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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 2008

Annual results for the year ended 31 December 2008	
Revenue	a decrease of 11.5% to RMB16,453,000,000
Gross profit	a decrease of 46.2% to RMB1,431,000,000
Net profit attributable to shareholders of the Company	a decrease of 68.1% to RMB596,000,000
Basic earnings per share	a decrease of 67.9% to RMB0.50
Proposed final dividend per share	a decrease of 68.7% to RMB0.1569

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 2008 (the "**Year**"). During the Year, the revenue was approximately RMB16,453,000,000, a decrease of 11.5% as compared with the year ended 31 December 2007. Net profit attributable to shareholders of the Company amounted to RMB596,000,000, with a decrease of 68.1% as compared with the year ended 31 December 2007.

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2008

	Notes	**2008** *RMB'000*	**2007** *RMB'000*
REVENUE	4	16,453,087	18,589,586
Cost of sales		(15,022,353)	(15,927,215)
Gross profit		1,430,734	2,662,371
Other income and gains	4	629,849	466,921
Selling and distribution costs		(346,116)	(410,222)
Administrative expenses		(193,173)	(196,971)
Write-back of unutilised welfare provision	5(b)	—	534,362
Other expenses		(103,991)	(57,821)
Finance costs	6	(696,714)	(726,014)
PROFIT BEFORE TAX	5	720,589	2,272,626
Tax	7	(124,534)	(394,521)
PROFIT FOR THE YEAR		596,055	1,878,105
Attributable to:			
Equity holders of the parent		596,212	1,868,471
Minority interests		(157)	9,634
		596,055	1,878,105
DIVIDEND			
Proposed final	8	187,400	597,813
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic - for profit for the year	9	RMB0.50	RMB1.56

CONSOLIDATED BALANCE SHEET
31 December 2008

	Notes	**2008** *RMB'000*	**2007** *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		18,449,075	16,099,869
Investment properties		125,727	—
Prepaid land lease payments		123,409	126,225
Intangible assets		4,501	5,701
Deferred tax assets		118,007	70,088
Total non-current assets		18,820,719	16,301,883
CURRENT ASSETS			
Inventories		3,780,115	3,587,791
Trade receivables	10	427,019	902,185
Amounts due from related parties		226	1
Amounts due from the immediate holding company		258,788	1,579
Prepayments, deposits and other receivables		49,436	96,437
Derivative financial instruments		292	5,983
Pledged time deposits	11	270,435	154,080
Non-pledged time deposits maturing over three months	11	1,045,627	1,684,688
Cash and cash equivalents	11	2,643,593	4,014,049
Total current assets		8,475,531	10,446,793
CURRENT LIABILITIES			
Trade payables	12	2,847,475	1,375,533
Bills payable	13	680,000	649,151
Amounts due to related parties		9,969	16,882
Amounts due to the immediate holding company		959	37,793
Other payables and accruals		1,193,006	761,942
Derivative financial instruments		1,245	219
Interest-bearing bank loans, current portion		3,329,350	4,278,627
Tax payable		520,236	965,295
Dividend payable		—	104,223
Deferred income, current portion		8,982	7,651
Total current liabilities		8,591,222	8,197,316
NET CURRENT (LIABILITIES)/ASSETS		(115,691)	2,249,477
TOTAL ASSETS LESS CURRENT LIABILITIES		18,705,028	18,551,360

	Notes	2008	2007
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank loans, long term portion		5,097,305	4,948,133
Deferred income		131,834	124,798
Deferred tax liabilities		10,388	5,773
Total non-current liabilities		5,239,527	5,078,704
Net assets		13,465,501	13,472,656
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		1,194,389	1,194,389
Reserves		11,987,289	11,578,477
Proposed final dividend	8	187,400	597,813
		13,369,078	13,370,679
Minority interests		96,423	101,977
Total equity		13,465,501	13,472,656

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2008

	Attributable to equity holders of the parent							
	Issued capital	Capital reserve	Statutory surplus reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007	1,194,389	6,678,052	819,437	2,810,330	525,531	12,027,739	94,062	12,121,801
Final 2006 dividend declared	—	—	—	—	(525,531)	(525,531)	—	(525,531)
Dividend paid to minority shareholders	—	—	—	—	—	—	(1,719)	(1,719)
Profit for the year	—	—	—	1,868,471	—	1,868,471	9,634	1,878,105
Proposed final 2007 dividend (note 8)	—	—	—	(597,813)	597,813	—	—	—
Transfer from capital reserve to retained profits (a)	—	(4,672)	—	4,672	—	—	—	—
Transfer from retained profits	—	—	153,221	(153,221)	—	—	—	—
At 31 December 2007	1,194,389	6,673,380(b)	972,658(b)	3,932,439(b)	597,813	13,370,679	101,977	13,472,656
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(c)	—	—	—	—	—	—	(513)	(513)
Dividend paid to minority shareholders	—	—	—	—	—	—	(4,884)	(4,884)
Profit 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	1,194,389	6,673,380(b)	1,033,485(b)	4,280,424(b)	187,400	13,369,078	96,423	13,465,501

(a) In accordance with the new Chinese Accounting Standards ("CAS") effective from 1 January 2007, the government grants received were no longer required to be credited to capital reserve. The deferred income recognised in the consolidated income statements of prior years in accordance with HKAS 20 and transferred to capital reserve was then transferred back to retained profits in 2007.

(b) These reserve accounts comprise the consolidated reserves of RMB11,987,289,000 (2007: RMB11,578,477,000) in the consolidated balance sheet as at 31 December 2008.

(c) 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 RMB0.5 million, making the subsidiary wholly owned by the Company.

