



Weiqiao Textile Announces 2006 Interim Results

Net Profit Attributable to Shareholders up 27.3%

Due to Strong Domestic Consumption

- Turnover was RMB 9.264 billion, an increase of 34.0% over 1H 2005
- Gross profit was RMB 1.435 billion, up 19.7% over 1H 2005
- Net profit attributable to shareholders was RMB 601 million, up 27.3% over 1H 2005
- Operating Margin reached 13.6%, up 0.2 percentage point from 13.4% in 1H2005
- Basic earnings per share was RMB 0.51
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Hong Kong, September 11, 2006 – Weiqiao Textile Company Limited (“the Company” or “Weiqiao Textile”) and its subsidiaries (collectively referred to as the “Group”) (HKEX: 2698) today announced its unaudited interim results for the period ended June 30, 2006 (the “Period”). During the Period, turnover of the Group grew 34.0% to RMB 9.264 billion; net profit attributable to shareholders rose 27.3 % to RMB 601 million. Basic earnings per share was RMB 0.51. The board did not propose an interim dividend.

Leveraging its efficient operating model and effective strategic moves, the Group continued to perform satisfactorily. Commenting on the Period’s performance, Ms. Zhang Hongxia, newly-appointed Chairman of Weiqiao Textile, said: “We aggressively expanded production scale and enhanced our sales momentum. Furthermore, we strongly focused on our domestic market and continued to upgrade equipment. As a result, we achieved significant and stable growth in both turnover and net profit.”

Operations Review

During the Period, international trading relations stabilized. Demand for cotton textile products in both domestic and overseas markets continued to be strong, which supported the steady development of the cotton textile industry in the PRC. Weiqiao Textile delivered stable growth in turnover and net profit as a result of the upgrading of production facilities, ever expanding production scale and increasing sales momentum. The Group managed to produce more value-added products to meet the demand of mid and high-end clients. Furthermore, the Group continued to purchase advanced textile machinery both from PRC and overseas manufacturers and succeeded in enhancing technical proficiency in production.

Domestic sales of the Group significantly increased, mainly due to the Group's highly adaptive sales strategy clearly focusing on the domestic market. During the Period, revenues derived from domestic sales accounted for 66.2% of total turnover, becoming the primary revenue growth driver of Group.

The Group continued to execute its plan to upgrade facilities, enhance sales efforts for core products and rationalize product mix. Sales of grey fabric, cotton yarn and denim, the Group's core products, generated 53.1%, 41.5% and 5.1% of total turnover respectively. Sales figures for these 3 products were as follows:

Products	Revenue 1H 2006	Revenue 1H 2005	Change	Sales proportion
Cotton yarn	3,843,000,000	2,739,000,000	40.3%	41.5%
Grey fabric	4,915,000,000	3,607,000,000	36.3%	53.1%
Denim	474,000,000	515,000,000	-8.0%	5.1%
Others	32,000,000	55,000,000	-41.8%	0.3%

Production volume increased as well. During the Period, the production volumes of cotton yarn, grey fabric and denim were 407,000 tons, 752 million metres and 81 million metres respectively.

Sales to the Hong Kong market continued to increase. Revenues generated from domestic market reached RMB 6.136 billion, accounting for 66.2% of the total turnover. Revenue by region was:

Regions	Revenue 1H 2006	Revenue 1H 2005	Change	Sales proportion
PRC	6,136,000,000	3,486,000,000	76.0%	66.2%
Hong Kong	1,390,000,000	1,261,000,000	10.2%	15.0%
East Asian Regions	933,000,000	1,158,000,000	-19.4%	10.1%
Other regions	805,000,000	1,011,000,000	-20.4%	8.7%

Gross Profit and Gross Profit Margin

For the six months ended June 30, 2006, gross profit margin decreased to 15.5%, mainly due to keen competition in the cotton yarn market. The Group increased its sales of grey fabric in high-end markets to further diversify its sales channels, and sales of high end cotton yarn decreased. This resulted in a significant decrease in gross profit of cotton yarn and an increase in gross profit of grey fabric. Gross profit margin of denim decreased due to lower sale season in denim sales. Gross profit and gross profit margin of the Group's core products were:

