>720,589</u>	
Tax at PRC statutory tax rate	299,850	25.0	180,147	25.0
Expenses not deductible for tax	8,890	0.8	14,353	2.0
Tax exemption (<i>note (a)</i>)	–	–	(192)	–
Tax concessions in respect of purchase of PRC-manufactured machinery and equipment (<i>note (b)</i>)	–	–	(83,878)	(11.7)
Others	<u>366</u>	<u>–</u>	<u>14,104</u>	<u>2.0</u>
Tax charge at the Group's effective rate	<u>309,106</u>	<u>25.8</u>	<u>124,534</u>	<u>17.3</u>

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 are prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP").

Notes:

- (a) Being a Sino-foreign joint venture enterprise, Shandong Binteng Textile Company Limited ("Binteng Textile") is subject to a CIT rate of 25% and 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. 2008 was the last year that Binteng Textile was entitled to a 50% reduction in the CIT rate.
- (b) The amount represents a tax concession, approved by the local tax bureau, in respect of purchases of PRC-manufactured machinery and equipment. The tax concession is calculated at 40% of the purchase cost of PRC-manufactured machinery and equipment for prior years, and is limited to the amount of increase in income tax for the current year compared with the tax amount of the preceding year.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

8. DIVIDEND

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Proposed final – RMB0.2335 (2008: RMB0.1569) per share	<u>278,890</u>	<u>187,400</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. In accordance with the articles of association of the Company, the net profit after tax of the Company for the purpose of profit distribution will be deemed to be the lesser of (i) the net profit determined in accordance with PRC GAAP; and (ii) the net profit determined in accordance with the accounting standards of the overseas place where the Company's shares are listed (i.e. Hong Kong Financial Reporting Standards).

9. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,194,389,000 (2008: 1,194,389,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

The calculation of basic earnings per share is based on:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	<u>892,446</u>	<u>596,212</u>
	Number of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>1,194,389,000</u>	<u>1,194,389,000</u>

The Company did not have any dilutive potential ordinary shares in issue.

10. TRADE RECEIVABLES

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Trade receivables	879,347	434,915
Impairment	(7,872)	(7,896)
	<u>871,475</u>	<u>427,019</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. Trade receivables are non-interest-bearing.

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

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Within 3 months	870,187	420,611
3 to 6 months	410	2,501
6 months to 1 year	826	1,454
1 to 2 years	52	2,453
	<u>871,475</u>	<u>427,019</u>

11. CASH AND CASH EQUIVALENTS, PLEDGED TIME DEPOSITS AND NON-PLEDGED TIME DEPOSITS MATURING OVER THREE MONTHS

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Cash and bank balances	2,264,210	2,058,743
Time deposits	2,723,213	1,900,912
	4,987,423	3,959,655
Less: Pledged time deposits for letter of credit facilities	(186,430)	(270,435)
Non-pledged time deposits maturing over three months	(1,536,783)	(1,045,627)
Cash and cash equivalents	<u>3,264,210</u>	<u>2,643,593</u>

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi amounted to RMB4,862 million (2008: RMB3,881 million). The Renminbi is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of three months to six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

12. TRADE PAYABLES

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

	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	1,548,426	1,342,638
3 to 6 months	57,240	1,317,330
6 months to 1 year	5,435	24,814
Over 1 year	89,257	162,693
	<u>1,700,358</u>	<u>2,847,475</u>

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

13. BILLS PAYABLE

	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	520,000	450,000
3 to 6 months	228,300	230,000
	<u>748,300</u>	<u>680,000</u>

Certain of the Group's bills payable amounting to RMB260 million as at 31 December 2009 were drawn by Weihai Industrial Park in favour of the Company and were discounted with banks by the Company prior to 31 December 2009 (2008: RMB230 million).

Certain of the Group's bills payable amounting to RMB68 million as at 31 December 2009 were drawn by Binzhou Weiqiao Technology Industrial Park Company Limited ("Binzhou Industrial Park") in favour of the Company and were discounted with banks by the Company prior to 31 December 2009 (2008: Nil).

Certain of the Group's bills payable amounting to RMB420 million as at 31 December 2009 were drawn by Company in favour of Binzhou Industrial Park and were discounted with banks by Binzhou Industrial Park prior to 31 December 2009 (2008: RMB450 million).

14. 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.