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2008

	Notes	**2008** *RMB'000*	**2007** *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		720,589	2,272,626
Adjustments for:			
Finance costs	6	696,714	726,014
Bank interest income	4	(85,115)	(84,393)
Recognition of deferred income	4	(7,873)	(6,447)
Losses on disposal of items of property, plant and equipment	5	30,507	10,048
Fair value losses/(gains), net:			
Derivative financial instruments	5	6,717	(9,982)
Depreciation	5	1,183,649	1,082,963
Foreign exchange differences, net	5	(158,323)	(226,310)
Amortisation of intangible assets	5	1,200	1,200
Recognition of prepaid land lease payments	5	2,816	2,816
Revenue on property leasing	4	(2,416)	—
Reversal of impairment of trade receivables	5	(15,212)	—
Impairment of properties and investment properties	5	22,899	—
Provision/(reversal of provision) against inventories	5	27,396	(124,350)
		2,423,548	3,644,185
(Increase)/decrease in inventories		(219,720)	114,123
Decrease/(increase) in trade receivables		441,683	(262,326)
Decrease/(increase) in prepayments, deposits and other receivables		28,225	(35,859)
Increase in amounts due from the immediate holding company		(257,209)	—
(Decrease)/increase in net amounts due to related parties		(7,138)	12,665
Decrease in amounts due to the immediate holding company		(36,834)	(126,584)
Increase in trade payables		305,610	476,183
Increase/(decrease) in bills payable		30,849	(10,849)
Increase/(decrease) in other payables and accruals		402,002	(605,512)
Cash generated from operations		3,111,016	3,206,026
Interest paid		(710,976)	(727,951)
PRC corporate income tax paid		(612,897)	(334,749)
Net cash inflow from operating activities		1,787,143	2,143,326

	Notes	**2008**	**2007**
		RMB'000	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		79,970	77,725
Purchases of items of property, plant and equipment		(2,571,441)	(1,277,518)
Receipt of government grants		16,240	37,405
Proceeds from disposal of items of property, plant and equipment		104,014	13,598
Acquisition of minority interest		(520)	—
Revenue on property leasing	4	2,416	—
Decrease/(increase) in non-pledged time deposits maturing over three months		639,061	(402,774)
Increase in pledged deposits		(116,355)	(47,554)
Net cash outflow from investing activities		(1,846,615)	(1,599,118)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		4,877,012	5,994,854
Repayment of bank loans		(5,469,432)	(6,236,540)
Dividends paid to equity shareholders of the parent		(702,036)	(489,016)
Dividends paid to minority shareholders		(4,884)	(1,719)
Net cash outflow from financing activities		(1,299,340)	(732,421)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,358,812)	(188,213)
Cash and cash equivalents at beginning of year		4,014,049	4,209,714
Effect of foreign exchange rate changes, net		(11,644)	(7,452)
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	2,643,593	4,014,049
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	11	2,058,743	3,795,203
Non-pledged time deposits with original maturity of less than three months when acquired		584,850	218,846
	11	2,643,593	4,014,049

NOTES TO FINANCIAL STATEMENTS
31 December 2008

1. CORPORATE INFORMATION

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

The Company and its subsidiaries (collectively, the “Group”) are principally engaged in the manufacture and sale of cotton yarn, grey fabrics 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 (the “Holding Company”), a limited liability company established in the PRC, and Zouping County Supply and Marketing Corporation 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 2008. 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 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 39 & HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 — Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

3. SEGMENT INFORMATION

The Group has only one business segment, which is the manufacture and sale of cotton yarn, grey fabrics and denim.

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 2008 and 2007, is as follows:

Year ended 31 December 2008

	Sales to external customers *RMB'000*	**Cost of sales** *RMB'000*	**Gross profit** *RMB'000*
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
	16,453,087	15,022,353	1,430,734

Year ended 31 December 2007

	Sales to external customers RMB'000	Cost of sales RMB'000	Gross profit RMB'000
Mainland China	10,954,790	9,256,899	1,697,891
Hong Kong	3,303,638	2,880,314	423,324
East Asia	1,876,398	1,659,631	216,767
Others	2,454,760	2,130,371	324,389
	18,589,586	15,927,215	2,662,371

4. REVENUE, OTHER INCOME AND GAINS

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

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

	Notes	**2008** *RMB'000*	**2007** *RMB'000*
Revenue			
Sale of textile goods		16,453,087	18,589,586
Other income			
Bank interest income		85,115	84,393
Compensation from suppliers on supply of sub-standard goods		36,478	50,848
Penalty income from employees		6,763	5,950
Recognition of deferred income		7,873	6,447
Revenue on property leasing		2,416	667
Others		8,194	15,249
		146,839	163,554
Gains			
Sale of electricity and steam		1,624,042	158,246
Less: cost thereon		(1,318,561)	(114,881)
Gains on sale of electricity and steam		305,481	43,365
Gains on sale of waste and spare parts		16,079	9,481
Foreign exchange differences, net	5	158,323	226,310
Realised gains on derivative financial instruments transactions	5	3,127	14,229
Fair value gains, net:			
Derivative financial instrument	5	—	9,982
		483,010	303,367
		629,849	466,921

5. PROFIT BEFORE TAX

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

	Notes	**2008** *RMB'000*	**2007** *RMB'000*
Cost of goods sold		14,798,322	15,856,126
Staff costs (excluding directors' and supervisors' remuneration):			
Wages, salaries and social security costs		2,087,197	2,193,807
Pension scheme contributions (a)		83,269	59,869
		2,170,466	2,253,676
Depreciation		1,183,649	1,082,963
Recognition of prepaid land lease payments		2,816	2,816
Repairs and maintenance		440,982	448,576
Losses on disposal of items of property, plant and equipment		30,507	10,048
Amortisation of intangible assets		1,200	1,200
Auditors' remuneration		7,285	7,267
Directors' and supervisors' remuneration		4,623	4,084
Foreign exchange differences, net	4	(158,323)	(226,310)
Provision/(reversal of provision) against inventories		27,396	(124,350)
Reversal of impairment of trade receivables		(15,212)	—
Impairment of properties and investment properties		22,899	—
Realised gains on derivative financial instruments transactions	4	(3,127)	(14,229)
Fair value losses/(gains), net:			
Derivative financial instruments	4	6,717	(9,982)
Write-back of unutilised welfare provision (b)		—	(534,362)
Research and development costs included in:			
Wages and salaries		14,784	6,653
Consumables		21,397	14,085
		36,181	20,738
Minimum lease payments under operating leases:			
Land and buildings		25,481	22,094

(a) As at 31 December 2008, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2007: Nil).

(b) Prior to 1 January 2007, the Group was required to provide the welfare provision based on 14% of the employees' total salaries and had intention to utilise the welfare provided in the future. However, under the new CAS, effective from 1 January 2007, the 14% welfare provision is no longer to be provided. The Group reassessed the status of actual utilisation of the welfare provision and reversed the excess unutilised provision in 2007.

