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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 2010**

Annual results for the year ended 31 December 2010

Compared to 2009 financial results:

Revenue	an increase of 24.8% to approximately RMB17,887,000,000
Gross profit	an increase of 131.5% to approximately RMB2,880,000,000
Profit attributable to owners of the parent	an increase of 82.4% to approximately RMB1,627,000,000
Earnings per share	an increase of 81.3% to approximately RMB1.36
Proposed final dividend per share	an increase of 87.4% to approximately RMB0.4376

The Board of Directors (the “**Board**”) of Weiqiao Textile Company Limited (the “**Company**” or “**Weiqiao Textile**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2010 (the “**Year**” or “**Period under Review**”). During the Period under Review, the revenue of the Group was approximately RMB17,887,000,000, an increase of approximately 24.8% as compared with the year ended 31 December 2009. Profit attributable to owners of the parent amounted to approximately RMB1,627,000,000, with an increase of approximately 82.4% as compared with the year ended 31 December 2009.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
REVENUE	4	17,887,429	14,333,088
Cost of sales		<u>(15,007,823)</u>	<u>(13,089,531)</u>
Gross profit		2,879,606	1,243,557
Other income and gains	4	435,198	1,109,936
Selling and distribution costs		(287,298)	(248,941)
Administrative expenses		(202,325)	(190,024)
Other expenses		(74,421)	(201,450)
Finance costs	6	<u>(493,456)</u>	<u>(513,678)</u>
PROFIT BEFORE TAX	5	2,257,304	1,199,400
Income tax expense	7	<u>(621,939)</u>	<u>(309,106)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>1,635,365</u></u>	<u><u>890,294</u></u>
Profit and total comprehensive income attributable to:			
Owners of the parent		1,627,376	892,446
Non-controlling interests		<u>7,989</u>	<u>(2,152)</u>
		<u><u>1,635,365</u></u>	<u><u>890,294</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	9	<u><u>RMB1.36</u></u>	<u><u>RMB0.75</u></u>

During the years ended 31 December 2010 and 31 December 2009, the Group did not have any other comprehensive income.

Details of the dividends payable and proposed for the year are disclosed in note 8 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	<i>Notes</i>	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		16,680,090	17,202,236
Investment properties		39,902	122,545
Prepaid land lease payments		200,167	120,593
Other intangible assets		3,528	3,301
Deferred tax assets		101,825	173,328
		<hr/>	<hr/>
Total non-current assets		17,025,512	17,622,003
CURRENT ASSETS			
Inventories		5,871,114	2,780,810
Trade receivables	<i>10</i>	521,086	871,475
Due from the immediate holding company		46,040	51,954
Prepayments, deposits and other receivables		752,005	441,120
Pledged time deposits	<i>11</i>	167,014	186,430
Non-pledged time deposits maturing over three months	<i>11</i>	1,594,500	1,536,783
Cash and cash equivalents	<i>11</i>	2,412,583	3,264,210
		<hr/>	<hr/>
Total current assets		11,364,342	9,132,782
CURRENT LIABILITIES			
Trade payables	<i>12</i>	1,601,224	1,700,358
Bills payable	<i>13</i>	580,000	748,300
Due to related parties		9,740	7,291
Other payables and accruals		998,452	881,791
Interest-bearing bank and other borrowings		3,610,289	3,911,785
Tax payable		684,115	499,097
Deferred income		8,927	9,535
		<hr/>	<hr/>
Total current liabilities		7,492,747	7,758,157
		<hr/>	<hr/>
NET CURRENT ASSETS		3,871,595	1,374,625

	<i>Note</i>	2010 RMB'000	2009 <i>RMB'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>20,897,107</u>	<u>18,996,628</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		5,190,910	4,693,672
Deferred income		175,663	129,394
Deferred tax liabilities		<u>6,124</u>	<u>5,472</u>
Total non-current liabilities		<u>5,372,697</u>	<u>4,828,538</u>
Net assets		<u>15,524,410</u>	<u>14,168,090</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		1,194,389	1,194,389
Reserves		13,705,556	12,600,845
Proposed final dividend	8	<u>522,665</u>	<u>278,890</u>
		15,422,610	14,074,124
Non-controlling interests		<u>101,800</u>	<u>93,966</u>
Total equity		<u>15,524,410</u>	<u>14,168,090</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Issued capital	Capital reserve	Statutory surplus reserve	Retained profits	Proposed final dividend	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2009	1,194,389	6,673,380	1,033,485	4,280,424	187,400	13,369,078	96,423	13,465,501	
Final 2008 dividend declared	-	-	-	-	(187,400)	(187,400)	-	(187,400)	
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	(305)	(305)	
Total comprehensive income for the year	-	-	-	892,446	-	892,446	(2,152)	890,294	
Proposed final 2009 dividend (note 8)	-	-	-	(278,890)	278,890	-	-	-	
Transfer from retained profits	-	-	95,622	(95,622)	-	-	-	-	
At 31 December 2009	<u>1,194,389</u>	<u>6,673,380*</u>	<u>1,129,107*</u>	<u>4,798,358*</u>	<u>278,890</u>	<u>14,074,124</u>	<u>93,966</u>	<u>14,168,090</u>	

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Issued capital	Capital reserve	Statutory surplus reserve	Retained profits	Proposed final dividend	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2010	1,194,389	6,673,380	1,129,107	4,798,358	278,890	14,074,124	93,966	14,168,090	
Final 2009 dividend declared	-	-	-	-	(278,890)	(278,890)	-	(278,890)	
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	(155)	(155)	
Total comprehensive income for the year	-	-	-	1,627,376	-	1,627,376	7,989	1,635,365	
Proposed final 2010 dividend (note 8)	-	-	-	(522,665)	522,665	-	-	-	
Transfer from retained profits	-	-	134,370	(134,370)	-	-	-	-	
At 31 December 2010	<u>1,194,389</u>	<u>6,673,380*</u>	<u>1,263,477*</u>	<u>5,768,699*</u>	<u>522,665</u>	<u>15,422,610</u>	<u>101,800</u>	<u>15,524,410</u>	