In addition to the transactions and balances disclosed in note 22 to these financial statements, the Group had the following transactions with related parties during the year:

(a) Transactions with related parties

Name of related party	Relationship with the Company	Nature of transactions	2009 RMB'000	2008 RMB'000
The Holding Company	The immediate holding company	Expenses on land use rights and property leasing	24,849	25,150
		Sale of cotton yarn	168,051	41,093
		Revenue on supply of electricity	1,175,520	1,186,925
		Revenue on properties leasing	3,000	2,416
		Purchase of property, plant and equipment	-	2,210,000
Weihai Xijiao Thermal Power Company Limited	A fellow subsidiary*	Expenses on provision of electricity and steam	-	24,082
Shandong Weilian Printing and Dyeing Co., Ltd.	A fellow subsidiary	Sale of grey fabric	364,814	699,625
Shandong Weiqiao Bleaching-Dyeing Co., Ltd.	An associate of the Holding Company	Sale of cotton yarn	2,793	65,233
Shandong Hengfu Knitting Co., Ltd.	A fellow subsidiary	Sale of cotton yarn	30,724	67,781
Shandong Weiqiao Hongyuan Home Textile, Ltd.	A fellow subsidiary	Sale of grey fabric	18,386	35,764
Shandong Weiqiao Tekuanfu Co., Ltd.	A fellow subsidiary	Sale of grey fabric	236,724	461,637
		Sale of denim	-	70
Shandong Weiqiao Clothes Co., Ltd.	A fellow subsidiary	Sale of grey fabric	12	48
		Sale of denim	1,030	333
Shandong Weiqiao Elite Garment Co., Ltd.	A fellow subsidiary	Sale of grey fabric	24	432
Shandong Weiqiao Jiajia Home Textile Co., Ltd.	A fellow subsidiary*	Sale of grey fabric	28,334	47,628

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

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

	Due from related parties		Due to related parties	
	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
The Holding Company	51,954	258,788	–	959
Fellow subsidiaries	<u>–</u>	<u>226</u>	<u>7,291</u>	<u>9,969</u>

- (c) Compensation of key management personnel of the Group:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Short term employee benefits	4,761	4,742
Post-employment benefits	<u>25</u>	<u>16</u>
Total compensation paid to key management personnel	<u>4,786</u>	<u>4,758</u>

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

15. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 26 March 2010.

CHAIRMAN'S STATEMENT

It is my pleasure to present the annual results of Weiqiao Textile Company Limited (“Weiqiao Textile” or the “Company”) together with its subsidiaries (collectively, the “Group”) for the year ended 31 December 2009 (the “Year” or “Period under Review”).

The year 2009 was a very difficult year for the economic development in China. Nevertheless, the PRC government implemented proactive financial policies and large scale investment plan to cope with the global financial crisis, turning around the deceleration in economic growth. At the end of 2009, there was a general recovery of the Chinese economy. According to the National Bureau of Statistics of China, Gross Domestic Product (“GDP”) for 2009 was RMB33,535.3 billion, representing an increase of 8.7% as compared with the previous year.

During the Period under Review, under the government’s policy of “stimulating domestic demand”, a steady growth had been achieved in the domestic market, which definitely was the primary factor for the tentative recovery of the textile industry. Data of the National Bureau of Statistics of China show that China’s total retail sales for apparel consumer goods grew by 18.8% in 2009. Despite the fact that the growth was slower than that of the previous year, it was still maintained at a relatively high level on the whole. Total domestic output value of large textile enterprises was RMB2,971.224 billion, representing an increase of 14.69% as compared with the previous year. The proportion of products for domestic sales accounted for 79.9% of the total, representing an increase of 3.04 percentage points over that in the previous year.

China’s foreign trade was affected by the international financial crisis in 2009 despite signs of the country’s gradual economic recovery. China’s total import and export was US\$2,207.3 billion, representing a drop of 13.9% as compared with the previous year. China’s export for the whole year was US\$1,201.7 billion, representing a decrease of 16%. According to the statistics released by the China Customs, China’s accumulated export of textile products and apparel for 2009 amounted to US\$167.072 billion, representing a decline of 9.8% over last year. During the Year, following the end of negative growth in China’s export of textile products and apparel in November, an upward trend appeared in December.

During the Period under Review, China’s cotton textile industry experienced a challenge of the global financial crisis. Apart from the sluggish export market, the price of lint cotton rose at the end of the Year, due to a supply shortage in the Chinese market along with the growth of domestic demand and the adjustment of inventory stock in the industry. Meanwhile, the price of all kinds of textile raw materials also rose continuously. All these factors had continuous impact on the industry and brought challenges to our Group’s overall business.

With an effective business strategy and a solid, leading position in the industry, Weiqiao Textile continues to achieve satisfactory performance amidst a challenging operating environment. For the year ended 31 December 2009, the Group’s revenue was approximately RMB14,333,000,000, representing a decrease of 12.9% as compared with 2008. Profit attributable to owners of the parent was approximately RMB892,000,000, representing an increase of 49.7% as compared with 2008. Earnings per share were RMB0.75. The Board of the Company recommended the payment of a final dividend of RMB0.2335 per share (tax inclusive) for the year ended 31 December 2009.

Furthermore, the Group's thermal power assets had an installed capacity of approximately 1,590 MW. Operation of such thermal power assets effectively controlled production cost, ensuring stable energy supply, and enhanced profitability.