6. FINANCE COSTS

	2008	2007
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	687,135	732,792
Less: Interest capitalised	(1,330)	(14,675)
	685,805	718,117
Other finance costs:		
Increase in discounted amounts of trade payables	10,909	—
Increase in discounted amount of long term payable to the immediate holding company	—	7,897
	696,714	726,014

7. TAX

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the year (2007: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2008	2007
	RMB'000	*RMB'000*
Current — Mainland China	167,838	345,874
Deferred	(43,304)	48,647
Total tax charge for the year	124,534	394,521

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the locations in which the Company, its subsidiaries and joint ventures are situated 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:

	2008 *RMB'000*	%	**2007** *RMB'000*	%
Profit before tax	720,589		2,272,626	
Tax at PRC statutory tax rate	180,147	25.0	749,967	33.0
Expenses not deductible for tax	14,353	2.0	7,004	0.3
Tax loss not recognised	—	—	4,965	0.2
Tax exemption (note (a))	(192)	—	(4,620)	(0.2)
Tax concessions in respect of purchase of PRC manufactured machinery and equipment (note (b))	(83,878)	(11.7)	(390,152)	(17.1)
Change in tax rates (note (c))	—	—	20,581	0.9
Others	14,104	2.0	6,776	0.3
Tax charge at the Group's effective rate	124,534	17.3	394,521	17.4

Under the PRC income tax law, the companies (except for Shandong Binteng Textile Company Limited ("Binteng Textile")) 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 GAAP.

Note:

(a) Being a Sino-foreign joint venture enterprise, 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. Binteng Textile was entitled to a 50% reduction in the CIT rate for the current year.

(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.

(c) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which became effective from 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%.

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

8. DIVIDEND

	2008 *RMB'000*	2007 *RMB'000*
Proposed final — RMB0.1569 (2007: RMB0.5005) per share	187,400	597,813

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 number of ordinary shares in issue during the year.

	2008 *RMB'000*	2007 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	596,212	1,868,471

	Number of shares 2008	2007
Shares		
Ordinary shares in issue during the year used in the basic earnings per share calculation	1,194,389,000	1,194,389,000

Diluted earnings per share amounts for the years ended 31 December 2008 and 2007 have not been disclosed as no diluting events existed during these years.

10. TRADE RECEIVABLES

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

	2008 *RMB'000*	2007 *RMB'000*
Within 3 months	420,611	894,169
3 to 6 months	2,501	3,176
6 months to 1 year	1,454	3,208
1 to 2 years	2,453	1,632
	427,019	902,185

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 with a long term relationship. 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.

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

	2008 *RMB'000*	2007 *RMB'000*
Cash and bank balances	2,058,743	3,795,203
Time deposits	1,900,912	2,057,614
	3,959,655	5,852,817
Less: Pledged time deposits:		
Pledged for letter of credit facilities	(270,435)	(154,080)
Non-pledged time deposits maturing over three months	(1,045,627)	(1,684,688)
Cash and cash equivalents	2,643,593	4,014,049

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi amounted to RMB1,980 million (2007: RMB3,632 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 seven days 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 balance sheet date, 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:

	2008	**2007**
	RMB'000	*RMB'000*
Within 3 months	1,342,638	857,853
3 to 6 months	1,317,330	217,179
6 months to 1 year	24,814	240,014
Over 1 year	162,693	60,487
	2,847,475	1,375,533

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

13. BILLS PAYABLE

	2008	**2007**
	RMB'000	*RMB'000*
Within 3 months	450,000	452,551
3 to 6 months	230,000	196,600
	680,000	649,151

Certain of the Group's bills payable amounting to RMB230 million as at 31 December 2008 were drawn by Weihai Industrial Park in favour of the Company and were discounted with banks by the Company prior to 31 December 2008 (2007: RMB155.3 million).

Certain of the Group's bills payable amounting to RMB450 million as at 31 December 2008 were drawn by Company in favour of Binzhou Weiqiao Technology Industrial Park Company Limited ("Binzhou Industrial Park") and were discounted with banks by Binzhou Industrial Park prior to 31 December 2008 (2007: RMB477.3 million).

Certain of the Group's bills payable amounting to RMB16.6 million as at 31 December 2007 were drawn by Weihai Weiqiao Textile Company Limited ("Weihai Weiqiao") in favour of the Company and were discounted with banks by the Company prior to 31 December 2007.

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.

During the year, the Group had the following transactions with related parties:

(a) Transactions with related parties

Name of related party	Relationship with the Company	Nature of transactions	2008	2007
			RMB'000	*RMB'000*
The Holding Company	The immediate holding company	Expenses on provision of electricity and steam	—	59,898
		Expenses on land use rights and property leasing	25,150	22,094
		Sale of cotton yarn	41,093	—
		Revenue on supply of electricity	1,186,925	132,067
		Revenue on property leasing	2,416	167
		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	22,996
Shandong Weilian Printing and Dyeing Co., Ltd.	A fellow subsidiary	Sale of grey fabrics	699,625	377,054
Shandong Weiqiao Bleaching-Dyeing Co., Ltd.	An associate of the Holding Company	Sale of cotton yarn	65,233	50,173
Shandong Hengfu Knitting Co., Ltd.	A fellow subsidiary	Sale of cotton yarn	67,781	59,812
Shandong Weiqiao Hongyuan Home Textile, Ltd.	A fellow subsidiary	Sale of grey fabrics	35,764	4,758
Shandong Weiqiao Tekuanfu Co., Ltd.	A fellow subsidiary	Sale of grey fabrics	461,637	300,571
		Sale of denim	70	—
Shandong Weiqiao Clothes Co., Ltd.	A fellow subsidiary	Sale of grey fabrics	48	2,282
		Sale of denim	333	2,315
Shandong Weiqiao Elite Garment Co., Ltd.	A fellow subsidiary	Sale of grey fabrics	432	1,437
		Sale of denim	—	8,062
Shandong Weiqiao Jiajia Home Textile Co., Ltd.	A fellow subsidiary*	Sale of grey fabrics	47,628	27,642

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

(b) Outstanding balances with related parties included in the consolidated balance sheet

	Due from related parties		Due to related parties	
	2008	**2007**	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Holding Company	258,788	1,579	959	37,793
Fellow subsidiaries	226	—	9,969	16,882
An associate of the Holding Company	—	1	—	—

(c) Compensation of key management personnel of the Group

	2008	**2007**
	RMB'000	*RMB'000*
Short term employee benefits	4,742	4,256
Post-employment benefits	16	13
Total compensation paid to key management personnel	4,758	4,269

15. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 27 March 2009.

