



Weiqiao Textile Announces 2011 Interim Results
Despite the difficult operating environment, the Group still maintained steady operating results and gross profit
Weiqiao continued to maintain a leading position in the industry

Financial Summary

- ◆ Revenue was approximately RMB8,031 million, down approximately 3.3% YoY
- ◆ Gross profit was approximately RMB1,017 million, down approximately 2.2% YoY
- ◆ Net profit attributable to owners of the Company was approximately RMB545 million, approximately at the same level as the corresponding period of last year
- ◆ Earnings per share were approximately RMB0.46
- ◆ The board of directors does not recommend an interim dividend

(Hong Kong, 22 August, 2011) – 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 2011 (the “Review Period” or the “Period”).

In the first half of 2011, the textile industry in China faced a very complex macro-economic environment. The entire textile industry in China was under increased operation pressure as a result of various unfavourable factors including the slowdown of the global economic recovery, tightened monetary policy of the rising interest rate and increased deposit reserve ratio as well as the fluctuation of cotton price at a high level and other increasing production costs in China. Although the PRC textile industry experienced rapid growth in early 2011, general growth of the industry slowed down during the rest of the Review Period.

During the Review Period, the export of China’s textile products experienced an increase but the growth rate showed signs of slowing down. According to the figures released by the China Customs, China’s export of textile products in the first half of 2011 rose by approximately 28.8% over the corresponding period of last year to approximately US\$45.9 billion. The growth rate was down by 3.4 percentage points as compared with the growth of approximately 32.2% of the corresponding period in 2010.

During the Review Period, the production volume of cotton yarn and grey fabric of the Group were approximately 330,000 tonnes and 580 million meters, representing a decrease of approximately 1.8% and 5.2% respectively over the same period of last year. Such decrease was primarily due to a decrease in the sales volume of the Group’s products as a result of the strong wait-and-see market sentiment among downstream customers and lesser market demand because of the significant fluctuation of cotton price. The Group adjusted its production plan accordingly and thus production volume slightly dropped. The production volume of denim was approximately 50 million meters, representing an increase of approximately 8.7% as compared with the same period of last year. Such increase was primarily due to that certain denim production machinery and equipment were out into production after they were moved from Weiqiao Production Base to Zouping Production Base.

During the Period, the Group’s revenue was approximately RMB8,031 million, representing a decrease of approximately 3.3% as compared with the same period of 2010. Net profit attributable

to owners of the Company was approximately RMB545 million, approximately at the same level as compared with the corresponding period of the previous year. Earnings per share were approximately RMB0.46. More importantly, the Group also managed to maintain a stable gross profit margin. The Group's gross profit margin for the first half of 2011 was approximately 12.7%, approximately 0.2 percentage points higher than that in the corresponding period of 2010. The Board of the Company recommended no payment of the interim dividend for the six months ended 30 June 2011.

Commenting on the first half of 2011 interim results performance, Ms. Zhang Hongxia, Chairman of Weiqiao Textile, said, "As a result of the domestic and global macro-economic environments and the supply and demand of cotton, cotton price first increased and then decreased during the first half of 2011. Therefore, downstream customers adopted a wait-and-see approach, which affected the sales of the Group for the first half of 2011. Despite the overall difficult operating environment of cotton textile industry in China, the Group still maintained relatively steady operating results."

Business Review

During the Review Period, Weiqiao Textile focused on the improvement of the overall industry chain which comprises research and development, procurement, production and marketing and sales network. Despite uncertainties in the market, the Group continued to consolidate its business by strengthening internal management and cost control, optimizing resource allocation and adjusting product portfolio according to market demand. By leveraging on its solid customer base, the Group adjusted its sales strategy in a timely manner to maintain a stable gross profit margin despite the negative impact from the fluctuation of cotton price and hesitating downstream customers. In such unfavourable market environment, the Group managed to achieve stable operating results.

