



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)

2005 Interim Results



Disclaimer

This presentation may include certain forward-looking statements. The actual results or development of Weiqiao Textile Company Limited 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, and other risks and factors beyond its control. In addition, these forward-looking statements are as of today and Weiqiao Textile Company Limited undertakes no obligation to update them. Statistical and other information relating to the PRC and the textile industry contained in this presentation have been compiled from various publicly available official or unofficial sources generally believed to be reliable. However, the quality of such source materials cannot be guaranteed. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis. Neither Weiqiao Textile Company Limited nor any of its directors has verified the accuracy of the information contained in such sources. They therefore make no representation as to the accuracy of this information. Accordingly, the industry information and statistics contained in this presentation may not be accurate and should not be unduly relied upon.

Agenda

- **Industry Overview**
- **Financial Highlights**
- **Business Review**
- **Strategy and Future Plan**
- **Q&A**



Industry Overview

China's Textile Industry Grows in Post Quota Stage

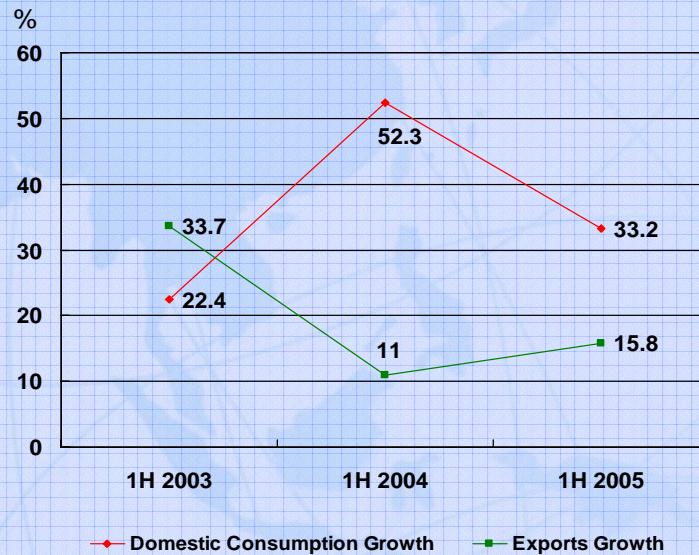


- **Abolishment of quotas effective 1st Jan 2005**
- **Exports of textile and apparel from the PRC increased by 21% to USD51.4 billion in 1H 2005 compared with 1H 2004**
- **Non-quota trading barriers and China textile industry's self imposed limits are forcing industry participants to upgrade their existing technology to cope with the manufacture of high-end products**
- **Challenges across the industry**

Domestic Demand creates Major Momentum for China's Textile Industry

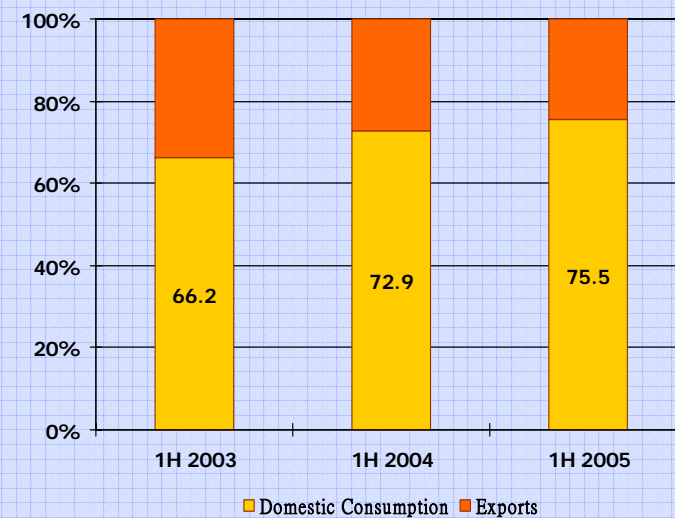
- Future GDP growth will rely on consumption instead of investments
- Improvements in living standards will stimulate domestic demand for textiles

