



Weiqiao Textile Announces 2010 Annual Results

**Gross profit rises on the back of government policies to stimulate domestic demand
Weiqiao sees its market leadership strengthen with good financial results**

Financial Summary

- ◆ Revenue was approximately RMB 17,887,000,000, up 24.8%
- ◆ Gross profit was approximately RMB 2,880,000,000, up 131.5%
- ◆ Profit attributable to owners of the parent was approximately RMB 1,627,000,000, up 82.4%
- ◆ Earnings per share were approximately RMB 1.36, up 81.3%
- ◆ Proposed final dividend of approximately RMB 0.4376 per share (tax included), up 87.4%

(Hong Kong, March 21, 2011) – Weiqiao Textile Company Limited (“the Company” or “Weiqiao Textile”) and its subsidiaries, collectively the “Group”) (HKEX: 2698), the largest cotton textile producer in China, announced its annual results for the year ended December 31, 2010 (the “Review Period” or the “Period”).

During the Review Period, 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. During the Review Period, domestic market improved under the government’s policy of “stimulating domestic demand”. The textile industry showed positive signs of steady growth. Based on the statistics issued by 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.

During the Review Period, 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 the previous year. Denim production decreased by 2.9% when compared with the previous year

The Group’s revenue was approximately RMB17,887,000,000 representing an increase of 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 approximately RMB1.36, up 81.3% compared with 2009. The Board of the Company recommended the payment of a final dividend of RMB0.4376 per share (tax included) for the year ended 31 December 2010, up

87.4% compared with 2009.

Commenting on the 2010 annual results performance, Ms. Zhang Hongxia, Chairman of Weiqiao Textile, said, “The textile industry in China showed a steady growth momentum last year. Since the outbreak of the financial crisis, the government’s policies and measures to support the textile industry began to take effect, resulting in a recovery in the market, alongside with growing sales orders. With an effective business strategy and a solid leading position in the industry, and the effective administration of the management, as well as the collective efforts of hundreds of thousands of staff, Weiqiao Textile continued to achieve good results.”

Business Review

In 2010, the domestic market grew steadily upon gradual recovery of the international market. Weiqiao Textile achieved good 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.

Cotton yarn, grey fabrics and denim are key products of the Group. The proportions of revenue generated from the sales were 45.0%, 49.0% and 5.9% respectively. The breakdowns of revenue by products are as follows:

Products	Revenue in 2010 (RMB 000’)	Revenue in 2009 (RMB 000’)	Change (%)	Sales proportion for 2010 (%)
Cotton yarn	8,063,398	6,689,279	+20.5	45.0
Grey fabric	8,764,460	6,497,017	+34.9	49.0
Denim	1,051,103	1,137,226	-7.6	5.9
Others	8,468	9,566	-11.5	0.1
Total	17,887,429	14,333,088	+24.8	100

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 of products increased. The proportion of revenue generated from the sales of denim decreased as compared with the previous year, which was mainly due to a 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.

For the year ended 31 December 2010, the breakdowns of revenue by regions are as follows:

Regions	Revenue In 2010 (RMB 000’)	Revenue In 2009 (RMB 000’)	Change (%)	Sales proportion for 2010 (%)
China	11,039,456	9,295,880	+18.8	61.7
Hong Kong	2,099,888	1,898,101	+10.6	11.7

East Asia ⁽¹⁾	1,752,198	1,054,532	+66.2	9.8
Others ⁽²⁾	2,995,887	2,084,575	+43.7	16.8

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

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

Selling and Distribution Expenses

The Group's selling and distribution costs 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 2010. 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 2010.

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 2010.

Outlook

Ms. Zhang said, "In 2011, 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. Therefore, we 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 demand for textile products."

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About Weiqiao Textile

Weiqiao Textile Company Limited, a non state-owned enterprise, is the largest cotton textile producer in the PRC, specializing in the production, sales and distribution of cotton yarn, grey fabric and denim. During the past ten years, the Group developed large-scale production capabilities by capitalizing on China's rapid economic growth. It has achieved a strong position in the global textile markets by employing advanced technology in state-of-the-art facilities. Weiqiao Textile is located in Shandong, China's second largest cotton producing province. The Group has four production bases in Weiqiao, Binzhou, Weihai and Zouping and employs approximately 113,000 people. As at December 31, 2010, the Group

produced approximately 720,000 tons of cotton yarn, 1,307,000,000 meters of grey fabric and 102,000,000 meters of denim.

Disclaimer

This press release distributed herewith includes forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that Weiqiao Textile expects or anticipates will or may occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements. Weiqiao Textile's actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, market shares, competition, environmental risks, changes in legal, financial and regulatory frameworks, international economic and financial market conditions, political risks, project delay, project approval, cost estimates and other risks and factors beyond our control. In addition, Weiqiao Textile makes the forward-looking statements referred to herein as of today and undertakes no obligation to update these statements.

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