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 2008 (the "Year" or "Period under Review").

The global financial tsunami triggered by the US subprime crisis in 2008 had a heavy impact on the global economy. Although the Chinese government took decisive measures to sustain the stable development of the national economy by easing monetary policy, increasing infrastructure investment and expanding domestic demand in the second half of the year 2008, the growth of the Chinese economy slowed down under the influence of the economic recession in Europe and the US. According to the National Bureau of Statistics of China, Gross Domestic Product ("GDP") for 2008 was approximately RMB30,067 billion, representing a growth of approximately 9.0% as compared with the previous year, which was 4.0 percentage points lower than 2007.

The plunge of the global economy posed serious challenges for export. According to the information from the China Customs, the amount of total imports and exports in 2008 was approximately US$2,561.6 billion, representing a growth of 17.8% as compared with the previous year, and a drop of 5.7 percentage points in growth rate. Of these, the amount of exports was US$1,428.5 billion, representing a growth of 17.2%, which was a decline of 8.5 percentage points in growth rate; the amount of imports was US$1,133.1 billion, representing a growth of 18.5%, and a drop of 2.3 percentage points in growth rate. Due to such factors as the shrinking demand in the international market and the significant decrease in price of international primary commodities, the amount of imports in the fourth quarter of 2008 decreased by 8.8% as compared with the previous year, while growth in exports slowed to 4.3%. The slowed growth in imports and exports during the Year reflects the decrease in international trade activities.

With the "China-EU Textile Trade Memorandum of Understanding" taking effect from 1 January 2008, the EU completely removed the safeguard on the exports of 10 types of textile products from China, resulting in an increase in the number of textile products exported to such market from China. However, China's textile products and clothing trade recorded a substantial decrease in growth rate in the second half of 2008 as a result of the significant appreciation of Renminbi versus Euro and the deteriorating overseas economic environment. According to the China Customs, China's total exports of textile products and clothing for 2008 amounted to US$185.22 billion, representing an increase of approximately 8.2% as compared with last year, while the growth rate was 10.7 percentage points lower in 2008 than approximately 18.9% in 2007. Exports of cotton textile products and clothing amounted to US$71.769 billion, representing a decrease of 0.4% as compared with last year, and a decline of 29.1 percentage points in growth rate.

The Group encountered various challenges in both halves of the Year. The rapid fast appreciation of Renminbi versus US dollars, decrease in the export tax rebate rate, volatility in raw material and energy prices and the tightened monetary policy of the Chinese government raised challenges to the overall operation of the cotton textile industry in the first half of the year 2008. The continued slowdown of the global economy, significant appreciation of Renminbi versus Euro and the continued decrease in foreign demand also endangered the survival of the industry in the second half of the year 2008.

For the year ended 31 December 2008, the Group's revenue was approximately RMB16,453,000,000, representing a decrease of 11.5% as compared with 2007. Profit attributable to shareholders of the Company was over RMB596,000,000, representing a decrease of 68.1% as compared with 2007. Earnings per share were RMB0.50. The board of directors of Company (the "Board") recommended the payment of a final dividend of RMB0.1569 (inclusive of tax) per share for the year ended 31 December 2008.

As the world's largest cotton textile manufacturer, the Group's products are sold to overseas markets and domestically in China and the Group was inevitably affected by the economic climate. In this extremely challenging market condition, the Group adopted the important operating principle of "Reduction in profits rather than giving up market share" and adopted the sales strategy of price reduction in 2008 to gain the Group's market share in the domestic and international markets, which further narrowed profit margins. Gross profit margin of the Group's products decreased to approximately 8.7% in 2008 as compared to approximately 14.3% in 2007. With active efforts in driving technological upgrading, enhancing the level of equipment and facilities and optimizing the portfolio of products, improving both the grade and the quality of its products and improving internal control, the Group has laid a solid foundation for capturing favourable market opportunities when the market revives in future.

Looking ahead, the operating environment of the textile industry in China remains very difficult. China's textile industry, which relies on exports, is first to be affected as the real economies of the European countries and the US have yet to be relieved from the recession and shrinkage of external demand. The Chinese government has raised the export tax rebate rate for certain textile products during the second half of 2008 and the first quarter of 2009 to 15%, and will further increase the export tax rebate rate to 16% in the second quarter of 2009. The stimulus plan for the textile industry was approved in principle at the Executive Meeting of the State Council of the People's Republic of China ("State Council") on 4 February 2009, aiming at adjusting and revitalizing China's textile industry through various specific measures such as expanding market and supporting industrial technological upgrading, to foster the healthy and stable development of China's textile industry. However, it will take some time for the overall macroeconomic environment to improve under the aforesaid measures, and the current situation can hardly be changed within a short period of time.

On the other hand, the Group believes that the difficult global economic condition also adds great pressure to domestic consumption. To overcome such unprecedented challenges, the State Council announced 10 policies for expanding domestic demand and promoting economic growth in November 2008 and promulgated a two-year economic stimulus plan with a total amount of RMB4 trillion, which aimed at stimulating the Chinese economy by expanding domestic demand. The Group believes that these measures will be beneficial for the development of the domestic consumer market and partly offset the adverse effect of the global economic recession.

The huge consumer market for textile products and clothing in China will provide the Group with development opportunities in the long term. Therefore, Weiqiao Textile will expand its domestic market share in light of market demand so as to seize market opportunities. For the overseas market, the Group will continue to leverage on the advantages of the economy of scale and product portfolio to expand the geographical coverage of its business, improve both the level and the quality of its products, and strengthen its development in the medium- to high-end markets.

As competition intensifies, there will be opportunities for market consolidation in the industry in the future and superior enterprises can take this opportunity to further expand their market share. As a leader in the industry, the Group will continue to upgrade production technology, improve production equipment and facilities, produce more high value-added products, improve internal management, control production costs stringently, enhance per capita efficiency and strengthen the core competitiveness of the Group, so as to maintain its leading position in the industry.

Capitalising on the competitive edge of the Group's sound and comprehensive operation as well as our strong financial capability, we have confidence to overcome the current challenges in the market and further strengthen 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 relentless efforts devoted to the long-term development of the Group in the past year, and hope to continue our mutual development and growth with the Group in the days to come. The Directors believe that with the faithful devotion of everyone in the Group, Weiqiao Textile will continue to maintain its core competitive strength, maximise the utilization of its potential to achieve good results, and create value to all shareholders in the fast-changing market competition.

