



Weiqiao Textile Announces 2009 Annual Results

Further strengthened the leading position in the industry

Financial Summary

- ◆ Revenue was RMB 14.33 billion, down 12.9% YoY
- ◆ Gross profit was RMB 1.24 billion, down 13.1% YoY
- ◆ Net profit attributable to shareholders was RMB 892 million, up 49.7% YoY
- ◆ Earnings per share were RMB0.75, up 50.0%
- ◆ Proposed final dividend of approximately RMB 0.2335 per share (tax inclusive), up 48.8% YoY

(Hong Kong, March 29, 2010) – 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 period ended December 31, 2009 (the “Review Period” or the “Period”).

In 2009, China endeavored to resist in combating against the tremendous impacts of the global financial crisis, the stimulus economic policy executed by the PRC government had sound effects. Meanwhile, the PRC government continued to launch relevant policies to support the PRC industries, such as textile industry, the market demand of textile products increases gradually as a result. Weiqiao Textile continued to consolidate business growth, the Group successfully maintained a sizeable market share with the advantages of having a huge sales network and stable customers base.

During the review period, the Group’s production volume of cotton yarn, grey fabric and denim were 648,000 tons, 1,186,000,000 meters and 105,000,000 meters respectively, representing a decrease of 20.9%, 18.3% and 37.1% respectively. The Group’s revenue was approximately RMB14,333,000,000 representing a decrease of 12.9% as compared with 2008. Profit attributable to owners of the parent was approximately RMB892,000,000, representing an increase of 49.7% as compared with 2008. Earnings per share were RMB0.75, up 50.0% compared with 2008. The Board of the Company recommended the payment of a final dividend of RMB0.2335 per share (tax inclusive) for the year ended 31 December 2009, up 48.8% compared with 2008.

Commenting on the 2009 annual results performance, Ms. Zhang Hongxia, Chairman of Weiqiao Textile, said, “To coordinate with the support of the PRC government on PRC industries, Weiqiao will continuously strengthen own advantage, secure the market share in China and expand the company’s business to enlarge competitiveness. These include to strengthen production innovation and technology upgrade, produce more value-added and

medium-to-high products to satisfy the demand of the domestic market, improve internal management and expand the geographical coverage of business continuously. The Group believes opportunities exist amid a turbulent market. Meanwhile, under the government's policy of "expanding domestic demand", a steady and relatively rapid growth had been achieved in the domestic market, which definitely was the primary factor for the tentative recovery of the textile industry. "

Business Review

In 2009, despite various uncertainties in the market, Weiqiao Textile continued to consolidate its business growth by strengthening internal management and cost control, optimizing capital structure and improve products mix according to market demand under the recovering and steady economic development. Given its solid customer base, the Group successfully secured its market share which effectively restrained the decline in profitability.

Cotton yarn, grey fabrics and denim are key products of the Group. The proportions of revenue generated from the sales were 46.7%, 45.3% and 7.9% respectively. The breakdowns of revenue by products are as follows:

Products	Revenue in 2009 (RMB 000')	Revenue in 2008 (RMB 000')	Change (%)	Sales proportion for 2009 (%)
Cotton yarn	6,689,279	6,533,252	+2.4	46.7
Grey fabric	6,497,017	8,426,382	-22.9	45.3
Denim	1,137,226	1,458,345	-22.0	7.9
Others	9,566	35,108	-72.8	0.1
Total	14,333,088	16,453,087	-12.9	100.0

For the year ended 31 December 2009, the proportion of revenue generated from the sales of cotton yarn increased; and the proportion of the revenue generated from the sales of gray fabrics decreased, which was mainly due to the low demand from the grey fabrics market under the impact of the financial crisis, resulting in a decline in export orders. The proportion of revenue from denim slightly decreased. This was mainly due to the decrease in overall market demand under weakening export demand and intensifying competition.

For the year ended 31 December 2009, the breakdowns of revenue by regions are as follows:

Regions	Revenue In 2009 (RMB 000')	Revenue In 2008 (RMB 000')	Change (%)	Sales proportion for 2009 (%)
China	9,295,880	9,789,055	-5.0	64.9
Hong Kong	1,898,101	2,829,423	-32.9	13.2
East Asia ⁽¹⁾	1,054,532	1,775,440	-40.6	7.4
Others ⁽²⁾	2,084,575	2,059,169	+1.2	14.5

Note(1): East Asia includes Japan and Korea

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

Selling and Distribution Expenses

The Group's selling and distribution costs decreased by 28.0% to approximately RMB249,000,000 for the year ended 31 December 2009 from approximately RMB346,000,000 in the previous year. In particular, transportation cost decreased by 27.5% to approximately RMB195,000,000 from approximately RMB269,000,000 in 2008. This mainly resulted from a decline in sales of the Group. On the other hand, the unit cost of transportation also decreased. Sales commission was approximately RMB17,000,000 a decrease of approximately 50.0% as compared with approximately RMB34,000,000 over last year. This was primarily due to the decrease in export sales of the Group.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2009 amounted to approximately RMB190,000,000, which was basically about the same as approximately RMB193,000,000 recorded in the previous year.

Finance Costs

For the year ended 31 December 2009, the Group's finance costs were approximately RMB 514,000,000, representing a decrease of 26.3% as compared with RMB 697,000,000 for 2008. This was mainly due to the corresponding decrease in interest expenses of the Group as a result of the reduction in lending rates of the financial institutions.

Outlook

Weiqiao Textile's Chairman, Ms. Zhang concluded, "In 2010, despite that the overall demand for both international and domestic markets is improving, uncertainties still exist. In the global market, trade barriers from the Western countries and China will affect the global economic recovery process. Therefore, the Group will strengthen risk management to cope with the global crisis. Nevertheless, as a leading enterprise in the PRC textile industry, Weiqiao Textile will continue to carry out technological reforms proactively and follow the path of industrial upgrade. Looking ahead, we believe the China economy will continuously maintain the upward trend of 2009 as well as a steady and relatively rapid development."

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About Weiqiao Textile

Weiqiao Textile Company Limited, a non state-owned enterprise, is the largest cotton textile producer in the PRC, specializing in the production, sales and distribution of cotton yarn, grey fabric and denim. During the past ten years, the Group developed large-scale production capabilities by capitalizing on China's rapid economic growth. It has achieved strong positioning in the global textile markets by employing advance 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 97,000 people. As at December 31, 2009, the Group produced approximately 648,000 tons of cotton yarn, 1,186,000,000 meters of grey fabric and 105,000,000 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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