



Weiqiao Textile Announces 2010 Interim Results

Net profit grew for approximately 38.0% by continuously consolidating business development and maintaining a strong market share

Financial Summary

- ◆ Revenue was approximately RMB8,304 million, up approximately 30.2% YoY
- ◆ Gross profit was approximately RMB1,040 million, up approximately 114.4% YoY
- ◆ Net profit attributable to equity holders was approximately RMB545 million, up approximately 38.0% YoY
- ◆ Earnings per share were approximately RMB0.46, up approximately 39.4%
- ◆ No payment of the interim dividend

(Hong Kong, 23 August, 2010) - The Board of directors of Weiqiao Textile Company Limited (“the Company” or “Weiqiao Textile”) and its subsidiaries, collectively called the “Group” ; HKEX:2698), the largest cotton textile producer in China, announced its unaudited consolidated interim results for the six months ended 30 June 2010 (the “Review Period” or the “Period”).

In the first half of 2010, the PRC economy maintained steady and yet relatively fast growth momentum. The PRC government timely implemented a series of positive fiscal policies and stimulus measures to expand domestic demand and accelerate the change of the economic development model and structural adjustment and therefore. The domestic economy maintained positive momentum in general. Driven by the PRC government’s policies to expand domestic demand, the domestic sales market performed well. The external trade of textile products in the PRC experienced a relatively fast recovery as well. Based on the statistics released by China Customs, in the first half of 2010, with the rising demand and increasing prices, the accumulated exports of the PRC textile and apparel products amounted to approximately US\$88.9 billion, representing a period-on-period growth of approximately 22.0%.

During the review period, the Group’s production volume of cotton yarn, grey fabric and denim were approximately 336,000 tons, 612,000,000 meters and 46,000,000 meters respectively. Cotton yarn and grey fabric grew by approximately 15.5% and 11.3% YoY respectively, while denim decreased. The Group’s revenue was approximately RMB8,304 million, representing an increase of approximately 30.2% YoY. Net profit attributable to equity holders of the parent was approximately RMB545 million, representing an increase of approximately 38.0% YoY. Earnings per share amounted to approximately RMB0.46. The Board of the Company recommended no payment of the interim dividend for the six months ended 30 June 2010.

Commenting on the first half of 2010 interim results performance, Ms. Zhang Hongxia, Chairman of Weiqiao Textile, said, “To overcome these market challenges is to capture the opportunities in the domestic and overseas markets to further expand the market share domestically and abroad. The Group will continue to accelerate operational advancement, improve operating efficiencies, seek breakthrough in product and technology innovation and brand building as well as continue to improve production technology standards to manufacture products that are in line with high global standards. With respect to the overseas market, the Group will continue to expand the geographical coverage of its business to maintain its market share internationally by leveraging on the advantage of the economies of scale and optimization of product mix. ”

Business Review

During the Period under Review, the overall textile industry of the PRC resumed growth driven by gradual recovery of the global market and stable growth of the domestic market. The Group continued to consolidate its business growth by strengthening internal management and cost control, optimizing resources allocation and adjusting product mix according to market demand. Leveraging on the solid customer base of the Group, the Group successfully secured its large market share and achieved satisfactory operating results.

Cotton yarn, grey fabric and denim are key products of the Group. The proportions of revenue generated from the sales were approximately 46.8%, 46.4% and 6.7% respectively. As at the six months ended 30 June 2009 and 2010, the breakdowns of revenue by products are as follows:

| Products | Revenue in 1H2010 (RMB 000') | Revenue in 1H2009 (RMB 000') | Change (%) | Sales proportion f or 1H2010 (%) |
|--------------|------------------------------------|------------------------------------|---------------|--|
| Cotton yarn | 3,884,000 | 3,140,000 | 23.7 | 46.8 |
| Grey fabric | 3,857,000 | 2,632,000 | 46.5 | 46.4 |
| Denim | 560,000 | 602,000 | -7.0 | 6.7 |
| Others | 3,000 | 6,000 | -50 | 0.1 |
| Total | 8,304,000 | 6,380,000 | 30.2 | 100 |

For the six months ended 30 June 2010, the proportion of revenue generated from grey fabric increased as compared with the same period of last year, which was primarily due to the increase in sales volume of grey fabric while the unit price of all the above three types products of the Group increased; whereas the proportion of revenue generated from the sales of denim decreased as compared with the same period of last year, which was mainly due to decrease in denim production volume as a result of the phasing out of some backward denim production facilities in the Weiqiao production base by the Group.

As at the six months ended 30 June 2009 and 2010, the breakdowns of revenue by geographical location are as follows:

| Regions | Revenue in 1H2010 (RMB 000') | Revenue in 1H2009 (RMB 000') | Change (%) | Sales proportion for 1H2010 (%) |
|--------------------------|------------------------------------|------------------------------------|---------------|---------------------------------------|
| China | 4,980,000 | 4,337,000 | 14.8 | 60.0 |
| Hong Kong | 1,047,000 | 712,000 | 47.1 | 12.6 |
| East Asia ⁽¹⁾ | 905,000 | 468,000 | 93.4 | 10.9 |
| Others ⁽²⁾ | 1,372,000 | 863,000 | 59.0 | 16.5 |

Note(1) : East Asia includes Japan and Korea

Note(2) : Others mainly include Southeast Asia, the US and Europe

Selling and Distribution Expenses

For the six months ended 30 June 2010, the Group's selling and distribution costs increased by approximately 4.7% from approximately RMB129 million in the same period of last year to approximately RMB135 million. Of which, transportation costs grew by approximately 3.0% from approximately RMB101 million in the same period of last year to approximately RMB104 million, which was mainly due to the slight increase in transportation fee as a result of the growth in sales volume of the Group during the Period. Sales commission amounted to approximately RMB11 million, representing an increase of approximately 57.1% over approximately RMB7 million in the same period of last year, which was primarily due to the increase in the revenue of the Group generated from exports.

Administrative Expenses

For the six months ended 30 June 2010, the Group's administrative expenses were approximately RMB102 million, representing an increase of approximately 8.5% as compared with approximately RMB94 million for the same period of last year. It was primarily due to the upward adjustment of wages by the Group and the corresponding increase in the salary expenses of administration and management staff in the first half of the year.

Finance Costs

For the six months ended 30 June 2010, the Group's finance costs decreased by approximately 13.0% to approximately RMB240 million as compared with approximately RMB276 million over the same period of last year, which was primarily due to the corresponding decrease in the interest expenses of the Group as a result of the decrease in the interest rate of bank borrowings.

Outlook

Weiqiao Textile's Chairman, Ms. Zhang concluded, "Uncertainties will still remain in the PRC textile industry in the second half of 2010. In the second half of 2010, with the continuing recovery of the PRC economy, RMB is likely to resume appreciation. In addition, in face of the challenges such as rising cotton prices, increasing labor costs and energy costs, the profit margin of the PRC textile enterprises may be squeezed further. Trade friction, to a certain extent, may also affect the future growth of the industry. However, the PRC textile industry may also benefit from a number of favorable factors. The external economic environment has been picking up gradually with rising demand while the domestic market grows steadily. The continuing structural changes and transformation, and the operational advancement would generate opportunities to the PRC textile industry."

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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 advanced technology in state-of-the-art facilities. The Group 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 105,000 people. As at June 30 2010, the Group produced approximately 336,000 tons of cotton yarn, 612,000,000 meters of grey fabric and 46,000,000 meters of denim.

Disclaimer

This press release distributed herewith includes 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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