



## Weiqiao Textile Announces 2011 Annual Results

**The company strengthens cost control, maintains market leadership and strong financial position**

### Financial Summary

- ◆ Revenue was approximately RMB 15,232,000,000, down 14.8%
- ◆ Gross profit was approximately RMB 278,000,000, down 90.3%
- ◆ Profit attributable to owners of the parent was approximately RMB 246,000,000, down 84.9%
- ◆ Earnings per share were approximately RMB 0.21, down 84.6%
- ◆ Proposed final dividend of approximately RMB 0.0594 per share (tax included), down 86.4%

(Hong Kong, March 26, 2012) – 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 year ended December 31, 2011 (the “Review Period” or the “Period”).

During the Period under Review, the sluggish recovery of the global economy and the sovereign debt crisis in Europe led to depressed demand for textile products and apparel in overseas markets. The growth in export value of textile products and apparel in China decelerated and the increase in export volumes was negligible. According to the figures released by the China Customs, the accumulated export of textile products and apparel in 2011 amounted to approximately US\$248 billion, representing an increase of 20.1%. Yet the growth rate declined by 3.5 percentage points compared to that in 2010. In particular, exports of textile products amounted to approximately US\$94.7 billion, representing an increase of 22.9% and a decrease of 5.6 percentage points in growth rate over last year; while exports of apparel amounted to approximately US\$153.3 billion, representing an increase of 18.4% and a decrease of 2.5 percentage points in growth rate over last year. Weakened demand from overseas markets together with the shifting of export orders from China to its neighboring countries gradually due to production cost consideration, resulted in a more fierce competition for global textile companies.

In 2011, a turbulent year for the textile industry, the inventory level of Weiqiao increased substantially due to weak market demand. Profits were negatively affected by a provision against inventory due to a significant decline in product prices.

For the year ended 31 December 2011, the Group’s revenue was RMB15,232 million, a decrease of 14.8% compared with 2010. Profit attributable to owners of the parent was RMB246 million, representing a substantial decrease of 84.9% compared with 2010.

Earnings per share were RMB0.21, representing a decrease of 84.6% compared with the previous year. The Board recommended payment of a final dividend for the year ended 31 December 2011 of RMB0.0594 per share (including tax), down 86.4%.

In 2011, the Group's production volume of cotton yarn, grey fabric, and denim were approximately 618,000 tonnes, 1,165 million meters and 102 million meters respectively. The production of cotton yarn and grey fabric decreased 14.2% and 10.9%, respectively, over last year. The production volume of denim remained at the same level as last year.

Commenting on the 2011 annual results performance, Ms. Zhang Hongxia, Chairman of Weiqiao Textile, said, "2011 was a challenging year for China's cotton textile industry. On the one side, the prices of raw materials fluctuated in the domestic market and production costs including that of labour increased. At the same time, in order to dampen domestic inflation, the PRC government tightened monetary policy, and with the appreciation of RMB, the financing costs reached an even higher level for textile companies and exports of textile products were adversely affected. In particular, the high volatility of the cotton price negatively affected the industry across the board. As a result, sales were weaker, the potential for inventory losses greater, and profits lower for most cotton textile enterprises. Furthermore, the adverse impact was felt throughout the industry value chain, affecting both confidence and operations."

## Business Review

The cotton textile market remained depressed due to the uncertainties in the global economy and shrinking overseas demand. Weiqiao was unable to remain unaffected amidst such difficult and complex market. However, the Board is confident that the Group will overcome these challenges and enhance its dominant position in the industry by leveraging its complete and strong operation capability and solid financial status.

Cotton yarn, grey fabrics and denim are key products of the Group. The proportions of revenue generated from the sales were 41.1%, 53.4% and 5.4% respectively. The breakdowns of revenue by products are as follows:

Products	Revenue in 2011 (RMB 000')	Revenue in 2010 (RMB 000')	Change (%)	Sales proportion for 2011 (%)
Cotton yarn	6,252,705	8,063,398	-22.5	41.1
Grey fabric	8,138,605	8,764,460	-7.1	53.4
Denim	820,658	1,051,103	-21.9	5.4
Others	20,066	8,468	137.0	0.2
<b>Total</b>	<b>15,232,034</b>	<b>17,887,429</b>	<b>-14.8</b>	<b>100.0</b>

For the year ended 31 December 2011, the proportion of revenue contribution of cotton yarn decreased due to the decline in orders and sales volume, which were caused by the high fluctuation in the cotton price and shrinking demand in overseas markets. The proportion of revenue contribution of grey fabric increased as the Group dishoarded part of its inventory according to domestic market conditions. Therefore, the decline of the revenue of grey fabric is less than that of the Group's overall revenues. The proportion of revenue contribution of denim remained at about the same level as last year.

For the year ended 31 December 2011, the breakdowns of revenue by regions are as follows:

Regions	Revenue In 2011 (RMB 000')	Revenue In 2010 (RMB 000')	Change (%)	Sales proportion for 2011 (%)
China	10,326,648	11,039,456	-6.5	67.8
Hong Kong	1,037,645	2,099,888	-50.6	6.8
East Asia <sup>(1)</sup>	1,789,984	1,752,198	2.2	11.8
Others <sup>(2)</sup>	2,077,757	2,995,887	-30.6	13.6

Note(1): East Asia includes Japan and South 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 approximately 37.3% to approximately RMB180 million for the Year from approximately RMB287 million for last year. In particular, transportation cost decreased by approximately 38.4% to approximately RMB130 million from approximately RMB211 million in 2010. This was mainly due to decreased market demand for the textile products and sales volume of the Group's products declined during the Year, which reduced transportation cost accordingly. Sales commission was approximately RMB19 million, representing a decrease of approximately 40.6% as compared with approximately RMB32 million of last year. Such decrease was primarily due to a decrease in the Group overseas sales through intermediate traders which resulted in a drop in the commission paid.

### Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2011 amounted to approximately RMB231 million, representing an increase of approximately 14.4% as compared with approximately RMB202 million of last year. It was primarily due to the upward adjustment of wages by the Group and the corresponding increase in the salary expenses of administration and management staff during the year.

### Finance Costs

For the year ended 31 December 2011, finance costs of the Group were approximately RMB569 million, representing an increase of approximately 15.4% as compared with approximately RMB493 million of last year. This was mainly due to slight increase in the bank loans of the Group and the increase in the interest rates of bank borrowings in China during the Year.

### Outlook

Ms. Zhang said, "Looking ahead, there are many uncertain factors in the economic growth. Weiqiao Textile will further improve product mix, encourage innovation, and strengthen its good brand name in the market. We believe these initiatives will further enhance sales.

In addition, by leveraging advantages including global cotton procurement and self-sufficient electricity and steam supply, Weiqiao Textile will continue its efforts to control cost and maintain, or even increase, its market share amidst market turbulence through dynamic sale strategies and flexible pricing. The management of the Group believes that, given its operating efficiency and strategy, Weiqiao Textile will regain its growth rapidly once the market recovers."

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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 a strong position in the global textile markets by employing advanced 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 102,000 people. As at December 31, 2011, the Group produced approximately 618,000 tons of cotton yarn, 1,165,000,000 meters of grey fabric and 102,000,000 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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