Zhang Hongxia
Chairman

Shandong, the PRC
27 March 2009

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

The financial tsunami originating from the US in 2008 resulted in a global economic recession. The Chinese economy also faced severe challenges and the export-reliant textile industry was generally affected and faced significant decrease in growth rate. According to the statistics of China Customs, China's total export of textile products and clothing in 2008 amounted to US$185.22 billion, representing an increase of 8.2% over last year, and a decrease of 10.7 percentage points in growth rate as compared with 2007. Of those, exports of cotton textile products and clothing amounted to US$71.769 billion, representing a decrease of 0.4% as compared with last year, and a decline of 29.1 percentage points in growth rate. Although the EU completely removed the safeguard on the export of 10 types of textile products from China with effect from 1 January 2008 and there was an increase in the number of textile products exported to the market from China, the situation of slowed export of textile products from China did not change for the better in the second half of the Year as a result of the impact of the significant appreciation of Renminbi versus Euro and the decrease in overall demand from the overseas market. In 2008, stimulation of domestic demand was the major supporting force to maintain a certain level of growth in the textile industry. According to the statistics of China Cotton Textile Association, for the period from January to November 2008, the proportion of products from large scale textile enterprises for domestic sale accounted for 76.2% of the total revenue from the principal operating business, representing an increase of 1.8 percentage points as compared with the previous year.

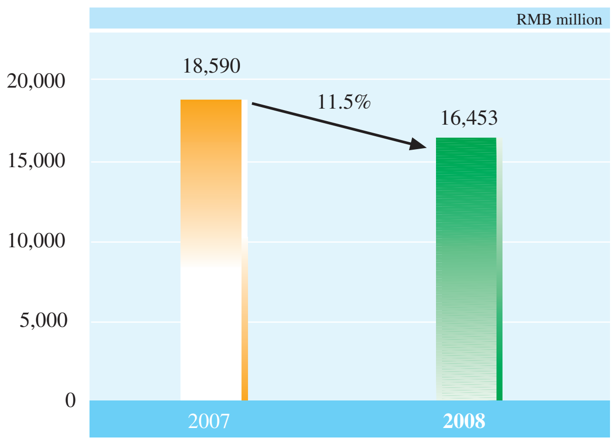
The average purchase price of cotton throughout the year of 2008 was flat as compared with the previous year. Purchase price of cotton remained high from January to August of 2008 but began to fall notably in September. Cotton A Index in China was approximately RMB13,664 per ton on the average in 2008, representing a decrease by 1.8% as compared with that of last year. Cotlook A index was US$71.39 cents per pound on the average, increasing by 10.2% as compared with the previous year. The fluctuation of cotton prices exerted pressure on the textile industry to control production cost.

During the Period under Review, the continued decrease in global commodity prices resulting from the deteriorating economic environment created a very difficult operation condition for China's textile industry. Although governments of all countries took active measures to stimulate the economy and prevent recession, the global demand continued to decrease. China's textile industry was of no exception and its operation conditions were very difficult. Some small enterprises were even forced to terminate their production, which accelerated the consolidation of the textile industry.

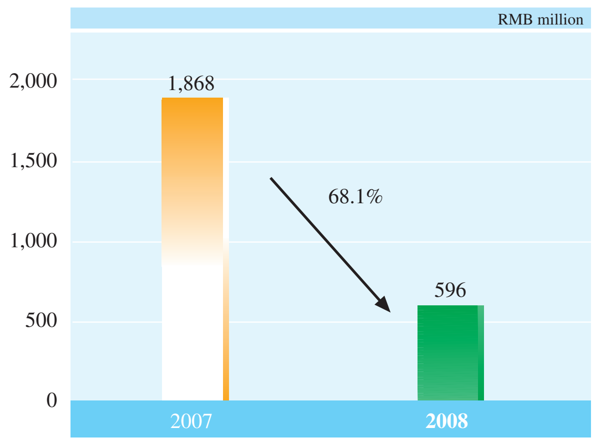
BUSINESS REVIEW

2008 was a very difficult year for China's cotton textile industry. The appreciation of Renminbi, the adjustment of export tax rebate policy and the increase in raw material prices created great pressure on production cost in the first half of the Year. To ensure its market share, the Group adopted the strategy of "Reduction in profits rather than giving up market share" and strived to secure a stable customer base for the Group and consolidate the Group's operating base through the sales strategy of price reduction. In the second half of the Year, the global financial crisis further deteriorated, foreign demand continued to decrease and the cotton textile market continued to be sluggish. In this difficult and changing market environment, Weiqiao Textile's operational results were also significantly affected.

Revenue



Profit attributable to shareholders of the Company

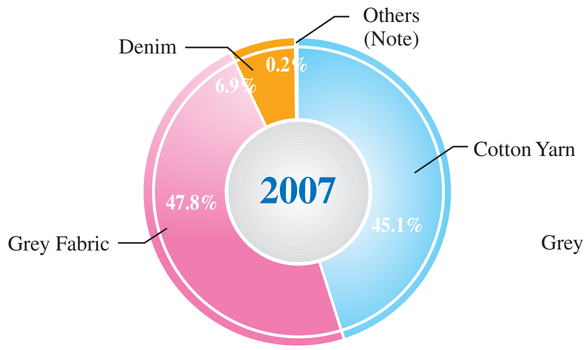


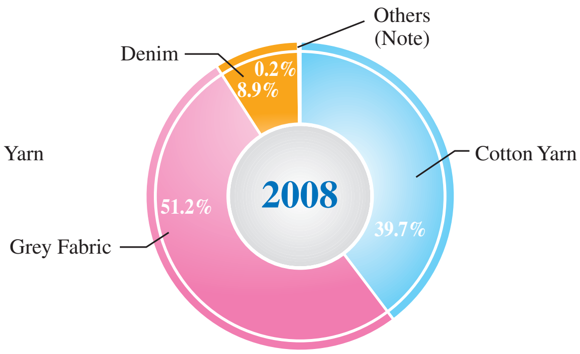
For the year ended 31 December 2008, the Group's revenue was approximately RMB16,453,000,000, representing a decrease of 11.5% when compared with last year. This was mainly attributable to the appreciation of Renminbi, the decrease in the export tax rebate rate, and the reduction in the demand in the textile market as a result of macroeconomic controls in the first half of 2008. In the second half of the Year, although the export tax rebate rate for certain textile products and clothing was raised from 11% to 14% and the Chinese government promulgated various economic policies to expand domestic demand and stimulate consumer spending, the textile product export market continued to shrink as a result of the weak global economic environment. The Group operated in an even more difficult position with a decrease in revenue.