Looking ahead, in 2010, the Chinese economy will maintain its upward trend of 2009 as well as a steady and relatively rapid development. Based on the market demand for textile products and its development trends, Weiqiao Textile will consolidate its market share in China and maintain the competitive advantage of its products. The huge consumer market for textile products and apparel in China will provide the Group with development opportunities in the long term. Therefore, the Group will continuously strengthen production innovation and technological upgrade and produce more value-added and medium-to high-end products to satisfy the demand of the domestic market. For the overseas market, the Group will continue to take advantage of its economy of scale and product portfolio to expand the geographical coverage of its business. It will also upgrade its products, and their quality as well as to strengthen its development in the medium-to-high-end markets. We believe that, through the improvement of internal management, staff training, the stringent control of production cost and the optimization of product mix, we will be able to enhance the core competitiveness of the Group.

Meanwhile, the Sixth China-ASEAN Business & Investment Summit announced the completion of the China-ASEAN Free Trade Area (CAFTA) on 1 January 2010. According to the pact, 90% of the goods, namely 7,000 types of products, could enjoy the zero-tariff. It is expected to create a strong impetus for the recovery of China's exports of textile products and apparel. However, in 2010, despite the improving overall demand in both international and domestic markets, uncertainties still exist. Trade conflict between the Western countries and China will intensify and will become an unavoidable issue amidst the global economic recovery. This situation may be unfavourable to China's export. Weiqiao Textile thoroughly understands that it needs to anticipate well the external risks of the industry. Overall, the Group is still prudently optimistic towards the environment and outlook of the enterprise and the industry. With sound and comprehensive operations, strong financial position as well as rich experience in coping with the global market crisis, we have confidence to handle the setbacks in the market and maintain the Group's leading position in the industry.

Finally, on behalf of the Board, I would like to express my sincere gratitude to the shareholders, investors and business partners for their continuous trust and support, and to the staff for their contribution and dedication to the long-term development of the Group in the past year. We hope we will continue to develop and grow the business together in the days to come. The Directors believe that with everyone's dedication in the Group, Weiqiao Textile will continue to maintain its core competitive strength, realize its potential to achieve good results, and create value for all shareholders in the fast-changing market competition.

Zhang Hongxia
Chairman

Shandong, the PRC
26 March 2010

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2009, China endeavoured to ensure the economic growth target of “8%” while combating against the tremendous impacts of the global financial crisis and took the lead to recover in the world’s economy. The PRC government continued to launch relevant policies to support the PRC industries including the textile industry.

During the Period under Review, the domestic consumers market was pivotal to the steady and sound development of the textile industry. However, due to the slow recovery of the export market, total exports of textile products and apparel in the PRC dropped by 9.8% year-on-year to US\$167.072 billion. In particular, the accumulated exports of textile products declined by 8.3% to US\$59.992 billion and those of apparel decreased by 10.6% to US\$107.08 billion. Exports of textile products ended their down-trend in November and started an up-trend in December. Total exports of textile products and apparel in China in December amounted to US\$16.787 billion, representing an increase of US\$2.828 billion over that in the previous month and a month-on-month increase of 20.26%. This indicated the recovery of the textile industry in China.

The European Union, the US and Japan are the major export markets for China’s textile products and apparel. During the Period under Review, total export amount of textile products and apparel from China to the above three regions amounted to US\$83.851 billion, accounting for 50.19% of the total export amount of textile products and apparel in China. In the same period, export amounts of textile products and apparel from China to Hong Kong, Southeast Asia and Africa decreased by 12.8%, 2.5% and 2.5% respectively. In spite of this, the stability of RMB exchange rate for the Year was favourable to the policy of ensuring industry export.

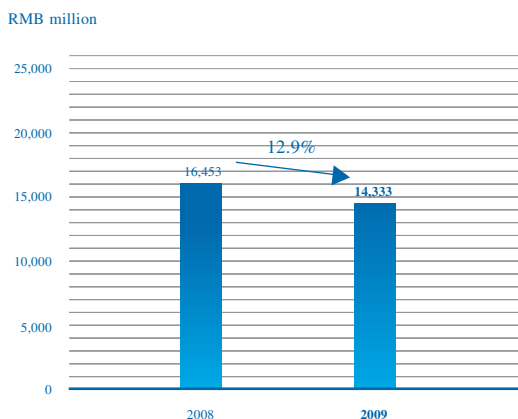
In 2009, the price of domestic cotton experienced an overall increase. Based on the Cotton A Index in China, the average price of domestic cotton was approximately RMB13,193 per tonne and it reached a historical high of RMB15,151 per tonne in December, representing an increase of 31.7% as compared with that in January 2009. With respect to the international market, the average cotton price was 62.75 US cents per pound according to the Cotlook A Index and it reached a new high of 76.78 US cents per pound in December, representing an increase of 33.07% when compared to that in January 2009. The fluctuation of the cotton price drove up the prices of raw materials of the textile industry. At the same time, the major elements of production including labour costs and energy costs in China were also increasing, exerting considerable production cost pressure on textile manufacturers.

