



Weiqiao Textile Announces 2008 Interim Results

Adopts the principle of “Reduction in profits rather than giving up market share” maintained stable sales volume under severe conditions of the industry

Highlights

- Revenue was approximately RMB8,888 million, representing a decrease by 4.1% over the same period of last year.
- Gross profit was approximately RMB676 million, representing a decrease by 55.4% over the same period of last year.
- Net profit attributable to equity holders of the Company was approximately RMB273 million, representing a decrease by 59.3% over the same period of last year.
- The Group continued to implement its energy saving measures and strived to control production costs more effectively and minimize the effects to the environment.
- Adopting the principle of “Reduction in profits rather than giving up market share” and maintaining a strong sales network and customer base in order to reap maximum gains when the market recovers.
- The Group continued to maintain its leading position in the PRC cotton textile industry.

Hong Kong, 16 September, 2008 – Weiqiao Textile Company Limited (“the Company” or “Weiqiao Textile”) and its subsidiaries, collectively, the “Group”) (HKEX: 2698), the largest cotton textile producer in China, today announced its unaudited results for the 6 months ended 30 June 2008 (the “Review Period” or the “Period”).

During the Period, due to the rapid appreciation of the Renminbi, the rise in raw materials and energy costs, the adjustment of State’s macroeconomic policies and the slowdown in foreign demand, the cotton textile market of China remained in a depression while market competition further intensified. By leveraging on its brand advantage, large sales network and good customer relationship, the Group was able to maintain stable sales volume for its products under severe conditions of the industry. Output of the Group’s cotton yarn, grey fabric in the first year was 422,000 tons and 751,000,000 metres, respectively, representing a decrease of 3.4% and 3.8% over the same period last year. Output of denim was 88,000,000 metres, which leveled with the same period last year. In the first half of the year, the Group’s revenue reaches approximately RMB8,888,000,000, representing a decrease of 4.1% over the same period in 2007. On the other hand, net profit attributable to equity holders of the Company decreased to approximately RMB273,000,000, representing a decrease of 59.3% from the same period last year. Earnings per share was RMB0.23, representing a decrease of 58.9%. The Board of Directors does not propose an interim dividend.

Commenting on the 1H2008 interim results performance, Ms. Zhang Hongxia, Chairman of Weiqiao Textile, said, “To ensure that the Group to maintain its leading position in this challenging environment, the Group has adopted the important operating principle of “Reduction in profits rather than giving up market share” for this important strategic

adjustment period to continue to maintain a strong sales network in order to reap maximum gains when the market recovers. Despite the fall in profits, the Group could still maintain fundamentally stable sales result, which demonstrated that the Group has established good relationships with its customers and also established a positive brand image."

Operations Review

Weiqiao Textile recorded relatively stable sales revenue during the reporting period. Despite the adverse effect of the State's macroeconomic adjustment policies, rise in energy prices and increase in the cost of raw materials, etc. have resulted in the rise in operating costs of the Group, in order to secure market share and stabilise its labour force, the Group adopted the sales strategy of price reduction as it faced significant increase in costs. The Group considers that the strategy of "Reduction in profits rather than giving up market share" would secure a stable customer base for the Group to the greatest extent, and enable it to achieve greater results by leveraging on its solid customer base and long-term trading relationships when the environment of the cotton textile industry returns to the right track.

Cotton yarn, grey fabric and denim remained the Group's core products by revenue. Revenue by categories accounted for 45.8%, 46.1% and 7.9% of the Group's total revenue respectively. The following table provides a breakdown of revenue by product categories:

| Products | Revenue in 1H2008 (RMB) | Revenue in 1H2007 (RMB) | Change (%) | Proportion of Revenue for 1H2008 (%) |
|-----------------|--------------------------------|--------------------------------|-------------------|---|
| Cotton yarn | 4,067,000,000 | 4,250,000,000 | -4.3 | 45.8 |
| Grey fabric | 4,094,000,000 | 4,431,000,000 | -7.6 | 46.1 |
| Denim | 704,000,000 | 582,000,000 | +21.0 | 7.9 |
| Others | 23,000,000 | 4,000,000 | +475.0 | 0.2 |
| Total | 8,888,000,000 | 9,267,000,000 | -4.1 | 100 |

For the six months ended 30 June 2008, the proportion of revenue from cotton yarn and grey fabric basically leveled that of the same time last year. The proportion of the revenue from denim increased slightly due to the increase in denim sales by the Company to suit the changes in market demand of denim.

