

Weiqiao Textile Announces its 2013 Interim Results

Strengthened cost control, optimized products portfolio Continued leadership in industry consolidation

Financial Summary

- ◆ Revenue was approximately RMB6,702 million, representing a decrease of approximately 13.1% over the corresponding period of last year.
- ◆ Gross profit was approximately RMB602 million, representing an increase of approximately 43.6% over the corresponding period of last year.
- ◆ Net profit attributable to owners of the parent was approximately RMB266 million, representing a significant increase of approximately 392.6% over the corresponding period of last year.
- ◆ Gross profit margin was approximately 9.0%, representing an increase of 3.6 percentage points as compared with the gross profit margin of approximately 5.4% for the corresponding period of last year.

(Hong Kong, August 26, 2013) - Weiqiao Textile Company Limited (“the Company” or “Weiqiao Textile”) and its subsidiaries, collectively the “Group”) (HKEX: 2698), the largest cotton textile producer in China, announced its interim results for the six months ended June 30, 2013 (the “Review Period” or the “Period”).

In the first half of 2013, the overall textile industry in China was under increasing pressure to transform and faced an unfavorable export environment due to the slow recovery of the global economy. Fortunately, the narrowed price gap between domestic cotton and overseas cotton helped China’s textile and apparel regain competitiveness in the global market. As the reduction in high cost inventories was almost completed and order mix was improved, the performance of the textile and apparel industry of China improved during the first half of 2013 compared to 2012.

During the period under review, China’s exports of textile products totaled approximately US\$51.2 billion, up by approximately 10.1% compared with the corresponding period of last year. The growth rate increased by approximately 8.8 percentage points from approximately 1.3% in the corresponding period of 2012.

In the first half of 2013, the Group’s production volume of cotton yarn was approximately 238,000 tons, representing an increase of approximately 15.5% as compared with the same period of last year. The main reason was that the Group increased the output of cotton yarn according to market demand during the Period as inventory products were gradually reduced. The production volume of grey fabric was approximately 491 million meters. The output of grey fabric remained flat as compared with the same period of last year. The production volume of denim was approximately 36 million meters, representing a decrease of 14.3% as compared with the same period of last year, which was mainly due to an adjustment to the Group’s product portfolios to increase the output of high-end denim in light of the market conditions.

For the six months ended 30 June 2013, the Group's revenue was approximately RMB6,702 million, representing a decrease of approximately 13.1% as compared with the corresponding period of 2012. The overall decrease was mainly attributable to the decrease in sales volume of cotton yarn of the Group during the Period as compared with the corresponding period of last year. Net profit attributable to owners of the parent was approximately RMB266 million, representing a significant increase of approximately 392.6% from the corresponding period of 2012. Apart from the lower comparative base of profits for the same period of last year, the increase was mainly attributable to the improvement in gross profits due to the decline in unit cost of sales, the rise in profit generated from the sale of electricity as a result of reduced coal price and the reduced finance costs of the Group during the same period.

For the six months ended 30 June 2013, the gross profit of the Group increased by approximately 43.6% from the corresponding period of last year to approximately RMB602 million. The increase was mainly attributable to the reduction in inventory of finished products with higher unit costs by the Group in 2012, leading to a decrease in unit cost of sales for the first half of 2013, and thus the profitability was enhanced under stable average selling prices conditions. As a result, the gross profit margin of the Group increased from approximately 5.4% during the corresponding period of last year to approximately 9.0%. For the six months ended 30 June 2013, basic earnings per share of the Company were RMB0.22. The Board of the Company did not recommend any payment of the interim dividend for the six months ended 30 June 2013.

Commenting on the first half of 2013 interim results performance, Ms. Zhang Hongxia, Chairman of Weiqiao Textile, said, "During the Period under Review, insufficient overseas demand, a slowdown in the growth in domestic demand, a gap between domestic and overseas cotton prices, and the increase in the production costs including labour cost were still the major issues that affected China's textile industry during the Period."

Business Review

In the first half of 2013, adverse factors such as weak demand and large cotton price gap between domestic and overseas markets still haunted the cotton textile industry in China. However, taking a market demand-oriented approach, Weiqiao Textile firmly grasped the opportunity to boost sales with a more flexible sales strategy, thus, further enhancing the Group's competitive advantages and its leading industry position.