* These reserve accounts comprise the consolidated reserves of RMB13,705,556,000 (2009: RMB12,600,845,000) in the consolidated statement of financial position as at 31 December 2010.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	<i>Notes</i>	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,257,304	1,199,400
Adjustments for:			
Finance costs	6	493,456	513,678
Bank interest income	4	(58,517)	(52,084)
Recognition of deferred income	4	(9,079)	(9,627)
Losses on stocktaking		90	–
Losses/(gains) on disposal of items of property, plant and equipment	5	19,717	(415)
Fair value gains on derivative financial instruments	5	–	(953)
Depreciation	5	1,315,726	1,265,689
Foreign exchange differences, net	5	(25,460)	17,825
Amortisation of intangible assets	5	1,359	1,200
Recognition of prepaid land lease payments	5	2,969	2,816
Revenue on property leasing	4	(2,042)	(3,000)
Reversal of impairment of trade receivables	5	–	(24)
Impairment of property, plant and equipment	5	–	127,800
Reversal of provision against inventories	5	(2,364)	(5,461)
		3,993,159	3,056,844
(Increase)/decrease in inventories		(3,088,030)	1,004,766
Decrease/(increase) in trade receivables		332,598	(443,811)
Increase in prepayments, deposits and other receivables		(253,474)	(397,983)
Decrease in amounts due from the immediate holding company		5,914	206,834
Decrease in amounts due to the immediate holding company		–	(959)
Decrease in amounts due from related parties		–	226
Increase/(decrease) in amounts due to related parties		2,449	(2,678)
Decrease in trade payables		(247,486)	(1,197,521)
(Decrease)/increase in bills payables		(168,300)	68,300
Increase/(decrease) in other payables and accruals		160,582	(248,394)
Cash generated from operations		737,412	2,045,624
Interest paid		(482,667)	(520,323)
PRC corporate income tax paid		(364,766)	(390,482)
Net cash flows (used in)/from operating activities		(110,021)	1,134,819

	<i>Notes</i>	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		58,162	52,550
Purchases of items of property, plant and equipment		(718,473)	(141,686)
Additions to prepaid land lease payments		(2,453)	–
Receipt of government grants		17,740	7,740
Proceeds from disposal of items of property, plant and equipment		51,256	2,616
Purchase of shareholding in a jointly-controlled entity		(45,000)	–
Revenue on property leasing	4	2,042	3,000
Increase in non-pledged time deposits maturing over three months		(57,717)	(491,156)
Decrease in pledged time deposits		19,416	84,005
		<u>(675,027)</u>	<u>(482,931)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		6,716,697	5,915,671
Repayment of bank loans		(6,479,845)	(5,740,445)
Dividends paid to owners of the parent		(278,890)	(187,400)
Dividends paid to non-controlling shareholders		(155)	(305)
		<u>(42,193)</u>	<u>(12,479)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(827,241)	639,409
Cash and cash equivalents at beginning of year		3,264,210	2,643,593
Effect of foreign exchange rate changes, net		(24,386)	(18,792)
		<u>2,412,583</u>	<u>3,264,210</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<i>11</i>	<u>2,412,583</u>	<u>3,264,210</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		2,412,583	2,264,210
Non-pledged time deposits with original maturity of less than three months when acquired		<u>–</u>	<u>1,000,000</u>
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows	<i>11</i>	<u>2,412,583</u>	<u>3,264,210</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2010

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” or “China”).

The Company and its subsidiaries (collectively, the “Group”) are principally engaged in the manufacture and sale of cotton yarn, grey fabric 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 Limited (the “Holding Company”) and Zouping Supply and Marketing Investment Company Limited (“Zouping Investment”), both of which are limited liability companies established in the PRC.

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

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
HKFRS 5 Amendments Included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i>
Improvements to HKFRSs 2009	<i>Amendments to a number of HKFRSs issued in May 2009</i>
HK Interpretation 4 Amendment	<i>Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
HK Interpretation 5	<i>Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause</i>

3. OPERATING SEGMENT INFORMATION

The Group has only one business segment, which is the manufacture and sale of cotton yarn, grey fabric and denim. An analysis by products, as summarised by the group of similar products for the years ended 31 December 2010 and 2009, is as follows:

	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Cotton yarn	8,063,398	6,689,279
Grey fabric	8,764,460	6,497,017
Denim	1,051,103	1,137,226
Others	8,468	9,566
	<u>17,887,429</u>	<u>14,333,088</u>

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 2010 and 2009, is as follows:

2010

	Revenue from external customers	Cost of sales	Gross profit
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	11,039,456	9,159,954	1,879,502
Hong Kong	2,099,888	1,658,116	441,772
East Asia	1,752,198	1,598,693	153,505
Others	2,995,887	2,591,060	404,827
	<u>17,887,429</u>	<u>15,007,823</u>	<u>2,879,606</u>

2009

	Revenue from external customers	Cost of sales	Gross profit
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	9,295,880	8,465,011	830,869
Hong Kong	1,898,101	1,796,668	101,433
East Asia	1,054,532	942,330	112,202
Others	2,084,575	1,885,522	199,053
	<u>14,333,088</u>	<u>13,089,531</u>	<u>1,243,557</u>

The revenue information is based on the location of the customers.

There is no revenue from transactions with a single external customer amounting to 10 percent or more of the Group's revenue.

4. REVENUE, OTHER INCOME AND GAINS

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

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

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Revenue		
Sale of textile goods	<u>17,887,429</u>	<u>14,333,088</u>
Other income		
Bank interest income	58,517	52,084
Compensation from suppliers on supply of sub-standard goods and service	41,786	55,967
Penalty income from employees	8,024	5,861
Recognition of deferred income	9,079	9,627
Gross rental income	2,042	3,000
One-off government subsidies	16,259	12,812
Others	<u>2,455</u>	<u>1,972</u>
	<u>138,162</u>	<u>141,323</u>
Gains		
Sale of electricity and steam	2,539,411	3,122,389
Less: cost thereon	<u>(2,289,633)</u>	<u>(2,165,152)</u>
Gains on sale of electricity and steam	249,778	957,237
Gains on sale of waste and spare parts	21,798	10,423
Foreign exchange differences, net	25,460	–
Net fair value gains on derivative financial instruments	<u>–</u>	<u>953</u>
	<u>297,036</u>	<u>968,613</u>
	<u>435,198</u>	<u>1,109,936</u>

5. PROFIT BEFORE TAX

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

	<i>Notes</i>	2010 RMB'000	2009 <i>RMB'000</i>
Cost of goods sold		14,979,468	13,088,653
Staff costs (excluding directors' and supervisors' remuneration):			
Wages, salaries and social security costs		2,554,831	1,780,321
Pension scheme contributions		99,336	76,814
		<u>2,654,167</u>	<u>1,857,135</u>
Depreciation		1,315,726	1,265,689
Amortisation of land lease payment		2,969	2,816
Amortisation of other intangible assets		1,359	1,200
Impairment of property, plant and equipment		-	127,800
Repairs and maintenance		421,851	357,430
Losses/(gains) on disposal of items of property, plant and equipment		19,717	(415)
Auditors' remuneration		7,375	7,285
Directors' and supervisors' remuneration		4,334	4,602
Foreign exchange differences, net	4	(25,460)	17,825
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		2,119	3,182
Reversal of provision against inventories		(2,364)	(5,461)
Reversal of impairment of trade receivables	10	-	(24)
Realised losses on derivative financial instruments transactions		-	418
Bank interest income	4	(58,517)	(52,084)
Net fair value gains on derivative financial instruments	4	-	(953)
Research and development costs included in:			
Wages and salaries		28,187	17,694
Consumables		14,039	23,808
		<u>42,226</u>	<u>41,502</u>
Minimum land and buildings lease payments under operating leases		25,185	26,309