For the six months ended 30 June 2008, the Group's domestic sales volume decreased compared to the same period last year, and the decrease in its share of total revenue was due to the effect of domestic economic situations and the decrease in demand of textile products from downstream enterprises in the country. The Group's export sales benefited from a broad overseas sales network and customer resources, resulting in an increase of sales volume. Revenue by region was:

| Regions | Revenue In 1H2008 (RMB) | Revenue In 1H2007 (RMB) | Change (%) | Proportion of Revenue for 1H2008 (%) |
|-----------------------------------|-------------------------------|-------------------------------|---------------|--|
| PRC | 4,476,000,000 | 5,613,000,000 | -20.3 | 50.4 |
| Hong Kong | 1,906,000,000 | 1,578,000,000 | +20.8 | 21.4 |
| East Asian Regions ⁽¹⁾ | 1,061,000,000 | 873,000,000 | +21.5 | 11.9 |
| Other regions ⁽²⁾ | 1,445,000,000 | 1,203,000,000 | +20.1 | 16.3 |

Note (1): East Asia comprises of Japan and Korea;

Note (2) Others mainly comprises of Southeast Asia, the United States and Europe

Gross profit and gross profit margin

For the six months ended 30 June 2008, the gross profit margin of the Group decreased to 7.6% from the same period last year, which was mainly due to the slowdown of economic growth, the rise in energy and raw materials costs. And in view of the decrease in demand for textile products from downstream enterprises, the Group adopted the strategy of price reduction, resulting in a significant decrease in overall gross profit margin.

Selling and Distribution Costs

During the first half of 2008, the Group's selling and distribution costs decreased by 8.0% from approximately RMB200 million in the first half of 2007 to approximately RMB184 million, of which transportation costs decreased by 7.5% from approximately RMB160 million in the same period last year to approximately RMB148 million due to the decrease in the proportion of transportation costs of sales born by the Group. Sales commission decreased 17.6% from approximately RMB17 million in the first half of 2007 to approximately RMB14 million due to the downturn of the textile market and the reduction in the commission rate by the Group.

Administrative Expenses

For the six months ended 30 June 2008, the Group's administrative expenses were approximately RMB99 million, representing an increase of 22.2% as compared with approximately RMB81 million in the same period last years, which was mainly due to the improvement of staff benefits expenses by the Group.

Finance Costs

For the six months ended 30 June 2008, finance costs were approximately RMB367 million as compared with RMB373 million over the same period last year. The decrease in the Group's interest bearing bank borrowings resulted in a decrease in interest expense, which has basically offset the increase in interest rate of borrowings.

Prospects

Weiqiao Textile's Chairman, Ms. Zhang, concluded, "The textile industry of China is transitioning from volume growth to value growth and the pace of integration of the industry has accelerated further. The Group is taking effective measures to actively respond to market changes with its experience accumulated over the years and its good customer base. Each segment of the industrial chain of the Group, from production, research and development to marketing and sales, has abundant human resources as safeguards. The management of the Group believes that the temporary difficulty faced by the PRC cotton

textile industry also provides a good opportunity for restructuring and upgrading of the entire industry, which is beneficial to the elimination of laggard enterprises and production technology while promote the continuing healthy development of qualified enterprises. 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. The Group will continue to improve the technological standard of its production, to produce quality products that are in line with international standards, and make this as the major safeguard for the Group's future 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. 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 132,000 people. As at 30 June 2008, the Group produced 422,000 tons of cotton yarn, 751,000,000 meters of grey fabric and 88,000,000 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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