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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)

PROFIT WARNING

This announcement is published pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of Directors (the “Board”) of Weiqiao Textile Company Limited (the “Company”, together with its subsidiaries shall collectively be referred to as the “Group”) hereby advises the shareholders and investors of the Company that based on its unaudited management accounts, it is expected that the Group’s results for the year ending 31 December 2011 will be substantially lower than that for the corresponding period in 2010, but still can expect to record a profit. Core business may expect to record a loss due to impairment provision made for the inventory based on the accounting principle of prudence and relevant accounting standard. Such provision is a non-cash item, and doesn’t have an impact on the Group’s cash flow.

The Board accounting that the main reasons why the anticipated results of the Group for the year ended 31 December 2011 will be substantially lower than that for the corresponding period in 2010 and core business may record a loss are as follows:

- (1) the Group’s profit substantially reduced as a result of the remarkable prices decline of cotton textiles products, as the demand in cotton textiles market in China have become gloomy in light of the significant reduction in the cottons’ prices during the year; and
- (2) as disclosed in the report on interim review of the Company for the period ended 30 June 2011, the amount of inventory of the Group as of 30 June 2011 was approximately RMB9.35 billion. The inventory of the Group for the period ended 30 November 2011 has increased slightly compared with that of the first half of 2011, which was attributable to the continuing downturn in demand of cotton textiles market. Influenced by the significant reduction in the products’ prices, pursuant

* *For identification purpose only*

to the accounting principle of prudence and relevant accounting standard, the Group will make impairment provision for the existing inventory, which will more negatively affect the overall profitability of the Group and may result in the anticipated loss of the Group's core business.

The Board considers that the overall operations of the Group remain sound and intact, and it is expected that product sales in the second half of this year will maintain stable compared with the first half of the year, and the financial position of the Group remains solid. The Board believes that if the textile products market improved in 2012, the Group's inventory will have a positive impact on its financial performance in the year 2012. In the meantime, a well-established sales network and the stable market share will help the Group benefit from the re-bouncing market.

For more details, investors should read the announcement for the Group's annual results for the year ending 31 December 2011, which is expected to be published before the end of March 2012.

Shareholders of the Company and investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Weiqiao Textile Company Limited
Zhang Hongxia
Executive Director and Chairman

16 December 2011

Shandong, the People's Republic of China

Note: 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).*