BUSINESS REVIEW

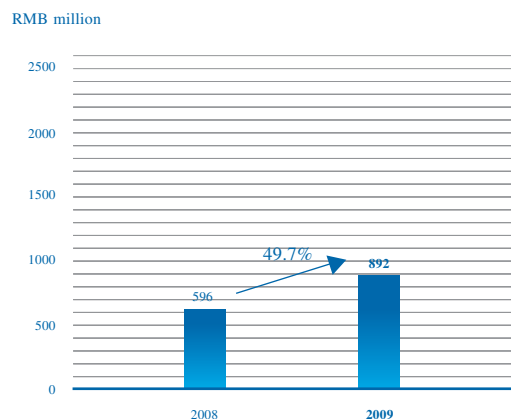
In 2009, despite various uncertainties in the market, Weiqiao Textile continued to consolidate its business growth by strengthening internal management and cost control, optimising asset allocation portfolio and adjusting product structure according to market demand under the recovering and steady economic development. Given its solid customer base, the Group successfully secured its market share which effectively restrained the decline in profitability.

For the year ended 31 December 2009, the revenue of the Group and net profit attributable to the owners of the parent are as follows:

Revenue



Net profit attributable to owners of the parent

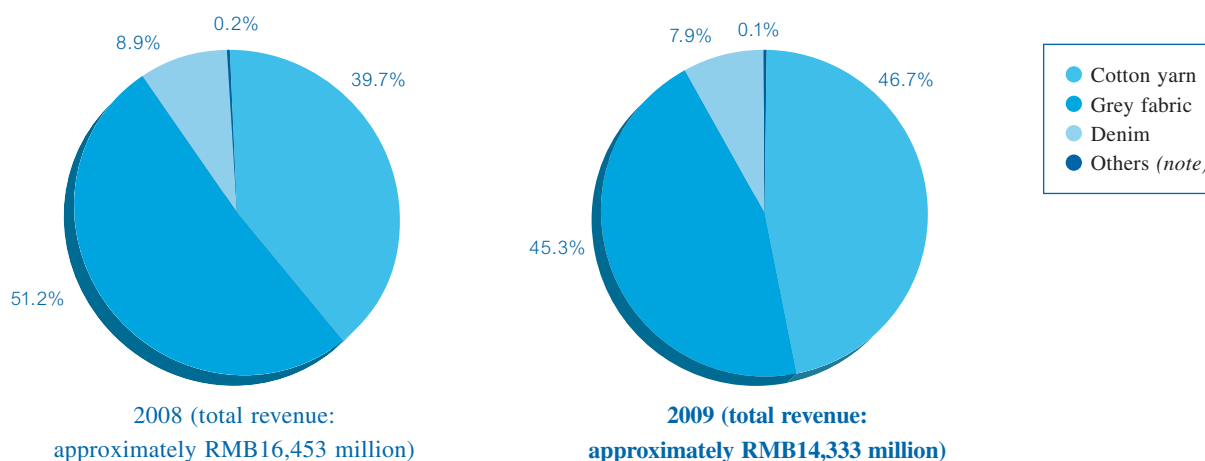


For the year ended 31 December 2009, revenue of the Group decreased by 12.9% over last year to approximately RMB14,333,000,000. This was mainly due to the shrinking general demand and falling sales orders under the impacts of global financial crisis on the textile industry in China.

For the year ended 31 December 2009, net profit attributable to owners of the parent increased by 49.7% to approximately RMB892,000,000. The increase was primarily due to the increase in the gain from the sale of electricity and steam, and the decrease in operating cost incurred during the Year.

The charts below are a comparison of the breakdown of revenue by products for the years ended 31 December 2008 and 2009:

Proportion of revenue by products

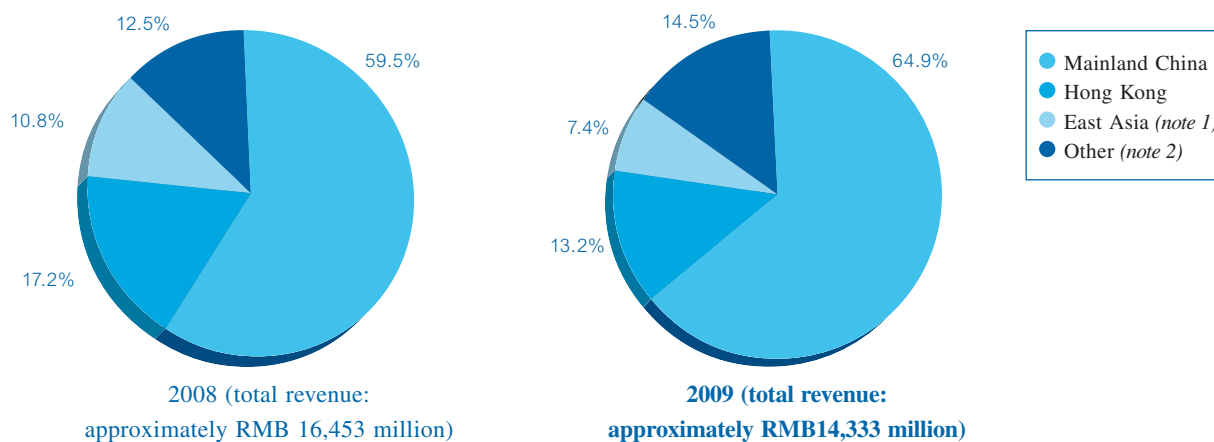


Note: Others include cotton seed and other by-products.