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Interest on bank loans		
wholly repayable within five years	493,028	501,952
Interest on a finance lease	<u>428</u>	<u>447</u>
	493,456	502,399
Other finance costs:		
Increase in discounted amounts of trade payables	<u>-</u>	<u>11,279</u>
	<u>493,456</u>	<u>513,678</u>

No interest was capitalised in 2010 (2009: Nil).

7. INCOME TAX

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the Year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates.

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Current – Mainland China	549,784	369,343
Deferred	<u>72,155</u>	<u>(60,237)</u>
Total tax charge for the year	<u>621,939</u>	<u>309,106</u>

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

	2010		2009	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit before tax	<u>2,257,304</u>		<u>1,199,400</u>	
Tax at PRC statutory tax rate	564,326	25.0	299,850	25.0
Expenses not deductible for tax	21,348	1.0	8,890	0.8
Tax losses not recognised	37,519	1.7	–	–
Others	<u>(1,254)</u>	<u>(0.1)</u>	<u>366</u>	<u>–</u>
Tax charge at the Group's effective rate	<u>621,939</u>	<u>27.6</u>	<u>309,106</u>	<u>25.8</u>

Under the PRC income tax law, the companies 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 Generally Accepted Accounting Principles ("PRC GAAP").

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

8 DIVIDEND

	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final – RMB0.4376 (2009: RMB0.2335) per share	<u>522,665</u>	<u>278,890</u>

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 of RMB1,627,376,000 (2009: RMB892,446,000), and on 1,194,389,000 (2009: 1,194,389,000) ordinary shares in issue during the Year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

10. TRADE RECEIVABLES

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Trade receivables	528,958	879,347
Impairment	<u>(7,872)</u>	<u>(7,872)</u>
	<u>521,086</u>	<u>871,475</u>

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 who have a long term relationship with the Group. 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.

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

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Within 3 months	516,529	870,187
3 to 6 months	464	410
6 months to 1 year	2,354	826
1 to 2 years	<u>1,739</u>	<u>52</u>
	<u>521,086</u>	<u>871,475</u>

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

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Cash and bank balances	2,412,583	2,264,210
Time deposits	<u>1,761,514</u>	<u>2,723,213</u>
	4,174,097	4,987,423
Less: Pledged time deposits for letter of credit facilities	(167,014)	(186,430)
Non-pledged time deposits maturing over three months	<u>(1,594,500)</u>	<u>(1,536,783)</u>
Cash and cash equivalents	<u>2,412,583</u>	<u>3,264,210</u>

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi amounted to RMB3,970,000,000 (2009: RMB4,862,000,000). 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 three months 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 end of the reporting period, 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:

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Within 3 months	1,287,700	1,548,426
3 to 6 months	206,366	57,240
6 months to 1 year	14,414	5,435
Over 1 year	92,744	89,257
	<u>1,601,224</u>	<u>1,700,358</u>

The trade payables are non-interest-bearing and most of the balances are repayable within six months.

13. BILLS PAYABLE

	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Within 3 months	160,000	520,000
3 to 6 months	420,000	228,300
	<u>580,000</u>	<u>748,300</u>

Certain of the Group's bills payable amounting to RMB260 million as at 31 December 2010 were drawn by Weihai Weiqiao Technology Industrial Park Company Limited ("Weihai Industrial Park") in favour of the Company and were discounted with banks by the Company prior to 31 December 2010 (2009: RMB260 million).

Certain of the Group's bills payable amounting to RMB320 million as at 31 December 2010 were drawn by the 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 2010 (2009: RMB420 million).

Certain of the Group's bills payable amounting to RMB68 million as at 31 December 2009 were drawn by Binzhou Industrial Park in favour of the Company and were discounted with banks by the Company prior to 31 December 2009. There was no such balance as at 31 December 2010.

14. RELATED PARTY TRANSACTIONS

The Group is part of a larger group of companies under Zouping Investment and has extensive transactions and relationships with the members of Zouping Investment. 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 Zouping Investment is a shareholder and is able to exercise control or significant influence. The transactions were made on terms agreed between the parties.

(a) Transactions with related parties

Name of related party	Relationship with the Company	Nature of transactions	2010 RMB'000	2009 RMB'000
The Holding Company	The immediate holding company	Expenses on land use rights and property leasing	23,724	24,849
		Sale of cotton yarn	58,957	168,051
		Revenue on supply of electricity	969,465	1,175,520
		Revenue on properties leasing	2,042	3,000
Weihai Xijiao Thermal Power Company Limited	A fellow subsidiary*	Expenses on land use right leasing	-	370
Shandong Weilian Printing and Dyeing Co., Ltd.	A fellow subsidiary	Sale of grey fabric	431,187	364,814
Shandong Weiqiao Bleaching-Dyeing Co., Ltd.	An associate of the Holding Company	Sale of cotton yarn	-	2,793
Shandong Hengfu Knitting Co., Ltd.	A fellow subsidiary	Sale of cotton yarn	42,267	30,724
		Sale of grey fabric	155	-
Shandong Weiqiao Hongyuan Home Textile Co., Ltd.	A fellow subsidiary	Sale of grey fabric	4,137	18,386
Shandong Weiqiao Tekuanfu Co., Ltd.	A fellow subsidiary	Sale of grey fabric	108,792	236,724
Shandong Weiqiao Clothes Co., Ltd.	A fellow subsidiary	Sale of grey fabric	8	12
		Sale of denim	44,177	1,030
Shandong Weiqiao Elite Garment Co., Ltd.	A fellow subsidiary	Sale of grey fabric	-	24
Shandong Weiqiao Jiajia Home Textile Co., Ltd.	A fellow subsidiary*	Sale of grey fabric	38,314	28,334
Shandong Huibin Cotton Textile & Bleaching-Dyeing Co., Ltd.	A company controlled by the key management personnel **	Sale of cotton yarn	11,128	-

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

** *This company, formerly known as Shandong Weiqiao Bleaching-Dyeing Co. Ltd, became a related party since February 2010 following the change of its shareholders. Shandong Weiqiao Bleaching-Dyeing Co. Ltd. had been a related party, as an associate of the Holding Company until May 2009 before the Holding Company disposed of its equity interests to a third party.*

(b) Outstanding balances with related parties included in the consolidated statement of financial position:

	Due from related parties		Due to related parties	
	2010	2009	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The Holding Company	46,040	51,954	–	–
Fellow subsidiaries	–	–	9,740	7,291

(c) Compensation of key management personnel of the Group:

	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Short term employee benefits	4,451	4,761
Post-employment benefits	30	25
Total compensation paid to key management personnel	<u>4,481</u>	<u>4,786</u>

The related party transactions mentioned above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

15. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 18 March 2011.