**Domestic Consumption and Exports Growth Rates
1H 2003 – 1H 2005**

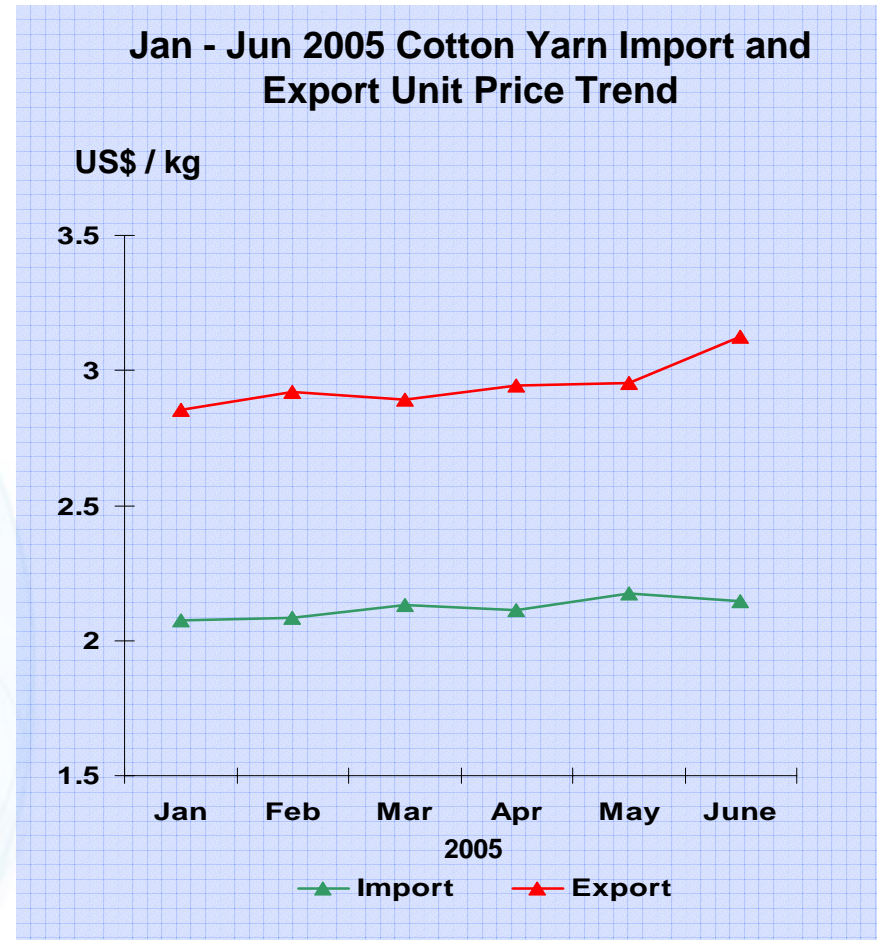
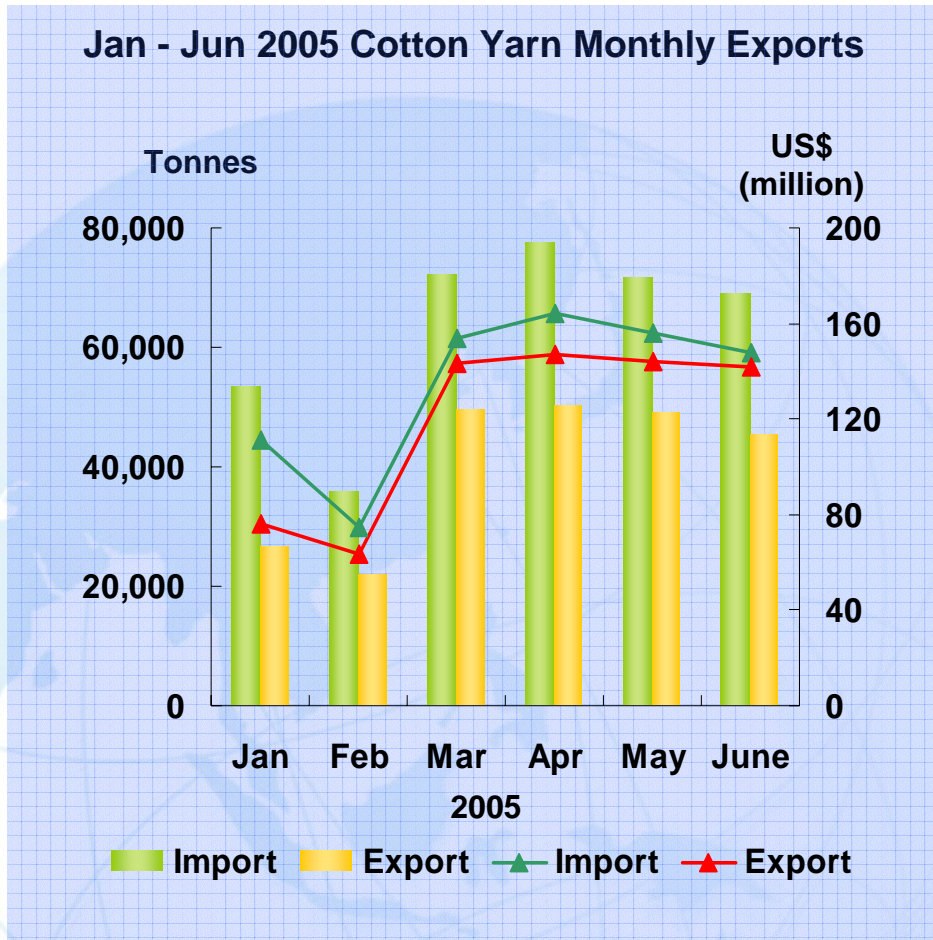