For the year ended 31 December 2009, the proportion of revenue generated from the sales of cotton yarn increased; and the proportion of revenue generated from the sales of grey fabrics decreased, which was mainly due to the low demand from the grey fabrics market under the impact of the financial crisis, resulting in a decline in export orders. The proportion of revenue from denim slightly decreased. This was mainly due to the decrease in overall market demand under weakening export demand and intensifying competition.

The following charts show the breakdown of the Group's revenue in terms of geographical location for the years ended 31 December 2008 and 2009:

Proportion of revenue by geographical locations



Note 1: East Asia includes Japan and Korea;

Note 2: Others mainly include Southeast Asia, the US, Europe, Taiwan and Africa.

For the year ended 31 December 2009, the proportion of revenue of the Group generated from export to Hong Kong and East Asia decreased as compared with last year. This 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.

As at 31 December 2009, the Group had four production bases in total, namely:

1. Weiqiao Production Base (the First, the Second and the Third Production Areas);
2. Binzhou Production Base (the First Production Area and the Second Production Area of Binzhou Weiqiao Technology Industrial Park Company Limited (“Binzhou Industrial Park”));
3. Weihai Production Base (Weihai Weiqiao Textile Company Limited (“Weihai Weiqiao”) and Weihai Weiqiao Technology Industrial Park Company Limited (“Weihai Industrial Park”)); and
4. Zouping Production Base (the First Industrial Park of Zouping, the Second Industrial Park of Zouping and the Third Industrial Park of Zouping).

All of the above production bases are located in Shandong Province of China, with a total gross floor area of approximately 4,937,700 sq.m.

In 2009, the production volume of cotton yarn, grey fabric and denim was approximately 648,000 tonnes, 1,186,000,000 meters and 105,000,000 meters, representing decreases of approximately 20.9%, 18.3% and 37.1% respectively over 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 much higher requirements on the products. Hence, the Company took measures to lower the rotation rate of equipment to ensure product quality, which negatively affected the production output. In addition, as a result of a high turnover rate of staff, it takes some time for new employees to master relevant skills, which also affected the production output.

During the Period under Review, the Group continued to actively expand its market share and to consolidate its customer base. As at 31 December 2009, the Group had a total of 8,500 domestic customers and over 830 overseas customers, representing a growth of approximately 2.4% and 2.5% respectively over last year.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis of the Group's revenue, gross profit and gross profit margin attributable to its major product categories for the years ended 31 December 2008 and 2009:

Product	For the year ended 31 December					
	2008			2009		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
<i>RMB'000</i>	<i>RMB'000</i>	%	<i>RMB'000</i>	<i>RMB'000</i>	%	
Cotton yarn	6,533,252	549,791	8.4	6,689,279	534,732	8.0
Grey fabric	8,426,382	678,805	8.1	6,497,017	560,971	8.6
Denim	1,458,345	201,420	13.8	1,137,226	147,784	13.0
Others	35,108	718	2.0	9,566	70	0.7
Total	<u>16,453,087</u>	<u>1,430,734</u>	<u>8.7</u>	<u>14,333,088</u>	<u>1,243,557</u>	<u>8.7</u>

For the year ended 31 December 2009, the gross profit margin of the Group was equal to that of last year. In controlling costs, the Group made timely adjustment to the product mix and implemented flexible and effective sales strategies according to market demand so as to maximize and ensure the overall gross profit margin.

Selling and distribution costs

The Group's selling and distribution costs decreased by 28.0% to approximately RMB249,000,000 for the year ended 31 December 2009 from approximately RMB346,000,000 in the previous year. In particular, transportation cost decreased by 27.5% to approximately RMB195,000,000 from approximately RMB269,000,000 in 2008. This mainly resulted from a decline in sales of the Group. On the other hand, the unit cost of transportation also decreased. Sales commission was approximately RMB17,000,000, a decrease of approximately 50.0% as compared with approximately RMB34,000,000 over last year. This was primarily due to the decrease in export sales of the Group.

Administrative expenses

Administrative expenses of the Group for the year ended 31 December 2009 amounted to approximately RMB190,000,000, which was basically about the same as approximately RMB193,000,000 recorded in the previous year.

Other expenses

For the year ended 31 December 2009, the other expenses of the Group amounted to approximately RMB201,000,000, an increase of 93.3% over approximately RMB104,000,000 in last year. This was mainly due to disposal of certain low efficiency and obsolete equipments and plants in the first production area in the production base in Weiqiao in March 2010 to enhance operational efficiency and the impairment loss of RMB128,000,000 arising therefrom was recognised within the Year.

Finance costs

For the year ended 31 December 2009, finance costs of the Group were approximately RMB514,000,000, representing a decrease of 26.3% as compared with RMB697,000,000 for 2008. This was mainly due to the corresponding decrease in interest expenses of the Group as a result of the reduction in interest rates of the financial institutions.