CHAIRMAN'S STATEMENT

It is my pleasure to present on behalf of the Board of Directors (the "Board") of Weiqiao Textile Company Limited ("Weiqiao Textile" or the "Company") the consolidated results of the Company together with its subsidiaries (collectively, the "Group") for the year ended 31 December 2010 (the "Year" or "Period under Review").

The global economy gradually recovered in 2010. Government of various countries maintained the recovery process and effectively triggered a rebound in the finance and trading sectors by introducing a range of economic stimulus policies.

During the Period under Review, the Chinese economy continued to grow with a gradual improvement in the macro-economic environment. China continued to implement proactive fiscal policy and moderate monetary policy. Domestic demand also continued to grow. However, commodity prices continued to fluctuate due to credit control, structural adjustment of the sectors as well as monetary reform. According to the figures released by the National Bureau of Statistics of China, GDP was approximately RMB39,798.3 billion in 2010, representing an increase of approximately 10.3% in terms of comparable prices.

During the Period under Review, domestic market improved under the government's policy of "stimulating domestic demand". The textile industry showed positive signs of steady growth.

In 2010, the textile industry in China continued to accelerate its structural adjustment. The said adjustment further strengthened the potentials for development within the industry. According to the figures released by the National Bureau of Statistics of China, total import and export of China in 2010 was approximately US\$2,972.8 billion, representing an increase of approximately 34.7% over the previous year. Among which, exports accounted for approximately US\$1,577.9 billion, an increase of approximately 31.3% over previous year; and imports accounted for approximately US\$1,394.9 billion, an increase of approximately 38.7% over previous year. Based on the statistics issued by the China's customs, accumulated export of textile products and apparel in China for 2010 amounted to approximately US\$206.5 billion, representing an increase of approximately 23.6% over the previous year, as a result of increasing demand and rising prices.

According to the figures released by the National Bureau of Statistics of China, in 2010, retail sales of apparel in China grew by approximately 24.8% over previous year, approximately 6.4 percentage points higher than the growth of the nation's total retail sales of consumer goods for the same period. During the same period, for textile enterprises whose scale exceed the standard benchmark in China, the percentage of domestic sales accounted for approximately 81.4%, being 1.5 percentage points higher than that of previous year.

During the Period under Review, due to the shortfall in the supply of cotton and the effect of speculative investment, the price of cotton fluctuated significantly during the Year. Cotton prices in China continued to increase up to November and had once exceeded RMB30,000 per tonne, which broke the highest range in recent decade. The strong fluctuation in cotton prices exerted pressure on the production of Chinese textile product manufacturers.

With an effective business strategy and a solid leading position in the industry, and under effective administration of the management, alongside with the group efforts of hundreds of thousands of staff, the Company continued to achieve satisfactory results. For the year ended 31 December 2010, the Group's revenue was approximately RMB17,887,000,000, representing an increase of approximately 24.8% as compared with 2009. Profit attributable to owners of the parent was approximately RMB1,627,000,000, representing an increase of approximately 82.4% as compared with 2009. Earnings per share were RMB1.36. The Board recommended payment of a final dividend for the year ended 31 December 2010 of RMB0.4376 per share (tax inclusive).

Looking ahead, the textile industry of China will enter a new era of development which focuses on industrialisation, acceleration of structural adjustment, further investment in technology, enhancement of innovation capabilities, brand building and increase in added value of products. However, affected by the currency and exchange rate policies, and the rising costs of raw materials, energy and labour, the future development of the textile industry in China will face more challenges. With its extensive operating experience, the Group will continue to adopt various internal control enhancement measures to accelerate product research and development, as well as the product upgrade, thus ensuring speedy response to market changes and maintaining strong competitive strengths. At the same time, we will also continue to benefit from the continuous growth in the domestic market for the textile industry in China.

Overall, with our sound and integrated operations, solid financial position as well as rich experience in coping with global market fluctuations, we have confidence to weather market volatility and maintain the Group's leading position in the industry. Our management's foresight and staff's efforts will enable the Group to greater achieve its objectives. On behalf of the Board, I would like to express my sincere gratitude to our shareholders, investors and business partners for their trust and support, and to thank the members of the Board, management team and staff's contribution and dedication to the Group.

Chairman
Zhang Hongxia

Shandong, the People's Republic of China
18 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2010, the textile industry in China revealed a steady growth momentum. Since the outbreak of financial crisis, the government's policies and measures to support the textile industry began to take effect, resulting in recovering growth of market demand, alongside with growing sales orders.

During the Period under Review, the textile and apparel trading segment in China performed well as a whole. According to the figures released by the China Customs, China's accumulated export of textile products and apparel amounted to US\$206.5 billion, representing an increase of 23.6% over previous year. In particular, the accumulated export of textile products and apparel amounted to US\$77.1 billion and US\$129.4 billion, representing an increase of 28.5% and 20.9%, respectively.

During the Period under Review, the European Union, the US and Hong Kong remained the major export markets for China's textile products and apparel and the export volume to these three markets was back on growth track. The total export amount of textile products and apparel to the European Union, the US and Hong Kong, accounting for 45.2% of the total export amount, amounted to US\$44.7 billion, US\$33.7 billion and US\$14.9 billion, representing an increase of 23.7%, 27.7% and 7.1% respectively. During the Year, export amounts of textile products and apparel to Japan, Southeast Asia and Africa increased by 5.2%, 35.7% and 24.1% respectively. The export amount of textile products and apparel showed a fast growing trend driven by growing demand and rising prices, particularly benefited from the preferential policies relating to the free tariff on textile products and apparel exported to 10 ASEAN textile markets. During the year, textile products and apparel tradings between China and ASEAN countries were active where the trading amount grew substantially. In 2010, the trading amount of textile products and apparel between China and ASEAN countries amounted to US\$16.4 billion, representing an increase of 37.0% as compared to that in last year.