For the year ended 31 December 2008, net profit attributable to shareholders of the Company was approximately RMB596,000,000, representing a decrease of 68.1% as compared with the previous year. Earnings per share were RMB0.50, representing a decrease of 67.9%. This was mainly attributable to the decrease in demand from the external textile product market, more intense competition in the domestic textile product market as a result of the effect of the general economic environment and the selling price reduction strategy adopted by the Group to gain the market share and client resources, leading to a decrease in profit margin.

The chart below is a comparison of the proportion of revenue by products for the years ended 31 December 2007 and 2008:

Proportion of revenue by products

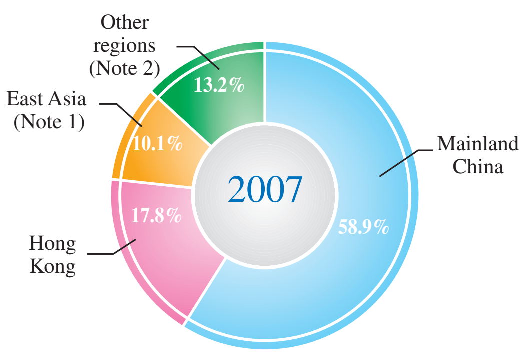


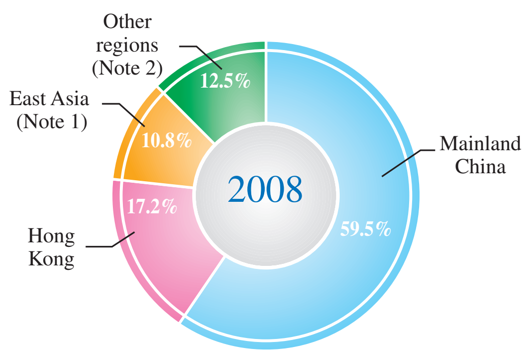


Note: Others include cotton seed and other ancillary products.

For the year ended 31 December 2008, the proportion of revenue from grey fabric and denim increased as compared with last year. Such increase was mainly due to the adjustment of products' portfolio by the Group according to the change in market demand. And the revenue of cotton yarn decreased as compared to last year, which was mainly attributable to the continuous contraction of the cotton yarn export markets under the impact of the global financial crisis. In particular, demand for the knitwear market was sluggish with more intensive competition, the Company adopted price reduction strategy to boost sales, resulting in a decrease in the sales revenue from cotton yarn.

Proportion of revenue by geographical locations





Note 1: East Asia comprises Japan and South Korea

Note 2: Other regions mainly comprise Southeast Asia, the US, Europe, Taiwan and Africa

For the year ended 31 December 2008, the proportion of revenue generated from domestic sales and exports was basically equivalent to last year.

As at 31 December 2008, the Group had a total of four production bases, 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 Industrial Park);

3. Weihai Production Base (Weihai Weiqiao and 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 in China, with a total gross floor area of approximately 4,937,700 sq.m.

In 2008, the Group's production volume of cotton yarn, grey fabric and denim were approximately 819,000 tons, 1,452,000,000 meters and 167,000,000 meters, representing a decrease of 8.1%, 11.8% and 7.2%, respectively, as compared with last year. This was mainly attributable to an increase in medium-to-high-end products as a result of the adjustment made by the Group to the product portfolio in accordance with the market demand, which led to a slight decrease of production volume.

During the Period under Review, the Group continued to actively expand its market share and consolidate its customer base. As at 31 December 2008, the Group had a total of 8,300 domestic customers and over 810 overseas customers, both representing a growth of approximately 3.8% as compared with last year, reflecting the comprehensive sales network and well-founded customer base of the Group.

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 2007 and 2008:

	For the year ended 31 December 2007			For the year ended 31 December 2008		
	Revenue	**Gross profit**	**Gross profit margin**	**Revenue**	**Gross profit**	**Gross profit margin**
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*
Product						
Cotton yarn	8,384,946	1,119,056	13.3	6,533,252	549,791	8.4
Grey fabric	8,895,921	1,275,527	14.3	8,426,382	678,805	8.1
Denim	1,274,368	260,117	20.4	1,458,345	201,420	13.8
Others	34,351	7,671	22.3	35,108	718	2.0
	18,589,586	2,662,371	14.3	16,453,087	1,430,734	8.7

For the twelve months ended 31 December 2008, the Group's gross profit margin decreased to 8.7%. The decrease was mainly attributable to the higher production cost of the Group's products as a result of the increase in energy and raw material costs on one hand. In addition, the slowing of the macroeconomic growth rate led to a decrease in demand from downstream enterprises for textile products. The Group adopted the strategy of price reduction, resulting in a significant decrease in overall profit margin.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by 15.6% to approximately RMB346,000,000 for the year ended 31 December 2008 from approximately RMB410,000,000 for the previous year. Transportation cost decreased by 15.9% to approximately RMB269,000,000 from approximately RMB320,000,000 for 2007, which was mainly attributable to a corresponding decrease in shipped products with a decline in revenue and a reduction in transportation costs per unit of the Group during the second half of the Year. Sales commission remained unchanged at its 2007 amounts of approximately RMB34,000,000.

Administrative expenses

Administrative expenses of the Group for the year ended 31 December 2008 amounted to approximately RMB193,000,000, which was basically in line with approximately RMB197,000,000 recorded in the previous year.

Finance costs

For the year ended 31 December 2008, finance costs of the Group were approximately RMB697,000,000, representing a decrease of 4.0% as compared with RMB726,000,000 for 2007. This was mainly due to a decrease in interest expenses as a result of the reduction in the Group's interest-bearing bank borrowings. From September 2008, the decrease in lending rates of the domestic financial institutions also had an impact on interest expenses for the Year.

Liquidity and financial resources

As at 31 December 2008, cash and cash equivalents of the Group were approximately RMB2,644,000,000, representing a decrease of 34.1% as compared with cash and cash equivalents of approximately RMB4,014,000,000 as at 31 December 2007. It was mainly due to the purchase of the thermal power assets of the parent company Shandong Weiqiao Chuangye Group Limited ("Holding Company") by the Group in the first half year of 2008 for RMB2,210,000,000.