Products	Gross Profit 1H 2006	Gross Profit Margin	Gross Profit 1H 2005	Gross Profit Margin
Cotton yarn	459,124,000	12.0%	668,996,000	24.4%
Grey fabric	876,854,000	17.8%	382,871,000	10.6%
Denim	95,750,000	20.2%	136,229,000	26.4%
Others	3,623,000	11.2%	10,962,000	20.0%
Total	1,435,351,000	15.5%	1,199,058,000	17.3%

Selling and Distribution Costs

During the first half of 2006, the Group's selling and distribution costs decreased by 12.4% to RMB 162 million from RMB185 million for the first half of 2005 as transportation costs decreased by 18.8 % from RMB 133 million in the first half of 2005 to RMB 108 million. This substantial decrease resulted from a significant reduction in the transportation unit price as the Group's transportation volume continued to increase and the introduction of market-based tendering for both ocean freight and inland freight. Sales commission decreased by 44.0% from RMB 25 million in the first half of 2005 to RMB 14 million, due to market expansion and a reduction in sales through commission-based intermediaries.

Administrative Expenses

The Group's administrative expenses were RMB 100 million, a decrease of 2% compared with RMB102 million over the same period in 2005.

Finance Costs

The Group's financial costs were RMB 329 million, an increase of 71.4% compared with RMB192 million over the same period in 2005, mainly due to an increase in bank loans and higher interest rates.

Cost control

The Group continued its energy saving plan and its efforts to rationalize the efficiency of its thermal plant in order to avoid production slow-downs. The Group continued to lower overall costs and improve energy consumption efficiency by introducing more efficient and advanced technology.

Outlook

Ms. Zhang is optimistic about the Group's prospects and those of the industry. She commented, "2006 is the first year of the "The Eleventh Five Year Plan" and the growth of China's economy growth will be driven more by consumption than by investment. As a result, the textile industry will rely less on exports and more on growth in domestic demand. As the domestic market grows in importance, operating risks in the textile industry will diminish. As the leading cotton textile manufacturer in China, Weiqiao Textile will execute its business development strategy while adapting to these trends. We are determined to satisfy our customers' requirements for quality products by upgrading production technology and through efficiency enhancements."

Ms. Zhang concluded: "The Group is deeply committed to pursuing a sound corporate governance, further develop brand integrity as well as enhance corporate value while sustaining its growth momentum. We are determined to create value for our shareholders by maintaining profit growth and competitiveness. Weiqiao Textile's long-term strategy is to leverage its position as the dominant cotton textile manufacturer in China to become the leading cotton textile manufacturer in the world and foster the healthy growth of the textile industry in the PRC."

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About Weiqiao Textile

Weiqiao Textile Company Limited, a non state-owned enterprise, is the largest cotton textile producer in the PRC, specializing in the production, sales and distribution of cotton yarn, grey fabric and denim. During the past ten years, the Group developed large-scale production capabilities by capitalizing on China's rapid economic growth. It has achieved strong positioning in the global textile markets by employing advance technology in state-of-the-art facilities.

Weiqiao Textile is located in Shandong, China's second largest cotton producing province. The Group has four production bases in Weiqiao, Binzhou, Weihai and Zouping and employs approximately 150,000 people. As at June 30, 2006, the Group produced 407,000 tons of cotton yarn, 752 million metres of grey fabric and 81 million metres of denim.

Disclaimer

This press release distributed herewith include forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that Weiqiao Textile expects or anticipates will or may occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements. Weiqiao Textile's actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, market shares, competition, environmental risks, changes in legal, financial and regulatory frameworks, international economic and financial market conditions, political risks, project delay, project approval, cost estimates and other risks and factors beyond our control. In addition, Weiqiao Textile makes the forward-looking statements referred to herein as of today and undertakes no obligation to update these statements.

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