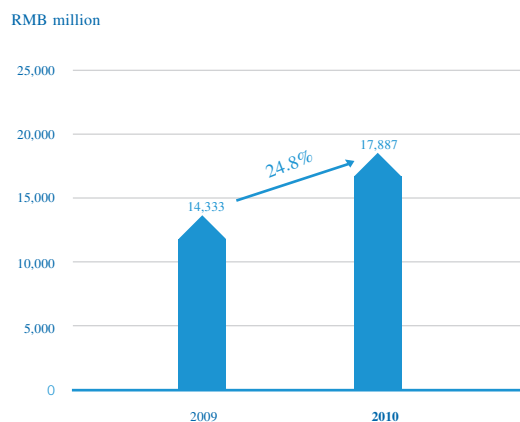
In 2010, the price of domestic cotton continued to climb. Based on the Cotton A Index in China, the average price was approximately RMB19,869 per tonne and it reached a historical record of RMB29,308 per tonne on average in November 2010, representing an increase of 91.5% as compared with that in January 2010. With respect to the international market, the average cotton price was 103.53 US cents per pound in 2010 according to the Cotlook A Index and it reached a new high of 168.22 US cents per pound on average in December 2010, representing an increase of 117.4% when compared to that in January 2010. The fluctuating cotton price and rising costs of raw materials and labour exerted pressure on the control of production cost of the textile manufacturers.

BUSINESS REVIEW

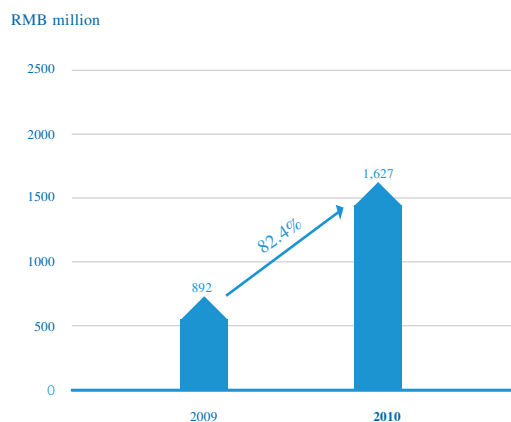
In 2010, the domestic market grew steadily upon gradual recovery of the international market. Weiqiao Textile achieved satisfactory performance with a substantial increase in gross profit. The Group continued to consolidate its business by strengthening internal management and cost control, optimising asset allocation and adjusting product mix according to market demand, increasing the investment in research and development, and developing value-added products. Given its solid customer base, the Group successfully maintained its market share.

For the year ended 31 December 2010, the revenue of the Group and profit attributable to the owners of the parent are as follows:

Revenue



Profit attributable to owners of the parent

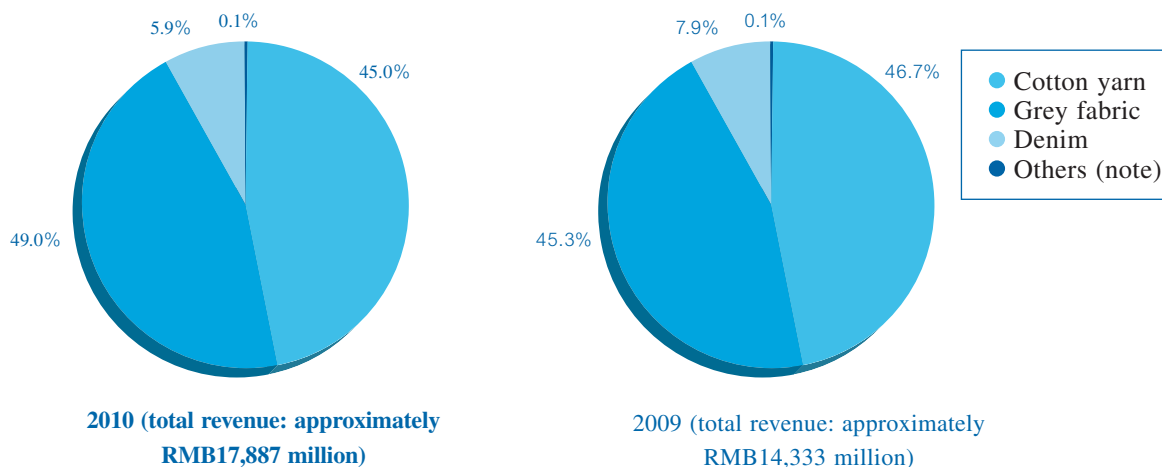


For the year ended 31 December 2010, the Group recorded a revenue of approximately RMB17,887,000,000, representing an increase of 24.8% as compared with the previous year, mainly attributable to the increase in orders of the Group driven by the demand for textile products nationwide and worldwide amid recovering global economy during the Year; and the increase in selling price of products due to substantial growth of costs of raw materials.

For the year ended 31 December 2010, profit attributable to owners of the parent increased by 82.4% to approximately RMB1,627,000,000 over the previous year. The increase was primarily due to the rising product price driven by the substantial growth of the price of raw materials, i.e. cotton lint, and the higher growth rate of product price resulting from the impacts of market demand.

The charts below are a comparison of the breakdown of revenue by products for the years ended 31 December 2010 and 2009:

Proportion of revenue by products

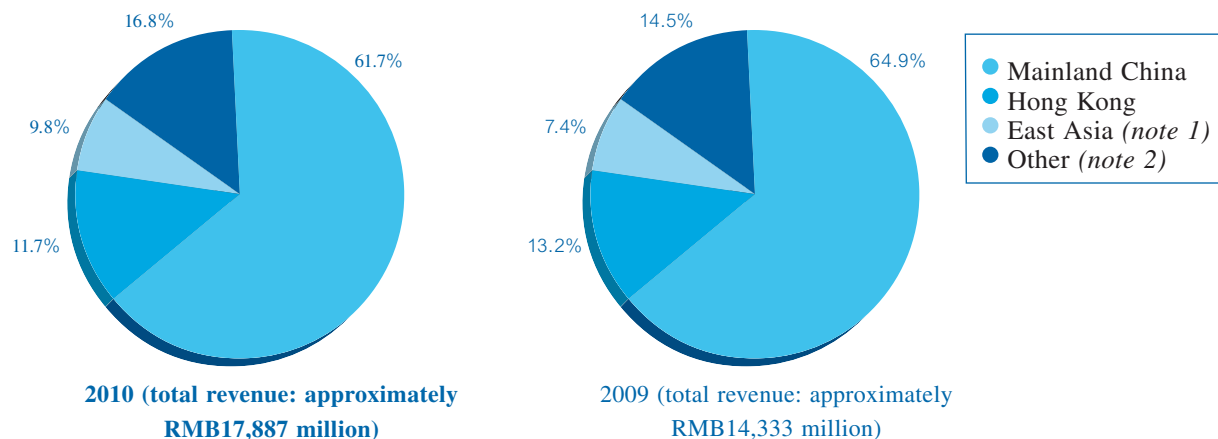


Note: Others include cotton seed and other by-products.