Cotton yarn, grey fabric and denim are key products of the Group. The proportions of revenue generated from the sales were approximately 44.4%, 49.0% and 6.4% respectively. As at the six months ended 30 June 2011 and 2010, the breakdowns of revenue by products are as follows:

Products	Revenue in 1H2011 (RMB 000')	Revenue in 1H2010 (RMB 000')	Change (%)	Sales proportion for 1H2011 (%)
Cotton yarn	3,568,000	3,884,000	-8.1	44.4
Grey fabric	3,933,000	3,857,000	2.0	49.0
Denim	515,000	560,000	-8.0	6.4
Others	15,000	3,000	400.0	0.2
Total	8,031,000	8,304,000	-3.3	100.0

For the six months ended 30 June 2011, the Group's proportion of revenue generated from cotton yarn decreased as compared with the same period of last year, which was primarily due to that the fluctuating cotton price negatively affected the sales of cotton yarn to a larger extent, which ranked at the top of the industry chain and therefore the sales volume and its proportion of revenue slipped. The proportion of revenue generated from grey fabric increased as compared with the same period of last year, which was mainly due to the growth of revenue generated from grey fabric as compared with the corresponding period of last year as a result of significant increase in the average selling price of grey fabric led by the increasing raw material costs. The proportion of revenue generated from denim remained approximately at the same level as compared with the same period of last year.

As at the six months ended 30 June 2011 and 2010, the breakdowns of revenue by geographical location are as follows:

Regions	Revenue in 1H2011 (RMB 000')	Revenue in 1H2010 (RMB 000')	Change (%)	Sales proportion for 1H2011 (%)
China	4,847,000	4,980,000	-2.7	60.4
Hong Kong	755,000	1,047,000	-27.9	9.4
East Asia ⁽¹⁾	1,350,000	905,000	49.2	16.8
Others ⁽²⁾	1,079,000	1,372,000	-21.4	13.4

Note (1): East Asia includes Japan and South Korea;

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

Selling and Distribution Expenses

The Group's selling and distribution costs decreased by approximately 38.5% to approximately RMB83 million for the six months ended 30 June 2011 from approximately RMB135 million for the same period of last year. In particular, transportation cost decreased by approximately 40.4% to approximately RMB62 million from approximately RMB104 million for the same period of last year. This was mainly due to decreased market demand for the textile products and sales volume of the Group's products during the Period, which reduced transportation cost accordingly. Sales commission was approximately RMB9 million, representing a decrease of approximately 18.2% as compared with approximately RMB11 million of the same period of last year. Such decrease was primarily due to a decrease in overseas sales through intermediate traders which resulted in a drop in the commission paid.

Administrative Expenses

Administrative expenses of the Group for the six months ended 30 June 2011 amounted to approximately RMB112 million, representing an increase of approximately 9.8% as compared with approximately RMB102 million of 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 during the Period.

Finance Costs

For the six months ended 30 June 2011, finance costs of the Group were approximately RMB271 million, representing an increase of approximately 12.9% as compared with approximately RMB240 million for the corresponding period of last year. This was mainly due to the corresponding increase in interest expenses as a result of the increase in the loans of the Group and the increase in the interest rate of bank borrowings by China during the Period.

Outlook

Weiqiao Textile's Chairman, Ms. Zhang concluded, "In the second half of 2011, we expects continuous recovery of the global economy although it may be at a slow growth rate. The growth in the demand for cotton textile products in international market may also slow down. At the same time, there will be fiercer competition from overseas markets in the region. Under the challenging international competition environment, export of textile products may continue to slow down. For the domestic market, the Board believes the overall domestic demand will maintain a steady growth momentum and therefore the domestic market will become the major support to the development of the textile industry in China. The Board believes that the general development of the textile industry in China may slow down for the second half of 2011."

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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. As at 31 June 2011, the Group employs approximately 110,000 people. In the first half of 2011, , the Group produced approximately 330,000 tons of cotton yarn, 580,000,000 meters of grey fabric and 50,000,000 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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