Liquidity and financial resources

As at 31 December 2009, cash and cash equivalents of the Group were approximately RMB3,264,000,000, representing an increase of 23.4% as compared with that of approximately RMB2,644,000,000 as at 31 December 2008. It was mainly due to the decrease of investment in fixed assets and the increase of newly obtained bank borrowings in 2009 as compared with those of 2008, leading to the net cash inflow generated from operating activities exceeding the net cash outflow used in investing and financing activities in the Year.

For the year ended 31 December 2009, the Group had a net cash outflow from investing activities of approximately RMB483,000,000, a net cash outflow from financing activities of approximately RMB12,000,000 and a net cash inflow from operating activities of approximately RMB1,135,000,000. 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 liquidity and financial resources to satisfy its business needs.

For the year ended 31 December 2009, average trade receivables turnover of the Group were approximately 22 days, compared with 9 days for last year. This was mainly attributable to the increase in export sales at the end of the Year due to the long remittance of payment since the majority of the overseas customers made the settlements with letter of credit.

For the year ended 31 December 2009, inventory turnover of the Group decreased to 78 days from 92 days for last year. This was mainly attributable to the decrease in the inventories of semi-finished products of the Group during the Year due to the decrease in production volume according to the market conditions.

For the year ended 31 December 2009, the Group utilised the financial instruments, i.e. the interest swaps, to minimize the risks arising from interest rate fluctuation. At the end of the period, the Group's interest swaps were due and fully settled.

Net profit attributable to owners of the parent and earnings per share

Net profit attributable to owners of the parent was approximately RMB892,000,000 for the year ended 31 December 2009, representing an increase of 49.7% as compared with approximately RMB596,000,000 in last year.

For the year ended 31 December 2009, earnings per share of the Company were RMB0.75.

Capital structure

The Group continued to maintain an appropriate mix of equity and debt to ensure an efficient capital structure to reduce capital cost. As at 31 December 2009, the debts of the Group were mainly bank borrowings totaling approximately RMB8,600,000,000. Cash and cash equivalents were approximately RMB3,264,000,000. The gearing ratio was 37.7% (2008: 42.9%) (Total debt (including interest-bearing bank borrowings after deducting cash and cash equivalents) divided by total equity).

As at 31 December 2009, 31.5% of the Group's bank borrowings was subject to fixed interest rates while the remaining 68.5% was subject to floating interest rates.

The Group maintained a balance between the continuity and flexibility of capital by using bank borrowings. In any future 12-month period, borrowings due shall not exceed 50% of total borrowings. As at 31 December 2009, 45.5% of the Group's debt will become due within a year.

As at 31 December 2009, the Group's borrowings were mainly denominated in Renminbi and US dollars, and 16.1% of the Group's borrowings were denominated in US dollars. Cash and cash equivalents were mainly held in Renminbi and US dollars of which 3.8% of the cash and cash equivalents was held in US dollars.

Employee and remuneration policy

As at 31 December 2009, the Group had a total of approximately 97,000 employees, representing a decrease of approximately 16,000 employees as compared with last year. The decrease in the number of staff was due to the impact of the international financial crisis, the low demand and the decrease in orders received by the Group. Meanwhile, the higher degree of automation of the Group's facilities and equipment and the decrease in number of workers employed to operate the same number of production facilities also contributed to the decrease in the number of staff. In view of the above-mentioned situation, the Group did not replace the workers who left because of the weaker demand for labour. Total staff costs for the Year amounted to approximately RMB1,862,000,000, representing 13.0% of the Group's revenue. Employee remuneration and bonuses are based on their performances, experience and the prevailing industry practices. 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 performances to encourage and drive its staff to strive for better performances. During the Year, the Group provided training to staff members according to their respective job functions and skills requirements, such as training sessions on safety and various skills.

Exposure to foreign exchange risk

The Group adopted a prudent policy in managing its exchange rate risks. The imports and exports of the Group were settled in US dollars and a portion of bank deposits and bank borrowings are denominated in US dollars. The repayment period of the import purchases and foreign borrowings is longer than the period of receiving export trade payments. In 2009, the exchange rate between RMB and US dollars was generally stable with certain fluctuation. For the year ended 31 December 2009, the Group recorded exchange loss of approximately RMB18,000,000. The Group did not experience any significant difficulties in its operations or liquidity as a result of fluctuations in currency exchange rates during the Year. The Directors believe that the Group will have sufficient foreign currency to meet its requirements.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group's contingent liabilities which were not provided for in the financial statements were undue letter of credit issued, which totaled approximately RMB158,000,000 (2008: approximately RMB86,000,000).

TAXATION

Taxation of the Group increased by 147.2% from approximately RMB125,000,000 for 2008 to approximately RMB309,000,000 for 2009. This was primarily due to the significant increase of the Group's profit before tax during the period under review, and a tax concession of RMB84,000,000 granted to a subsidiary of the Company Binzhou Industrial Park in 2008 in respect of purchase of PRC manufactured machinery and equipment in prior years.