For the year ended 31 December 2010, the proportion of revenue generated from the sales of grey fabrics increased, which was primarily due to the increase in sales volume of grey fabric while the unit price of all the above three types products increased; whereas the proportion of revenue generated from the sales of denim decreased as compared with the previous year, which was mainly due to decrease in denim production volume as a result of the disposal of some low efficiency and obsolete denim production machinery and equipment in the production base located in Weiqiao Town, Zouping County, Shandong Province.

The following charts show the breakdown of the Group's revenue in terms of geographical location for the years ended 31 December 2010 and 2009:

Proportion of revenue by geographical locations



Note 1: East Asia includes Japan and South Korea;

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

For the year ended 31 December 2010, the revenue from export to all regions showed an increase as compared with that of previous year, which was mainly due to the increase in export orders of the Group driven by the increasing market demand with the recovery of the overseas textile market.

For the year ended 31 December 2010, the Group had four production bases in total, namely:

1. Weiqiao Production Base (the Second and the Third Production Areas);
2. Binzhou Production Base (the First Production Area and the Second Production Area of Binzhou Weiqiao Technology Industrial Park Company Limited (“Binzhou Industrial Park”));
3. Weihai Production Base (Weihai Weiqiao Textile Company Limited (“Weihai Weiqiao”) and Weihai Weiqiao Technology Industrial Park Company Limited (“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 of China, with a total gross floor area of approximately 3,087,360 sq.m.

In 2010, the production volume of cotton yarn, grey fabric and denim of the Group were approximately 720,000 tonnes, 1,307,000,000 metres and 102,000,000 metres respectively, of which cotton yarn and grey fabric grew by 11.1% and 10.2% respectively over previous year. Such increase was primarily due to the increase in sales orders of the Group driven by booming demand in the textile market during the Year and the Group's expansion of production quantity through enhancing the efficiency of equipment. Denim production decreased by 2.9% over previous year was mainly attributable to the disposal of some of the low efficiency and obsolete denim production machinery and equipment in the production base located in Weiqiao Town, Zouping County Shandong Province by the Group.

During the Period under Review, the Group continued to actively expand its market share and to consolidate its customer base. For the year ended 31 December 2010, the Group had a total of 9,000 domestic customers and over 900 overseas customers, representing a growth of approximately 5.9% and 8.4% respectively over previous year. The Group continued to maintain sound sales network and good relationship with customers.

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 2010 and 2009:

Product	For the year ended 31 December					
	2010			2009		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
<i>RMB'000</i>	<i>RMB'000</i>	%	<i>RMB'000</i>	<i>RMB'000</i>	%	
Cotton yarn	8,063,398	1,713,540	21.3	6,689,279	534,732	8.0
Grey fabric	8,764,460	993,699	11.3	6,497,017	560,971	8.6
Denim	1,051,103	172,330	16.4	1,137,226	147,784	13.0
Others	8,468	37	0.4	9,566	70	0.7
Total	<u>17,887,429</u>	<u>2,879,606</u>	<u>16.1</u>	<u>14,333,088</u>	<u>1,243,557</u>	<u>8.7</u>

For the year ended 31 December 2010, the gross profit margin of the Group increased to 16.1% as compared with 8.7% in last year. Such increase was mainly attributable to the greater increase in the price of the Group's principal textile products than that of the raw materials driven by the global demand for textile products. Besides the cost control, the Group made timely adjustment to the product mix, developed value-added products and implemented flexible and effective sales strategies according to market demand so as to increase the gross profit margin of the products, and take the "maximisation of integrated benefits" as its development objective.

Selling and distribution costs

The Group's selling and distribution costs increased by 15.3% to approximately RMB287,000,000 for the year ended 31 December 2010 from approximately RMB249,000,000 of the previous year. In particular, transportation cost increased by 8.2% to approximately RMB211,000,000 from approximately RMB195,000,000 in 2009. This was mainly due to a slight increase in the unit price of transportation fee as the market conditions improved during the Year. Sales commission was approximately RMB32,000,000, an increase of approximately 88.2% as compared with approximately RMB17,000,000 of the previous year. The increase in sales commission was primarily due to the increase in export sales of the Group.

Administrative expenses

Administrative expenses of the Group for the year ended 31 December 2010 amounted to approximately RMB202,000,000, representing an increase of approximately 6.3% as compared with approximately RMB190,000,000 of the previous 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 Year.

Other expenses

For the year ended 31 December 2010, the other expenses of the Group amounted to approximately RMB74,000,000, a decrease of 63.2% from approximately RMB201,000,000 in the previous year. This was mainly due to disposal of certain low efficiency and obsolete production facilities of the Group in the production base in Weiqiao Town, Zouping County, Shandong Province and its impairment loss was fully recognised in 2009.

Finance costs

For the year ended 31 December 2010, finance costs of the Group were approximately RMB493,000,000, representing a decrease of 4.1% as compared with RMB514,000,000 of 2009. This was mainly due to the corresponding decrease in interest expenses of the Group as a result of the decrease in the related interest rate during the Year.

Liquidity and financial resources

As at 31 December 2010, cash and cash equivalents of the Group were approximately RMB2,413,000,000, representing a decrease of 26.1% as compared with that of approximately RMB3,264,000,000 as at 31 December 2009. It was mainly due to the decrease in cash inflow generated from operations at the end of the year since the market demand for cotton textiles products was deterred by fluctuating prices of raw materials.

The Group principally satisfies its demand for operating capital with cash inflow from operation. For the year ended 31 December 2010, the Group had a net cash outflow from investing activities of approximately RMB675,000,000, a net cash outflow from financing activities of approximately RMB42,000,000 and a net cash outflow from operating activities of approximately RMB110,000,000. The Directors believe that the Group will maintain a sound and stable financial position, with sufficient liquidity and financial resources to satisfy its business needs.

For the year ended 31 December 2010, the capital expenditures of the Group amounted to approximately RMB784,000,000, mainly attributable to technological improvement of equipment in order to improve the value of products and construct certain high-tech production lines.