Source: China Cotton Textile Association

**Domestic Consumption and Exports
in the Textile Industry 1H 2003- 1H 2005**

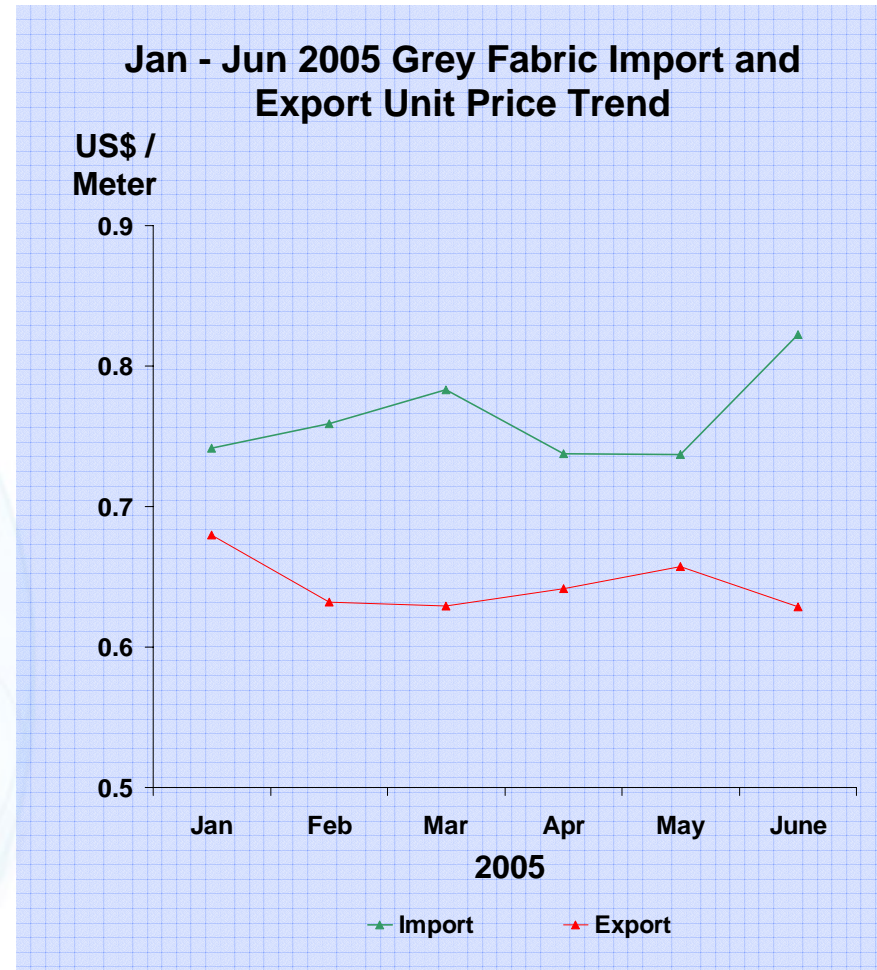
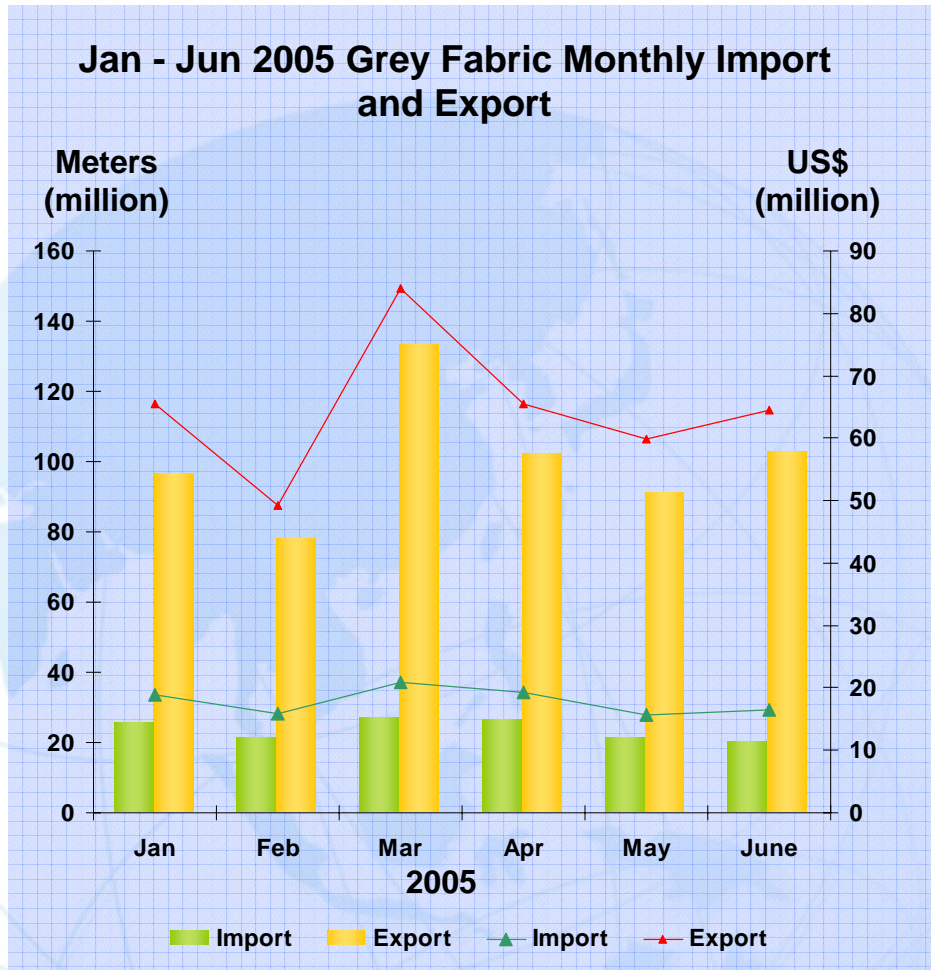