EVENTS AFTER THE REPORTING PERIOD

Assets disposal

In March 2010, the Company planned to dispose of certain low efficiency and obsolete machines, equipment and plants ("Disposed Assets"). The Disposed Assets are located in the first production area of the Group's production base in Weiqiao Town, Zouping County, Shandong Province. The Company planned to sell such machines and equipment to independent third parties and to dismantle the plants where such machines and equipment are located and then to terminate the lease for the lands on which the plants are located. The Company will relocate other useable equipment from this production area to the Group's production base located in Zouping Economic Development Zone, and introduce more advanced production facilities.

The Company recognised the impairment losses of Disposed Assets during the Period under Review amounting to approximately RMB128,000,000. Details of such assets disposal were disclosed as price sensitive information in the announcement of the Company dated on 9 March 2010.

Controlling shareholder

The Company received a notice from Zouping County Supply and Marketing Cooperation Union (鄒平縣供銷合作社聯合社) (the "ZCSU"), that on 8 March 2010, CITIC Trust Co., Ltd. (中信信託有限責任公司) (the "Trustee"), who held 51% of equity interest in Shandong Weiqiao Chuangye Group Company Limited (山東魏橋創業集團有限公司) (the "Holding Company") as a trustee for ZCSU, entered into a equity transfer agreement with Zouping Supply and Marketing Investment Company Limited (鄒平供銷投資有限公司) (the "Zouping Investment"), pursuant to which the Trustee transferred its 51% equity interest in Holding Company to Zouping Investment (the "Share Transfer"). Immediately after the Share Transfer, ZCSU will cease to hold any equity interest in Holding Company. Holding Company is the controlling shareholder of the Company and holds approximately 61.86% shares of the Company. Details of such share transfer were disclosed as price sensitive information in the announcement of the Company dated 10 March 2010.

OUTLOOK

Looking ahead, amid various uncertainties in economic growth, Weiqiao Textile will endeavour to improve its structure, push ahead its own innovation capabilities and continue to consolidate its solid image of “Weiqiao” brand so as to enhance the marketing and sales capabilities of the Group.

As the effects of the PRC government’s specific policies to ensure growth, expand domestic demand and adjust structure gradually come to view, domestic demand is expected to maintain steady growth, which will greatly strengthen the development of the textile industry. The economy of China is believed to maintain a steady and fast growth momentum in 2010 and the textile industry is expected to achieve better growth under the strong support from the government.

SUPPLEMENTAL INFORMATION

Substantial Shareholders

As at 31 December 2009, so far as known to any Directors, Supervisors or 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 (“Stock Exchange”) under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (“SFO”) or, who 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 member of the Group or had any option in respect of such capital:

Long positions in the domestic shares of the Company (“Domestic Shares”):

Name of Shareholder	Number of Domestic Shares (Note 1)	Approximate percentage of total issued domestic share capital as at 31 December 2009 (%)	Approximate percentage of total issued share capital as at 31 December 2009 (%)
Holding Company	738,895,100	94.64	61.86
Zouping County Supply and Marketing Corporation Union (鄒平縣供銷合作社聯合社) (“ZCSU”)	738,895,100 (Note 2)	94.64	61.86
CITIC Trust Co., Ltd. (中信信託有限責任公司)	738,895,100 (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 31 December 2009 (%)	Approximate percentage of total issued share capital as at 31 December 2009 (%)
The Bank of New York Mellon Corporation	Interest of a controlled corporation	90,454,200 (long position)	21.87	7.57
		52,333,900 (lending pool) (note 5)	12.65	4.38
Brandes Investment Partners, L.P.	Investment manager	49,170,500 (long position) (note 6)	11.89	4.11
The Boston Company Asset Management LLC	Investment manager	32,932,400 (long position) (note 7)	7.96	2.76
Mellon Financial Corporation	Interest of a controlled corporations	41,073,100 (long position) (note 8)	9.93	3.44
FIL Limited	Investment manager	30,485,500 (long position) (note 9)	7.37	2.55
FMR LLC	Investment manager	20,822,500 (long position) (note 10)	5.03	1.74

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 90,454,200 H Shares in which The Bank of New York Mellon Corporation was deemed interested under the SFO were directly held by The Bank of New York Mellon, which was a corporation 100% controlled by The Bank of New York Mellon Corporation.
6. These 49,170,500 H Shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.
7. These 32,932,400 H Shares were held by The Boston Company Asset Management LLC in its capacity as investment manager.
8. 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.
9. These 30,485,500 H Shares were held by FIL Limited in its capacity as investment manager.
10. These 20,822,500 H shares in which FMR LLC was deemed interested under SFO were directly held by Fidelity Management & Research Company, a corporation wholly controlled by FMR LLC.