As at 31 December 2008, the Group's liquidity ratio (total current assets to total current liabilities) was 1.0, which was mainly attributed to the acquisition of thermal power assets from companies under the Group in March 2008 and the acquisition of thermal power assets from Zouping Gaoxin Thermal Assets Co., Ltd. (hereinafter referred to as Gaoxin Thermal Power) in September 2008 leading to a sharp reduction in the amount of current assets and an increase in current liabilities.

For the year ended 31 December 2008, the Group had a net cash outflow from investing activities of RMB1,847,000,000 and a net cash inflow from operating activities of RMB1,787,000,000. 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 liquid capital and financial resources to satisfy its business needs.

For the year ended 31 December 2008, average accounts receivable turnover days were approximately 9 days, as compared to 18 days for last year. This was mainly attributable to the contraction in external demand, the export revenue decreased in the second half of the year resulting in a decrease in the settlement of letters of credit, and the credit periods of the letters of credit are longer than the domestic credit periods.

For the year ended 31 December 2008, inventory turnover days of the Group increased to 92 days from 82 days for last year, mainly attributable to the reduction in market demand for textile products and the increase in the semi-finished products balance of the Group.

For the year ended 31 December 2008, the Group used financial instruments (mainly refer to interest rate swaps) to reduce the risks of changes in interest rates.

Net profit attributable to shareholders of the Company and earnings per share

Net profit attributable to shareholders of the Company was approximately RMB596,000,000 for the year ended 31 December 2008, representing a decrease of 68.1% as compared with approximately RMB1,868,000,000 of last year.

For the year ended 31 December 2008, the basic earnings per share of the Company were RMB0.50.

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 2008, the debts of the Group mainly included interest-bearing bank borrowings totalling approximately RMB8,427,000,000. Cash and cash equivalents were approximately RMB2,644,000,000. The gearing ratio was 42.9% (2007: 38.7%) (Total debt (including interest-bearing bank borrowings deducted by net of cash and cash equivalents) divided by net asset value).

As at 31 December 2008, 25.0% of the Group's bank borrowings was subject to fixed interest rates while the remaining 75.0% was subject to floating interest rates.

The Group maintained a balance between the continuity and flexibility of capital by using bank borrowings. In any 12-month period, borrowings due shall not exceed 50.0% of total borrowings. On 31 December 2008, 40.0% of the Group's debt will become due within a year.

As at 31 December 2008, the Group's borrowings were mainly denominated in Renminbi and US dollars, of which 27.8% of the Group's borrowings were denominated in US dollars. Cash and cash equivalents were mainly held in Renminbi and US dollars of which 3.0% of the cash and cash equivalents was held in US dollars.

Employee and remuneration policy

As at 31 December 2008, the Group had a total of approximately 113,000 employees, representing a decrease of approximately 22,000 employees as compared with last year. The decrease in the number of employees was mainly attributable to a reduction in the amount of labour used as a result of the technological reform of its existing facilities undertaken by the Group. During the Year, total staff cost was approximately RMB2,175,000,000, representing 13.2% of the revenue. Employees were remunerated based on their performance, experience and prevailing industry practice. The Group's remuneration policies and packages were reviewed by its management on a regular basis. Bonuses and rewards may also be awarded to employees based on performance evaluation, with an aim to encourage and motivate staff to achieve better performance. 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 imports and exports of the Group were settled in US dollars and a portion of bank borrowings and deposit are denominated in US dollars. The payment terms for the import of raw materials and borrowings denominated in US dollars of the Group are generally longer than the payment terms by the Group's foreign customers. For the year ended 31 December 2008, the Group recognized net foreign exchange gains of RMB158,000,000. The Group has not experienced any significant difficulties or impact on its operations or liquidity as a result of fluctuations in currency exchange rates. The Directors believe that the Group will have sufficient foreign currencies to meet its requirements.

Acquisition of Thermal Power Assets of the Holding Company

On 14 January 2008, the Company entered into an asset transfer agreement with Holding Company, pursuant to which the Company agreed to acquire the thermal power assets of Holding Company for an aggregate consideration of RMB2,210,000,000. The acquisition was approved at the general meeting of the Company held on 18 March 2008 and the aggregate consideration has been paid up in the first half of the Year.

Acquisition of Thermal Power Assets of Gaoxin Thermal Power

On 4 September 2008, the Company entered into an asset swap agreement with Zouping Gaoxin Thermal Power Co., Ltd. (the "Gaoxin Thermal Power"), pursuant to which the Company acquired the thermal power assets owned by Gaoxin Thermal Power at a consideration of RMB1,599,017,500, and transferred the assets making up the Weiqiao First Thermal Power Plant of the Company to Gaoxin Thermal Power for RMB291,476,160 as payment of part of the consideration, and the remaining consideration would be offset by supplying electricity to Gaoxin Thermal Power.

The thermal power assets had an installed capacity of about 420 MW and steam generation capacity of about 1,680 tons per hour in 2008. Pursuant to the supply of excess electricity agreement entered into between the Company and Gaoxin Thermal Power, the Company sold approximately 687,000,000 kWh of electricity to Gaoxin Thermal Power and received revenue of approximately RMB357,000,000 (inclusive of VAT) from electricity sales in 2008, which offset part of the remaining consideration.

Capital Commitment

As at 31 December 2008, the Group had authorised and contracted capital commitment of approximately RMB50,000,000 (2007: RMB469,000,000); and the Group had not any authorised but uncontracted capital commitment (2007: nil).

CONTINGENT LIABILITIES

As at 31 December 2008, the Group's contingent liabilities not provided for in the financial statements were undue letter of credit issued amounting to approximately RMB86,000,000.

TAXATION

Taxation of the Group decreased by 68.4% from approximately RMB395,000,000 for 2007 to approximately RMB125,000,000 for 2008. This decrease in tax was primarily due to the significant decrease in the Group's profit before tax during the Period under Review, the reduction of income tax rate from 33% to 25% since the beginning of the Year, and the tax credits amounting to RMB84,000,000 given to the subsidiary of the Company during the Period under Review due to its purchase of PRC made equipment in previous years.