Cotton Yarn - Stable Operating Environment



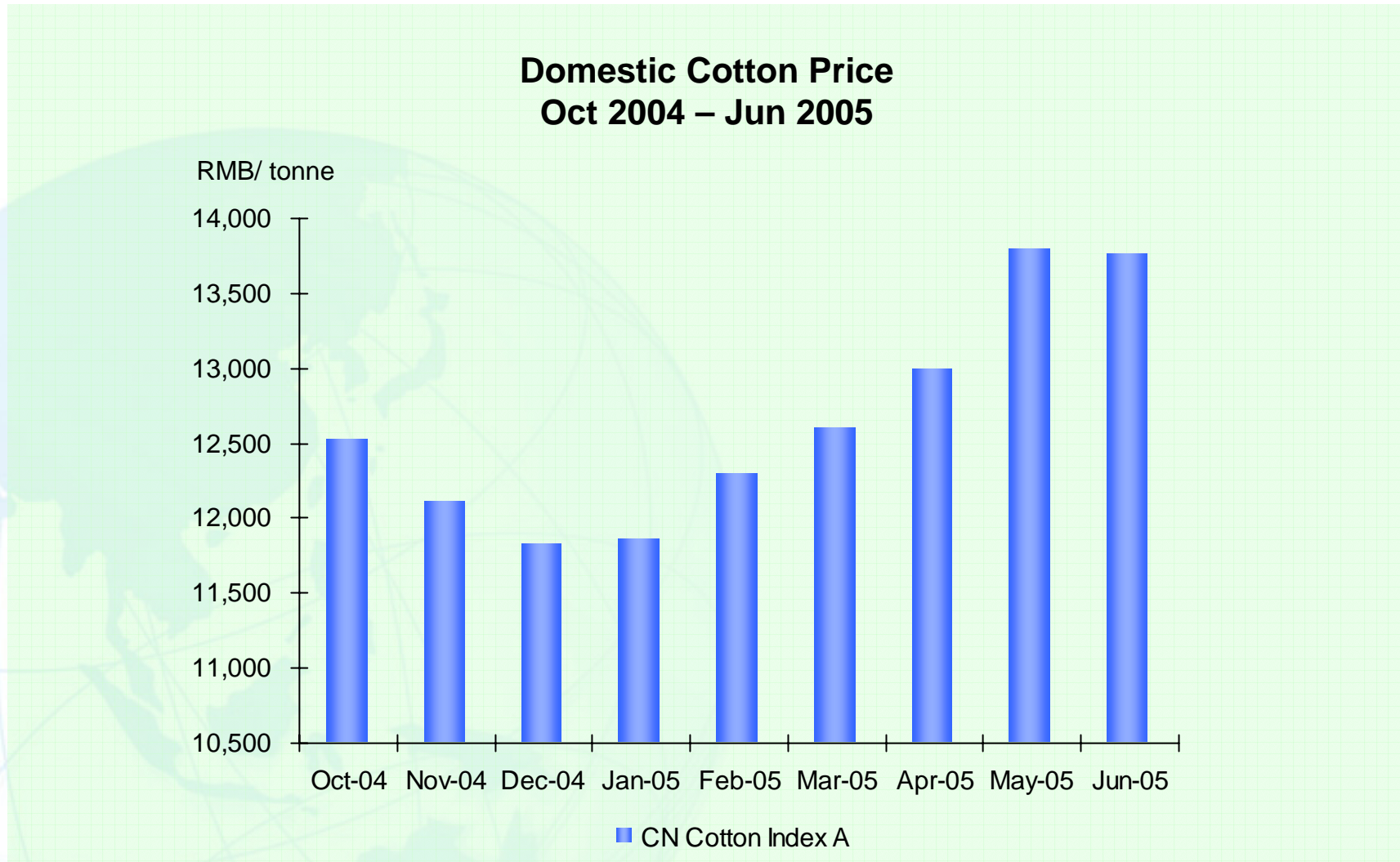
Source: China Cotton Textile Association