Save as disclosed above, as at 31 December 2009, so far as is known to the Directors, Supervisors or chief executive of the Company, no other person (not being a Director, Supervisor or chief executive of the Company) had any 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 SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 December 2009, the interests of the Directors, Supervisors or chief executive of the Company 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 were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO; or (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Domestic Shares of the Company:

	Type of interest	Number of Domestic Shares <i>(Note 1)</i>	Approximate percentage of total issued domestic share capital as at 31 December 2009 <i>(%)</i>	Approximate percentage of total issued share capital as at 31 December 2009 <i>(%)</i>
Zhang Hongxia <i>(Executive Director/Chairman)</i>	Beneficial	17,700,400	2.27	1.48
Qi Xingli <i>(Executive Director)</i>	Beneficial	6,042,500	0.77	0.51
Zhang Shiping <i>(Non-executive Director)</i>	Beneficial	5,200,000	0.67	0.44

Note 1: Unlisted shares

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

	Name of associated corporation	Type of interest	Approximate percentage of total issued share capital as at 31 December 2009 (%)
Zhang Shiping (<i>Non-executive Director</i>)	Holding Company	Beneficial	23.52
Zhang Hongxia (<i>Executive Director</i>)	Holding Company	Beneficial and spouse (<i>Note 1</i>)	5.73 (<i>Note 1</i>)
Zhang Yanhong (<i>Executive Director</i>)	Holding Company	Beneficial	1.63
Qi Xingli (<i>Executive Director</i>)	Holding Company	Beneficial	0.75
Wang Zhaoting (<i>Non-executive Director</i>)	Holding Company	Beneficial	0.25
Zhao Suwen (<i>Executive Director</i>)	Holding Company	Beneficial	0.38
Liu Mingping (<i>Supervisor</i>)	Holding Company	Beneficial	0.14

Note 1: The 48,000,000 Shares in the Holding Company were beneficially held by Ms. Zhang Hongxia, while the 43,676,000 Shares in which Ms. Zhang Hongxia is deemed to be interested under the SFO are interests directly held by Mr. Yang Congsen, the husband of Ms. Zhang Hongxia.

Save as disclosed above, as at 31 December 2009, none of the Directors, Supervisors or the chief executive of the Company had an interests or short positions 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; 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.

Dividends

The Directors recommended the payment of a final dividend of RMB0.2335 (inclusive of tax) per share (the "2009 Final Dividend"), payable to shareholders of the Company whose names appear on the register of members of the Company as at close of business on 30 April 2010 (Friday). The 2009 Final Dividend is subject to the approval at the coming annual general meeting of the Company. According to the relevant regulations in the PRC and as disclosed in the Company's prospectus, the Group's net profit after tax can only be distributed after making up prior years' cumulative losses, if any, and making allowance for the statutory surplus reserve, general reserve fund, employee's bonus and welfare fund and enterprise expansion fund.

According to the requirements of the “Corporate Income Tax Law of the People’s Republic of China” and the “Corporate Income Tax Implementation Regulations of the People’s Republic of China” implemented in 2008, with effect from 1 January 2008, any distribution of dividends by a domestic enterprise of the PRC to any non-resident corporate shareholders, corporate income tax must be withheld or paid on their behalf, and the paying party shall be the liable person for such withholding or payment purpose.

For the distribution of dividends, dividends for holders of Domestic Shares will be distributed and paid in RMB, while dividends for H Shares will be declared in RMB but paid in Hong Kong dollars (“HK\$”) (conversion of RMB into HK\$ shall be calculated on the average price of the medium prices of the conversion of RMB into HK\$ announced by the Bank of China within five working days prior to and including 30 April 2010).

Closure of Register of Members

The Company’s register of members will be closed from 1 May 2010 to 1 June 2010 (both dates inclusive), during which no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 30 April 2010.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company has redeemed, purchased or sold any of its own listed securities during the year ended 31 December 2009, nor any of its subsidiaries purchased, or sold any of the Company’s listed securities during the year ended 31 December 2009.

Audit Committee

The Company has established an audit committee (“Audit Committee”) in compliance with the Code of Best Practices for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee is composed of the three independent non-executive Directors. An Audit Committee meeting was held on 26 March 2010 to review the Group’s annual report and financial statements and provide advice and recommendations to the board of directors of the Company.

Code for Securities Transactions by Directors

The Company has adopted a code for securities transactions on terms equivalent to the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries with the Directors, the Company has confirmed that each of the Directors complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

Code on Corporate Governance Practices

The Company has applied the principles of the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. Except for the deviation from code provision A.2.1, the Company has been in compliance with all the code provisions for the year ended 31 December 2009.

Code provision A.2.1 stipulates that the duties of the Chairman and chief executive officer should be differentiated and shall not be held by the same person. Ms. Zhang Hongxia is the Chairman and chief executive officer of the Company. The Board is of the opinion that this structure would not affect the balance of power and duties between the Board and the management. Through the operations of the Board, a balance between power and duties can be maintained.

Publication of Annual Results and Annual Report on Website

This results announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.wqfz.com. The annual report for the Year will be despatched to shareholders on or about 15 April 2010 and will be available on the Company's website and the website of the Stock Exchange at the same time.

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

Shandong, the People's Republic of China
26 March 2010

Notes:

1. 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.
2. The Company is registered in Hong Kong as a non-Hong Kong company under the English name "Weiqiao Textile Company Limited" and the Chinese name of the Company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

* *For identification purpose only*