POST BALANCE SHEET EVENTS

The restructuring and revitalization plan for the textile industry aiming at adjusting and revitalizing China's textile industry through various specific measures such as expanding market Share and supporting industrial technological upgrading was approved in principle at the State Council's Executive Meeting on 4 February 2009. Proposals approved by the State Council include the following: explore the rural market and diversify the export market; set aside special funds in the new central investment with a focus on supporting the development of technology in spinning, weaving and chemical fiber dyeing and printing industries and fostering independent famous brands; accelerate the phase out of outdated manufacture processes and equipment with high energy consumption and pollution; optimize geographical distribution by promoting the production of textile products with high technology content and added value in eastern coastal areas and establishing a production base for cotton yarn, cotton fabric and cotton textile products in Xinjiang; and raise the export tax rebate rate for textile products and clothing from 14% to 15%. According to the “Notice relating to the increase in the rate of export tax rebate for light textile, electronic, information commodities etc.” promulgated by the Ministry of Finance and the State Administration of Taxation, from 1 April 2009, the rate of export tax rebate for certain textile clothing will increase from 15% to 16%.

FUTURE OUTLOOK

We believe that the market environment will remain very challenging in 2009 and the prospect will continue to be subject to uncertainties. Although governments of all countries began to promulgate various economic stimulus policies in the second half of 2008 with an aim to stabilize overall development and revitalize the economy, the effect of such measures remain to be seen.

In this challenging market environment, Weiqiao Textile will continue to actively upgrade its production facilities and improve operating efficiency, and strengthen cost control so as to enhance the Group’s core competitiveness. Weiqiao Textile will also strive to expand the market share of medium and high end products to maintain and strengthen its position as the first-choice supplier in China and around the world for international purchasers.

We will continue to make efforts to enhance the scale and strength of Weiqiao Textile, promote more healthy and stable corporate development of the Group and to continuously create value for the shareholders.

SUPPLEMENTAL INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, 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 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:

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

Shareholders	**Number of Domestic Shares** *(Note 1)*	**Approximate percentage of total issued domestic share capital as at 31 December 2008** *(%)*	**Approximate percentage of total issued share capital as at 31 December 2008** *(%)*
Shandong Weiqiao Chuangye Group Company Limited (山東魏橋創業集團有限公司) ("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 & Investment Co., Ltd. (中信信託投資有限責任公司	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 2008 *(%)*	Approximate percentage of total issued share capital as at 31 December 2008 *(%)*
Brandes Investment Partners, L.P.	Investment manager	74,337,500 *(long position) (note 5)*	17.97	6.22
The Bank of New York Mellon	Custodian corporation/ approved lending agent	68,500,600 *(long position)*	16.56	5.74
		60,630,900 *(lending pool)*	14.66	5.08
The Bank of New York Mellon Corporation	Interest of a controlled corporation	68,500,600 *(long position)*	16.56	5.74
		60,630,900 *(lending pool) (note 6)*	14.66	5.08
Mellon Financial Corporation	Interest of controlled corporations	41,073,100 *(long position) (note 7)*	9.93	3.44
AllianceBernstein L.P.	Investment manager and interest of controlled corporations	31,501,200 *(long position) (note 8)*	7.62	2.64
Wellington Management Company, LLP	Investment manager	25,260,500 *(long position) (note 9)*	6.11	2.11

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. 74,337,500 H Shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.

6. 68,500,600 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.

7. 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.

8. Among the 31,501,200 H shares in the Company, 30,488,600 H shares were held by AllianceBernstein L.P. in its capacity as investment manager. 559,500 H shares and 453,100 H shares were held by AllianceBernstein Limited and AllianceBernstein Investment Management Australia Limited, respectively, and both corporations were wholly controlled by AllianceBernstein Corporation of Delaware. AllianceBernstein Corporation of Delaware was a corporation wholly controlled by AllianceBernstein L.P.

9. 25,260,500 H Shares were held by Wellington Management Company, LLP in its capacity as investment manager.

Save as disclosed above, as at 31 December 2008, 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 2008, 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 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** *(Note 1)*	**Approximate percentage of total issued domestic share capital as at 31 December 2008** *(%)*	**Approximate percentage of total issued share capital as at 31 December 2008** *(%)*
Zhang Hongxia *(Executive Director/Chairman)*	Beneficial	17,700,400	2.27	1.48
Qi Xingli *(Executive Director)*	Beneficial	6,042,500	0.77	0.51
Zhang Shiping *(Non-executive Director)*	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 2008 *(%)*
Zhang Shiping (Non-executive Director)	Holding Company	Beneficial	23.52
Zhang Hongxia (Executive Director)	Holding Company	Beneficial and spouse *(Note 1)*	5.73 *(Note 1)*
Zhang Yanhong (Executive Director)	Holding Company	Beneficial	1.63
Qi Xingli (Executive Director)	Holding Company	Beneficial	0.75
Wang Zhaoting *(Non-executive Director)*	Holding Company	Beneficial	0.25
Zhao Shuwen (Executive Director)	Holding Company	Beneficial	0.38
Liu Mingping *(Supervisor)*	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 2008, 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 puresuant ot 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 RMB 0.1569 (inclusive of tax) per share (the "2008 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 2009 (Thursday). The 2008 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 Implemenatation 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 one calendar week preceding the actual payment of the 2008 Final Dividend).

Closure of Register of Members

The Company's register of members will be closed from 1 May 2009 to 1 June 2009 (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 4:00p.m. on 30 April 2009.

Purchase, Redemption or Sale of Listed Securities of the Company

The Company did not redeem any of the Company's listed securities during the year ended 31 December 2008.

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 31 December 2008.

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 27 March 2009 to review the Group's annual report and annual results 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 by Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules.

Following specific enquiry made 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 for the year of 2008.

Code on Corporate Governance Practices

For the year ended 31 December 2008, the Company has adopted and complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules. Other than the deviation from Code Provision A.2.1 of the Code, the Company has complied with all the code provisions as set out in the code under Appendix 14 of the Listing Rules for the year ended 31 December 2008.

Code Provision A.2.1 requires that the roles of the chairman and the chief executive officer shall be separated and not be performed by the same individual. Currently Ms. Zhang Hongxia is the chairman and chief executive officer of the Company. The Board is of opinion that this arrangement will not affect the equilibrium of powers and functions between the Board and the management. The operation of the Board is sufficient to ensure the equilibrium of powers and functions.

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 14 April 2009 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
27 March 2009

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 an non-Hong Kong company under the English name "Weiqiao Textile Company Limited".

* *For identification purpose only*