Grey Fabric - Stable Operating Environment



Source: China Cotton Textile Association

Relatively Stable Cotton Price



Source: China Cotton Textile Association

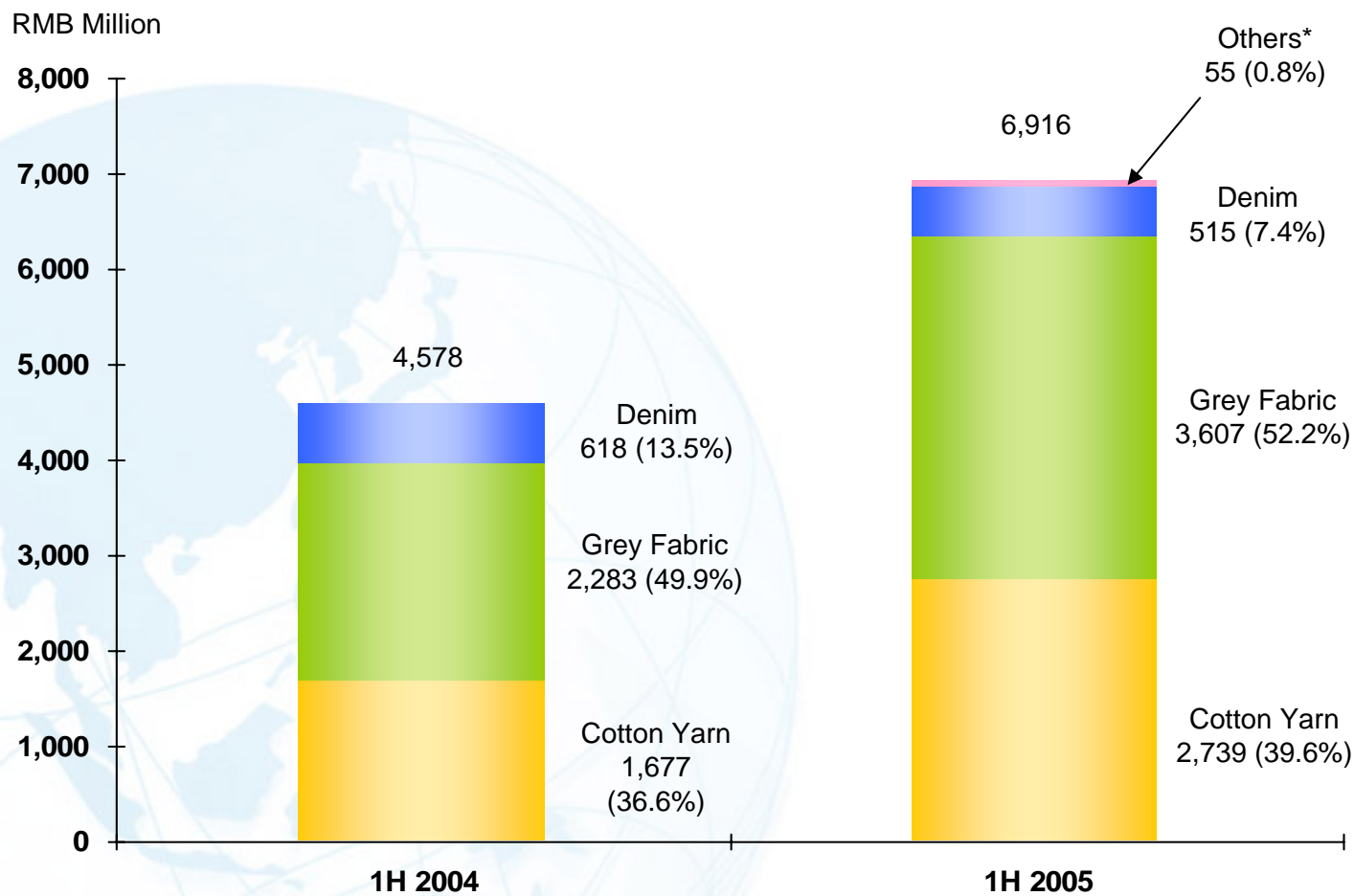


Financial Highlights

Financial Highlights

RMB Million	1H 2004	1H 2005	Change (%)
Turnover	4,578	6,916	+51.1
Gross profit	835	1,199	+43.6
GP margin (%)	18.2	17.3	(0.9 pts)
Net profit attributable to equity holders of the parent	357	472	+32.2
NP margin (%)	7.8	6.9	(0.9 pts)
EPS – basic (RMB)	0.43	0.54	+25.6