For the year ended 31 December 2010, inventory turnover of the Group as at the end of the Year increased from 78 days last year to 143 days due to the decrease of product sales as cotton price fell at the end of the Year, which affected the sales of textile products. The inventory of the Group increased as a result. At the same time, average trade receivables turnover decreased from 22 days last year to 11 days due to the decrease in product sales, which resulted in a corresponding decrease in trade receivables.

For the year ended 31 December 2010, the Group did not have financial derivative instruments.

Profit attributable to owners of the parent and earnings per share

Profit attributable to owners of the parent was approximately RMB1,627,000,000 for the year ended 31 December 2010, representing an increase of 82.4% as compared with approximately RMB892,000,000 in last year.

For the year ended 31 December 2010, earnings per share of the Company were RMB1.36.

Capital structure

The major objective of the Group's capital management is to ensure the ongoing operations, and maintain optimized capital ratio of the Group. 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 2010, the debts of the Group were mainly bank borrowings totaling approximately RMB8,797,000,000. Cash and cash equivalents were approximately RMB2,413,000,000. The gearing ratio was 41.1% (2009: 37.7%) (Net debt (including interest-bearing bank borrowings after deducting cash and cash equivalents) divided by total equity).

The Group maintained a balanced portfolio of loans at fixed interest rate and variable rates to manage interest expenses. As at 31 December 2010, 25.5% of the Group's bank borrowings were subject to fixed interest rates while the remaining 74.5% were subject to floating interest rates.

The Group kept a balance between the continuity and flexibility of funds through bank loans. In any 12-month period, the loans due will not exceed 50% of the total loans. As at 31 December 2010, approximately 41.0% of the liabilities will become due within one year.

As at 31 December 2010, the Group's borrowings were denominated in Renminbi and US dollars, and 17.5% of the Group's borrowings were denominated in US dollars. Cash and cash equivalents were mainly held in Renminbi and US dollars of which 8.4% of the cash and cash equivalents was held in US dollars.

Employee and remuneration policy

As at 31 December 2010, the Group had a total of approximately 113,000 employees, representing an increase of approximately 16,000 employees as compared with last year. Such increase in the number of staff was due to the recruitment of some new staff as replenishment and reserve to meet the needs of the Group's production. Total staff costs amounted to approximately RMB2,659,000,000 during the Year, representing approximately 14.9% of its turnover, which was increased by 1.9 percentage points as compared to 13.0% in last year. Such increase was mainly due to the increase of the salary by the Group during the Year in order to maintain the stability in production and operation. Employee remuneration and bonuses are based on their performances, experience and the prevailing industry practices. The Group's remuneration policies and packages were reviewed periodically by the management of the Group. In addition, the Group provides bonuses and incentives based on their performances to encourage and drive its staff to strive for better performances. During the Year, the Group provided training to its staff according to their respective job duties and skills requirements, such as training sessions on safety and skills.

Exposure to foreign exchange risk

The Group adopted a prudent policy in managing its foreign exchange rate risks. The imports and exports of the Group were settled in US dollars and a portion of bank deposits and bank borrowings are denominated in US dollars. The repayment period of the import purchases and foreign borrowings is longer than the period of receiving export trade payments. For the year ended 31 December 2010, 38.3% of the Group's revenue and approximately 31.5% of the costs of purchase of cotton are denominated in US dollars. For the year ended 31 December 2010, the Group recorded exchange gain of approximately RMB25,000,000. The Group did not experience any significant difficulties in its operations or liquidity as a result of fluctuations in foreign exchange rates during the Year. The Directors believe that the Group will have sufficient foreign currency to meet its requirements.

CONTINGENT LIABILITIES

As at 31 December 2010, the Group's contingent liabilities which were not provided for in the financial statements were undue letter of credit issued, which totaled approximately RMB200,000,000 (2009: approximately RMB158,000,000).

TAXATION

Taxation of the Group increased by 101.3% from approximately RMB309,000,000 for 2009 to approximately RMB622,000,000 for 2010. This was primarily due to the increase of the Group's profit before tax during the Period under Review.

Assets disposal

In March 2010, the Company disposed of certain low efficiency and obsolete machines, equipment and plants ("Disposed Assets"). The Disposed Assets are located in the first production area of the Group's production base in Weiqiao Town, Zouping County, Shandong Province. The Company sold such machines and equipment to independent third parties and to dismantle the plants where such machines and equipment are located and then to terminate the lease for the lands on which the plants are located. The Company relocated other usable equipment from this production area to the Group's production base located in Zouping Economic Development Zone, and introduced more advanced production facilities.

The Company recognised the impairment losses of Disposed Assets during 2009 amounting to approximately RMB128,000,000. Details of such assets disposal were disclosed as price sensitive information in the announcement of the Company dated 9 March 2010.

Controlling shareholder

The Company received a notice from Zouping County Supply and Marketing Cooperation Union (鄒平縣供銷合作社聯合社) (the "ZCSU"), that on 8 March 2010, CITIC Trust Co., Ltd. (中信信託有限責任公司) (the "Trustee"), who held 51% of equity interest in Shandong Weiqiao Chuangye Group Company Limited (山東魏橋創業集團有限公司) (the "Holding Company") as a trustee for ZCSU, entered into a equity transfer agreement with Zouping Supply and Marketing Investment Company Limited (鄒平供銷投資有限公司) (the "Zouping Investment"), pursuant to which the Trustee transferred its 51% equity interest in Holding Company to Zouping Investment (the "Share Transfer"). Immediately after the Share Transfer, ZCSU ceased to hold any equity interest in Holding Company. Holding Company is the controlling shareholder of the Company and holds approximately 61.86% shares of the Company. Details of such share transfer were disclosed as price sensitive information in the announcement of the Company dated 10 March 2010.

OUTLOOK

Looking ahead, under the background of gradual global economic recovery, growing inflation pressure and liquidity overflow, the textile industry will face a more complicated and changing environment both internally and externally along with increasing uncertainties and more difficult operating landscape. The Group will closely monitor the changes in the economic environment and policies and keep a close eye on the overall conditions of the industry chain and trends of production and sales by fully utilising the domestic demand, expanding emerging markets, developing new and differentiated materials and facilitating structural adjustment and product improvement to further consolidate the solid image of "Weiqiao" brand and enhance the domestic and overseas sales capabilities of the Group.