During the Period, the approximate percentage of revenue contributed by the Group's cotton yarn, Grey fabric and denim are 35.8%、56.5% and 7.7%. The charts below are a comparison of the breakdown of revenue by products for the six months ended 30 June 2013 and the corresponding period of 2012, respectively:

Product	Six-month period ended 30 June 2013 RMB'000	Six-month period ended 30 June 2012 RMB'000	Change (%)	Approximate Percentage of Group's revenue for the six months ended 30 June 2013 (%)
Cotton yarn	2,400,000	3,692,000	-35.0	35.8
Grey fabric	3,783,000	3,563,000	6.2	56.5
Denim	519,000	453,000	14.6	7.7
Others	-	1,000	-	0.0
Total	6,702,000	7,709,000	-13.1	100.0

For the six months ended 30 June 2013, the proportion of revenue contributed by the Group's cotton yarn decreased as compared with the corresponding period of last year. The decrease was mainly attributable to the drop in revenue from cotton yarn resulting from the decrease in sales volume of cotton yarn as compared with the corresponding period of last year. The decrease in sales volume was mainly due to a higher comparable base caused by the Group's efforts in reducing part of cotton yarn inventory during the corresponding period of last year. The increase in the proportion of revenue contributed by grey fabric and denim was due to the market demand-oriented approach and the flexible sales strategy adopted by the Group, leading to an increase in sales volume of grey fabric and denim.

The following table shows the geographic breakdown of revenue for the six months ended 30 June 2013 and the corresponding period of 2012:

Geographical location	Six-month period ended 30 June 2013 RMB'000	Six-month period ended 30 June 2012 RMB'000	Change (%)	Approximate Percentage of Group's revenue for the six months ended 30 June 2013 (%)
Mainland China	3,415,000	5,778,000	-40.9	51.0
Hong Kong	1,714,000	733,000	133.8	25.6
East Asia ⁽¹⁾	566,000	439,000	28.9	8.4
Others ⁽²⁾	1,007,000	759,000	32.7	15.0

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

For the six months ended 30 June 2013, the Group's selling and distribution expenses were approximately RMB103 million, representing a decrease of approximately 1.9% from approximately RMB105 million for the same period of last year. Among those costs, transportation cost decreased by approximately 16.9% to approximately RMB64 million from approximately RMB77 million for the same period of last year. This was mainly due to the fees for transportation resulting from lower unit price for export transportation while export sales increased and domestic sales decreased during the Period. Salary of sales staff was approximately RMB17 million, representing an increase of approximately 30.8% from approximately RMB13 million for the corresponding period of last year. The increase

was due to the growth in export orders achieved by the clients of certain domestic sales staff during the Period, leading to corresponding increase in the compensation of such sales staff. Sales commission was approximately RMB6 million, which remained flat as compared with the corresponding period of last year.

Administrative Expenses

For the six months ended 30 June 2013, the administrative expenses of the Group was approximately RMB141 million, representing an increase of approximately 19.5% from approximately RMB118 million for the corresponding period of last year. Such increase was primarily due to the Group's inclusion of the depreciation costs incurred by idle properties in the administrative expenses according to accounting standards during the Period.

Finance Costs

For the six months ended 30 June 2013, finance costs of the Group were approximately RMB268 million, representing a decrease of approximately 17.0% from approximately RMB323 million for the corresponding period of last year, which was mainly attributable to the decrease in bank borrowings during the Period and the drop in the average borrowing rate.

Outlook

Looking ahead, while the global economy is still subject to uncertainties, China's textile industry is entering a stage of profound adjustments given the anticipated significant increases in the costs of labor, energy, and raw materials. Weiqiao Textile will continue to overcome challenges and seize opportunities mainly through continuously optimizing its product mix, increasing its market share of mid-end and high-end products, and enhancing products' value-added features. In response to the rising labor costs, the Company will improve the facilities' operational efficiency and increase its level of automation to reduce labor intensity (measured by workers needed per ten thousand spindles). The Company will also strategically modify the mix of imported cotton and domestic cotton to reduce raw material costs. The Company's exports to emerging markets are expected to increase as a result of optimized the structure of domestic and international trade and the development of products tailored for emerging markets. Financially, the Company will further optimize its debt structure and control its finance costs. Weiqiao Textile will continue to focus on environmental protection and sustainable development, solidify its position as an industry leader, and continue to commit to its social responsibility. With its positive brand image, extensive operational experience and a strong balance sheet, the Group is confident that it will maintain its position as the most preferred cotton textile provider in China and the top choice for global buyers.

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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 a strong position in the global textile markets by employing advanced 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 87,000 people. As at June 30 2013, the Group produced approximately 238,000 tons of cotton yarn, 491,000,000 meters of grey fabric and 36,000,000 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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