Turnover by Product



* Cotton seeds and byproducts

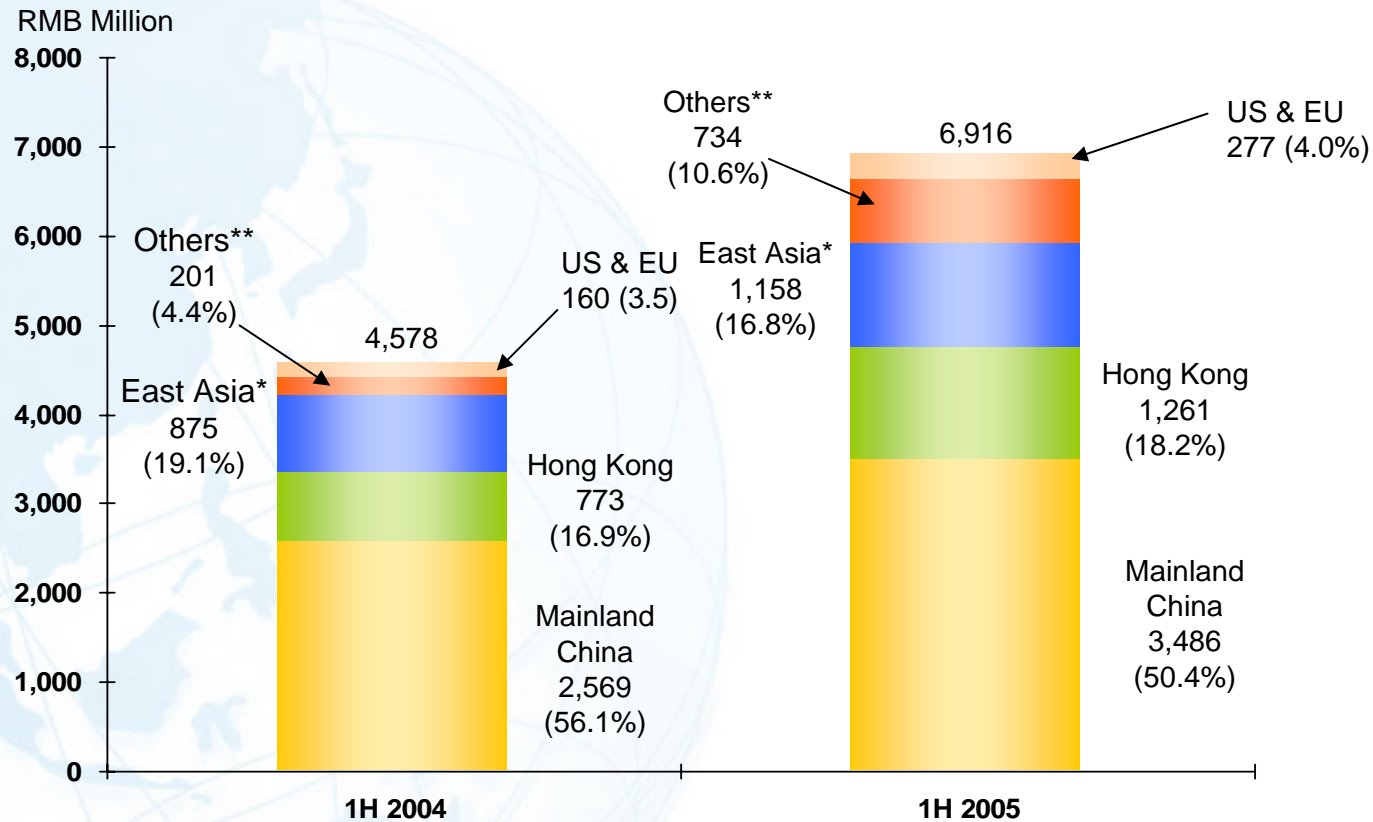
Turnover by Region

Increase in sales in the PRC due to:

- Strong domestic demand

Increase in sales in other regions due to:

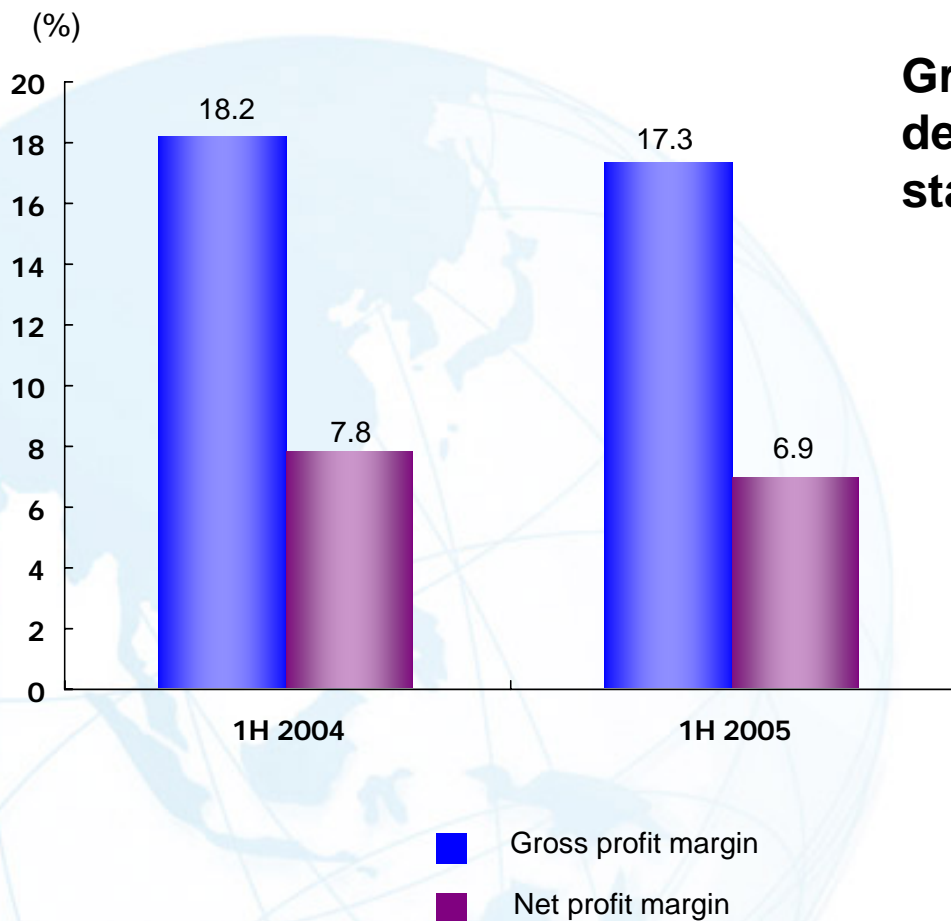
- expansion in overseas markets



* Principally Japan and South Korea

** Principally Taiwan region, Thailand and Philippines

GP and NP Margins



Gross profit and net profit margin decreased due to the increase in staff, finance and other costs.

GP and GP Margins by Product

RMB Million	1H 2004		1H 2005	
Cotton yarn	394	23.5%	669	24.4%
Grey fabric	312	13.7%	383	10.6%
Denim	129	20.9%	136	26.4%
Others*	-	-	11	20.0%
Total	835	18.2%	1,199	17.3%

* Cotton seeds and byproducts

Cost Analysis

As a percentage of turnover

	1H 2004	1H 2005
COGS	81.8	82.7
Selling and distribution costs	2.5	2.7
Administrative expenses	1.4	1.5
Other operating expenses	0.8	0.6
Finance costs	2.5	2.8

Other Financial Figures

	As at 31 December 2004	As at 30 June 2005
Net Assets (RMB million)	6,070	6,346
Return on Equity* (%)	15.5	7.6
Current Ratio (times)	1.1	1.0
Debt-to-equity Ratio** (%)	78	71
AR Turnover (days)	20	19
Inventory Turnover (days)	106	88

*Calculated based on average equity

** Total bank borrowings to shareholders' equity net of cash and cash equivalents



Business Review

Industry Leader



*One of the largest cotton textile
manufacturers in the world*

To No.72 from No. 93 on the
“Top 100 Listed Companies in the PRC” by Fortune



A constituent stock of both HSCEI and MSCI China Index



MSCI®

Expanding Production Scale

Weiqiao Production Base
(1st, 2nd and 3rd Production Areas)

Zouping Production Base commenced
production in January 2004
(1st and 2nd Industry Park of Zouping)

Binzhou Production Base
(Binzhou Industrial Park 1st and 2nd
Production Areas)

Weihai Production Base
(Weihai Weiqiao and Weihai Industrial
Park)