SUPPLEMENTAL INFORMATION

Substantial Shareholders

As at 31 December 2010, 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 above 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”):

Name of Shareholder	Number of Domestic Shares (Note 1)	Approximate percentage of total issued domestic share capital as at 31 December 2010 (%)	Approximate percentage of total issued share capital as at 31 December 2010 (%)
Holding Company	738,895,100	94.64	61.86
Zouping Supply and Marketing Investment Company Limited (the “Zouping Investment”),	738,895,100 (Note 2)	94.64	61.86

Interests in the H Shares of the Company:

Name of Shareholder	Type of interest	Number of H Shares (Note 3)	Approximate percentage of total issued H share capital	Approximate percentage of total issued share capital
			as at 31 December 2010 (%)	as at 31 December 2010 (%)
The Bank of New York Mellon Corporation	Interest of a controlled corporation	59,868,632 (Long position)	14.47	5.01
		36,831,632 (Lending pool) (Note 4)	8.90	3.08
Brandes Investment Partners, L.P.	Investment manager	53,561,877 (Long position) (Note 5)	12.95	4.48
The Boston Company Asset Management LLC	Investment manager	23,750,600 (Long position) (Note 6)	5.74	1.99
Mellon Financial Corporation	Interest of a controlled corporation	41,073,100 (Long position) (Note 7)	9.93	3.44

Notes:

1. Unlisted shares.
2. Zouping Investment holds 51% equity interests in Holding Company.
3. Shares listed on the Main Board of the Stock Exchange.
4. These 59,868,632 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.
5. These 53,561,877 H Shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.
6. These 23,750,600 H Shares were held by The Boston Company Asset Management LLC in its capacity as investment manager.

7. These 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.

Save as disclosed above, so far as known to the directors, supervisors and the chief executive of the Company, as at 31 December 2010, there was no other person (not being a director, supervisor or chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 December 2010, 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 ("Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Domestic Shares of the Company:

		Number of Domestic Shares <i>(Note 1)</i>	Approximate percentage of total issued domestic share capital as at 31 December 2010 <i>(%)</i>	Approximate percentage of total issued share capital as at 31 December 2010 <i>(%)</i>
Type of interest				
Zhang Hongxia (Executive Director/Chairman)	Beneficial	17,700,400	2.27	1.48
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 2010 (%)
Zhang Shiping (<i>Non-executive Director</i>)	Holding Company	Beneficial	33.72
Zhang Hongxia (<i>Executive Director</i>)	Holding Company	Beneficial and spouse (<i>Note 1</i>)	5.73 (<i>Note 1</i>)
Zhang Yanhong (<i>Executive Director</i>)	Holding Company	Beneficial	1.63
Wang Zhaoting (<i>Non-executive Director</i>)	Holding Company	Beneficial	0.25
Zhao Suwen (<i>Executive Director</i>)	Holding Company	Beneficial	0.38
Liu Mingping (<i>Supervisor</i>)	Holding Company	Beneficial	0.14
Zhao Suhua (<i>Non-executive director</i>)	Holding Company	Beneficial and spouse (<i>Note 2</i>)	3.09 (<i>Note 2</i>)
Wang Xiaoyun (<i>Non-executive director</i>)	Holding Company	Beneficial	0.25

Note 1: These 48,000,000 shares of the Holding Company will be beneficially owned by Ms. Zhang Hongxia, who is deemed to be interested in the 43,676,000 shares directly held by her husband, Mr. Yang Congsen under the SFO.

Note 2: These 4,500,000 shares of the Holding Company will be beneficially owned by Ms. Zhao Suhua, who is deemed to be interested in the 44,911,000 shares directly held by her husband, Mr. Wei Yingzhao under the SFO.

Save as disclosed above, as at 31 December 2010, 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 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 (the "Model Code").

Dividends

The Directors recommended the payment of a final dividend of RMB0.4376 (inclusive of tax) per share (the “2010 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 21 April 2011 (Thursday). The 2010 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 “Enterprise Income Tax Law of the People’s Republic of China”, which took effect on 1 January 2008, and its implementation rules, when a company distributes the final dividends to non-resident enterprise shareholders whose names appear on the H-share register of the company, the company is required to withhold and pay on behalf of such shareholders an enterprise income tax at the rate of 10%. Any shares registered in the name of a non-person shareholder, including Hong Kong Securities Clearing Company Nominees Limited, other nominee or trustee, or other organisation and group, are deemed as shares held by non-resident enterprise shareholders. As such, the dividends that he or she is entitled to are subject to the enterprise income tax.

Any natural person investors whose H shares are registered under the name of any such non-individual shareholders and who do not wish to have any enterprise income tax to be withheld by the Company may consider transferring the legal title of the relevant H shares into his or her name and lodge all transfer documents together with the relevant H share certificates with the H share registrar of the Company for transfer.

For non-resident enterprise shareholders holding the Company’s shares through overseas companies, please provide Computershare Hong Kong Investor Services Limited with the proof of qualification for being non-resident enterprise shareholders on or before Thursday, 21 April 2011.

The Company will strictly comply with the laws and the requirements of relevant government departments, and will withhold and pay the enterprise income tax on behalf of its shareholders whose names appear on the H-share register of the Company on the record date. The Company will take no responsibility and will reject any requests from shareholders whose identity cannot be confirmed within the specified time or cannot be confirmed at all nor will the Company handle any disputes arising from the arrangement of withholding tax. However, the Company may provide assistance to the extent of its ability.

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 People’s Bank of China within five working days prior to and including 21 April 2011).

Closure of Register of Members

The Company's register of members will be closed from 25 April 2011 to 24 May 2011 (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 4:00 p.m. on 21 April 2011.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company has redeemed, purchased or sold any of its own listed securities during the year ended 31 December 2010, nor any of its subsidiaries purchased, or sold any of the Company's listed securities during the year ended 31 December 2010.

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 18 March 2011 to review the Company's annual report and financial statements 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 on terms equivalent to the required standard of the Model Code as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries 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.

Code on Corporate Governance Practices

The Company has applied the principles of the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. Except for the deviation from code provision A.2.1, the Company has been in compliance with all the code provisions for the year ended 31 December 2010.

Code provision A.2.1 stipulates that the duties of the Chairman and chief executive officer should be differentiated and shall not be held by the same person. Ms. Zhang Hongxia is the Chairman and chief executive officer of the Company. The Board is of the view that this structure would not affect the balance of power and duties between the Board and the management. Through the operations of the Board, a balance between power and duties can be maintained.

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 before 8 April 2011 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
18 March 2011

Notes: As at the date of this announcement, the board of Directors of the Company comprises 11 Directors, namely Ms. Zhang Hongxia, Ms. Zhao Suwen, Ms. Zhang Yanhong and Mr. Zhang Jinglei 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.

* *The Company is registered in Hong Kong as a non-Hong Kong company under the English name "Weiqiao Textile Company Limited" and the Chinese name of the Company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).*

* *For identification purpose only*