



Weiqiao Textile Announces 2007 Interim Results Various profitability indicators pointed to the improved operation efficiency

- ◆ Revenue was RMB 9,267 million, up 0.03%
- ◆ Gross profit was RMB 1,514 million, up 5.5%
- ◆ Net profit attributable to shareholders was RMB 670 million, up 11.5%
- ◆ Operating profit margin was 15.4%, up 1.8 percentage points
- ◆ Diluted earnings per share were RMB 0.56 (1H2006, RMB 0.50)
- ◆ The Board has resolved not to pay interim dividends

Hong Kong, 3 September 2007 – 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 2007 (the “Review Period” or the “Period”).

During the Period, revenue of the Group was RMB 9,267,000,000, representing a slight increase over the corresponding period in 2006. Net profit attributable to shareholders of the Company was RMB 670,000,000, representing an increase of 11.5% compared to the corresponding period in 2006. Diluted earnings per share were RMB 0.56. The Board of Directors has resolved not to pay interim dividends.

Ms. Zhang Hongxia, Chairman of Weiqiao Textile, said: “The first half of 2007 presented both opportunities and challenges for the textile industry in the PRC. Driven by strong domestic demands, the sales of textile and apparel products recorded a significant growth. However, the continuous appreciation of RMB, the downward adjustments to the VAT rebate for export and the rise in labour costs, the growth of export of China’s textile products slowed down slightly. During the Period, the Group continued to improve its operation efficiency through technological reform and continuous upgrade of equipment and optimization of product mix. At the same time, the Group continued to reinforce its efforts in energy saving and the reduction of consumption with a view to effectively control its production costs and minimize the effects on environment.”

Review of Operations

During the Period, the domestic consumption of textile apparel products grew by 25% while the total export of textile products and apparel of the PRC amounted to US\$ 75.47 billion, representing a growth of 17.5% as compared to the same period of last year. The PRC's export of textile apparel to European Union and the USA amounted to US\$24.06 billion in aggregate, accounting for 31.9% of its total export of textile apparel. However, various policies issued by the government including the reduction in VAT rebate for export, the introduction of the processing trade deposit system and implementation of energy saving and emission reduction measures, will impose great pressure on the operation of textile and apparel enterprises which will ultimately speed up industry consolidation. Despite the changing environment of the textile industry, Weiqiao Textile achieved a steady operating result by capitalizing on its competitive strengths and improved its operating efficiency through technological reform and continuous upgrade of equipment and optimization of product mix.

The Group will continue to pursue its course in industry enhancement and to strengthen the sales of its core products and optimize the product mix. In terms of sales volume, cotton yarn, grey fabric and denim remained the Group's core products. Their sales accounted for 45.9%, 47.8% and 6.3% respectively of the Group's total revenue. The following table provides a breakdown of revenue in terms of product categories:

Products	Revenue 1H2007 (RMB)	Revenue 1H2006 (RMB)	Change	1H2007 Sales proportion
Cotton yarn	4,250,000,000	3,843,000,000	+10.6%	45.9%
Grey fabric	4,431,000,000	4,915,000,000	-9.8%	47.8%
Denim	582,000,000	474,000,000	+22.8%	6.3%
Others	4,000,000	32,000,000	-87.5%	0.0%

During the Period, the Group's production volume continued to grow. Its production volume of cotton yarn, grey fabric and denim were 437,000 tones, 781,000,000 meters and 88,000,000 meters, respectively.

In terms of geographical locations, sales to domestic and Hong Kong markets continued to increase. Domestic sales reached RMB 5,613,000,000, comprising 60.6% of the Group's total sales. The following table gives a breakdown of revenue in terms of geographical locations.

Regions	Revenue 1H2007 (RMB)	Revenue 1H2006 (RMB)	Change	1H2007 Sales proportion
PRC	5,613,000,000	6,136,000,000	-8.5%	60.6%
Hong Kong	1,578,000,000	1,390,000,000	+13.5%	17.0%

East Asia ¹	873,000,000	933,000,000	-6.4%	9.4%
Other ²	1,203,000,000	805,000,000	+49.4%	13.0%

Note 1: East Asia comprises of Japan and South Korea;

Note 2: Others mainly comprises of Southeast Asia, the United States and Europe.

Gross profit and gross profit margin

The Group improved its operating efficiency through technological reform, upgrade of equipment and optimization of product mix. For the six months ended 30 June 2007, the overall gross profit margin of the Group improved to the level of 16.3%, representing an increase of 0.8 percentage points as compared with the same period last year. The Group increased direct sales of high-end cotton yarn on the basis of maintaining a stable profit margin of grey fabrics, thus the profit margin of cotton yarn rose. The decrease in the gross profit margin of denim was primarily a result of the reduction of selling price by the Group according to the change in market.

Selling and Distribution Costs

During the first half of 2007, the Group's selling and distribution costs increased by 23.5% to approximately RMB 200,000,000 from approximately RMB 162,000,000 in the first half of 2006. Transportation costs increased by 48.1% from approximately RMB 108,000,000 in the first half of 2006 to approximately RMB 160,000,000, mainly as a result of the increase in unit transportation cost due to oil price rise and partly due to the fact that some export goods of the Group which were used to be transported by sea were then transported by land as required by customers. Sales commission increased by 21.4% from approximately RMB 14,000,000 in the first half of 2006 to approximately RMB 17,000,000, primarily due to the increase in revenue generated from export sales and the corresponding increase in commissions.

Administrative Expenses

For the six months ended 30 June 2007, the Group's administrative expenses were approximately RMB 81,000,000, representing a decrease 19.0% as compared with approximately RMB 100,000,000 in the same period last year, which was primarily due to the Group's highly effective management and its streamlined team of executives.

Finance Costs

For the six months ended 30 June 2007, the Group's finance costs were approximately RMB 373,000,000, representing an increase of 13.4% compared with RMB 329,000,000 over the same period last year. The increase in finance costs was mainly due to the increase in the interest rate of interest-bearing bank loans.

Future Outlook and Strategies

Looking into the future, Weiqiao Textile's Chairman, Ms. Zhang said, "There will be both challenges and opportunities for prospects of the textile industry of the RPC, among which

the appreciation of RMB, adjustments to VAT rebate for export policy and the newly introduced processing trade deposit system would bring most immediate influences. Due to the continuous increase in the capacity of the textile industry of the PRC, costs of production, including cotton price, labor and energy cost may be increased; as a result, overall industry profitability will be impacted.

“In view of the increasingly advantageous position of China’s textile apparel exports, and the rise in domestic consumption effectively offsets the influence on export, export of textile products from the PRC to Europe will increase as the textiles safeguard trade agreement between the PRC and Europe will expire at the end of year. Therefore, the Group remains prudently optimistic toward its prospect and the overall environment of the industry.

“Weiqiao Textile will continue to pursue its course in energy saving and emission reduction measures and speed up the R&D and promotion of its relevant technology, with an hope to further improve its operating performance in response to the expectation of the country on industry upgrading and enhance the corporate image of the Group.”

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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 144,000 people. During the Period, the Group produced 437,000 tons of cotton yarn, 781,000,000 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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