158, 000 Staff as at 30 June 2005

Production Volume

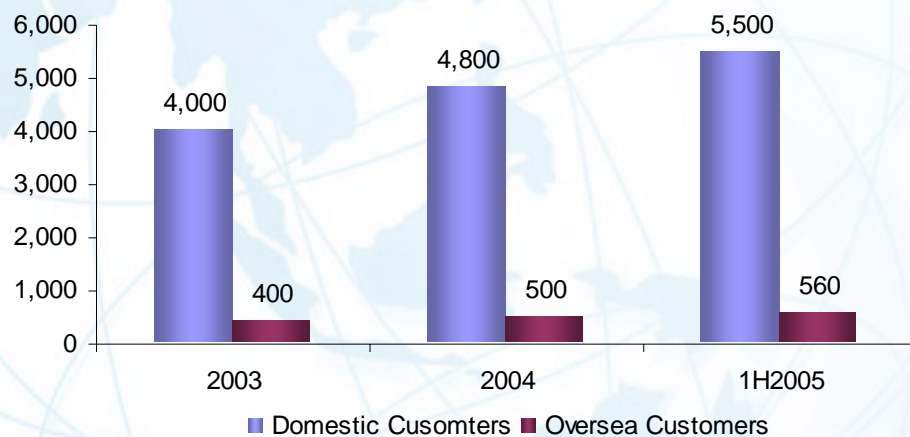
Commencement of production in the Second Industrial Park of Zouping, the Second Production Area of Binzhou Industrial Park and the Weihai Industrial Park

	1H 2004	1H 2005	Change (%)
Cotton yarn (tonnes)	239,000	296,000	+23.8%
Grey fabric (meters '000)	514,000	687,000	+33.7%
Denim (meters '000)	68,000	59,000	(13.2%)

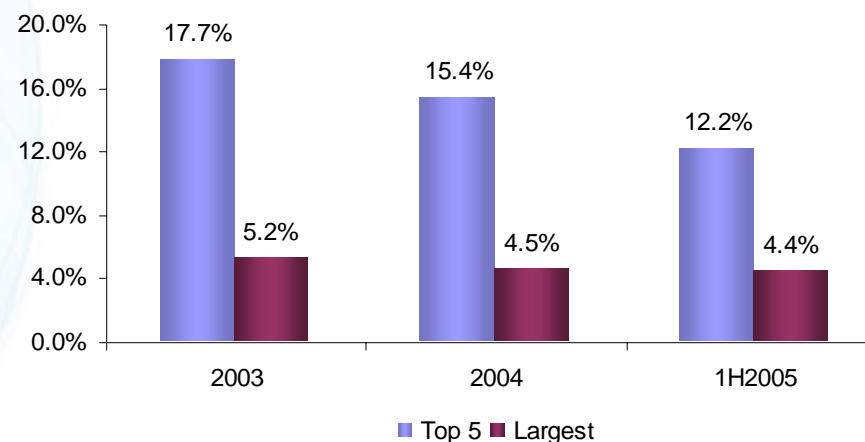
Enlarging Customer Base

- Domestic customers: Over 5,500 customers in about 30 provinces and municipalities
- Overseas customers: About 560 customers spanning 20 countries
- Better customer mix resulted in both risk diversification and stronger bargaining power with customers

Domestic and Overseas Customers Base



Top Five and Largest Customer Proportion to Turnover



Industry Player Comparison

	Turnover growth (%)	Growth in net profits attributable to equity holders of the parent (%)	Gross Profit Margin (%)	Net Profits Margin (%)	A/R Turnover (Days)
Average market capitalization of the textile company listed in Hong Kong	19.0	(1.5)	19.6	6.2	52.4
Average market capitalization of the textile company listed in the PRC	13.4	(21.4)	16.2	(2.1)	56.3
Weiqiao Textile (as at 30 June 2005)	51.1	32.2	17.3	6.9	19.0

Source: Bloomberg (downloaded from internet on 25 August 2005) and Company

RMB Revaluation

- **Negative impact on revenues is modest**
- **Natural hedging as the Company is involved in processing trading**
- **Reduces cost of imported machinery and raw materials, and of US dollar-based financing (As at 30 June 2005, USD Debt/Total Debt is 33.3%)**



Strategy and Future Plan

Opportunities and Challenges

- **Strong domestic demand**
- **More stable operating environment for upstream sector**
- **Relatively stable lower cotton price**
- **Industry consolidation and technology upgrading**
- **Energy shortage and higher costs**
- **Interest rate increase and Renminbi appreciation**
- **Work force shortage**

Strategy and Future Plan

- **Continuously upgrade production facilities and improve equipment standards**
- **Stabilize energy supply and reduce cost**
- **Restructure debt to reduce financial cost**
- **Speed up staff training to increase productivity and efficiency**



Q&A