



Weiqiao Textile Announces 2007 Annual Results Implemented Effective Cost Control Measures and Achieved Steady Results

- ◆ Revenue was RMB18,590,000,000, down 6.2%
- ◆ Gross profit was RMB 2,662,000,000, down 19.9%
- ◆ Net profit attributable to shareholders was RMB1,868,000,000, up 10.9%
- ◆ Basic earnings per share were RMB1.56, up 9.1%
- ◆ Proposed final dividend of approximately RMB 0.50 per share, up 13.6%

Hong Kong, March 31, 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 annual results for the period ended December 31, 2007 (the “Period”).

During the year under review, the demand in the textile market decreased owing to the appreciation of the renminbi, the decrease in the export tax refund rate and macroeconomic control measures. Revenue of the Group decreased 6.2% to RMB18,590,000,000 compared with 2006. Gross profit decreased 19.9% to RMB2,662,000,000. Net profit attributable to shareholders rose 10.9% to RMB1,868,000,000. Basic earnings per share were RMB 1.56, 9.1% higher than that of last year. The Board of Directors proposed a final dividend of approximately RMB0.50, up 13.6% compared with 2006.

Commenting on the annual results performance, Ms. Zhang Hongxia, Chairman of Weiqiao Textile, said, “In 2007, reductions in exports and the rises in production costs led to more intense market competition. The appreciation of the renminbi, the changes to the export tax refund policy and a rise in raw materials costs all posed certain challenges for the textile industry in China. Despite poor market conditions, the Group achieved steady results in a challenging textile market, in part as a result of effective cost control measures. Leveraging on our economies of scale and technological transformation, we successfully increased operating efficiencies by improving equipment and facilities and optimizing our product mix.”

Operations Review

In 2007, exports of textile products and clothing in China grew steadily albeit at a reduced growth rate. According to Customs statistics, exports of textile products and clothing amounted to US\$175.6 billion in 2007, an increase of 19.11% over 2006 with a drop of six percentage points in the growth rate. Exports of cotton textile products and clothing amounted to US\$72.063 billion, an increase of 28.69% over 2006, while the growth rate dropped by 7.5 percentage points.

The Group continued to pursue its course in industry enhancement and to strengthen the sales of its core products and optimize product mix. Cotton yarn, grey fabric and denim remained the Group's core products by sales volume. Their sales accounted for 45.1%, 47.8% and 6.9% of the Group's total revenue respectively. The following table provides a breakdown of revenue by product categories:

| Products | Revenue in 2007 (RMB million) | Revenue in 2006 (RMB million) | Change % | Gross margin in 2007 (%) | Gross margin in 2006 (%) |
|-------------|-------------------------------|-------------------------------|----------|--------------------------|--------------------------|
| Cotton yarn | 8,385 | 8,291 | 1.1 | 13.3 | 13.6 |
| Grey fabric | 8,896 | 9,812 | (9.3) | 14.3 | 19.1 |
| Denim | 1,274 | 1,669 | (23.6) | 20.4 | 18.7 |
| Others | 34 | 54 | (36.5) | 22.3 | 23.7 |
| Total | 18,589 | 19,826 | (6.2) | 14.3 | 16.8 |

In 2007, the Group's production volume of cotton yarn, grey fabric and denim were 891,000 tons, 1,646,000,000 meters and 180,000,000 meters respectively.

In 2007, the percentage of domestic sales of the Group dropped slightly as the textile and apparel exporters in China were affected by the export slowdown. Revenue by region was:

| Regions | Revenue In 2007 (RMB million) | Revenue In 2006 (RMB million) | Change (%) | Sales proportion for 2007 |
|--------------------|-------------------------------|-------------------------------|------------|---------------------------|
| PRC | 10,955 | 13,001 | (15.7) | 58.9% |
| Hong Kong | 3,304 | 2,987 | 10.6 | 17.8% |
| East Asian Regions | 1,876 | 1,894 | (0.9) | 10.1% |
| Other regions | 2,455 | 1,944 | 26.3 | 13.2% |
| Total | 18,590 | 19,826 | (6.2) | 100% |

During the year under review, the Group continued to actively expand its market share and explored new markets. As at 31 December 2007, the Group had a total of 8,000 domestic customers and over 780 overseas customers, up 6.7% and 8.3% respectively from 2006.

Gross profit and gross profit margin

For the twelve months ended 31 December 2007, the Group's gross profit margin decreased to 14.3%, compared with 2006. The decrease was mainly attributable to a decrease in the gross profit margin as the Company cut prices in response to a decline in market demand due to several unfavourable factors such as the appreciation of the renminbi, a reduction in the tax refund rate and macroeconomic control policy.

Selling and Distribution Costs

The Group's selling and distribution expenses increased by 14.2% to approximately RMB410,000,000 for the year ended 31 December 2007 from approximately RMB359,000,000 for the previous year. Of which, transportation cost increased by 16.4% to approximately RMB320,000,000 from approximately RMB275,000,000 for 2006 due to

an increase in unit transportation cost as a result of an increase in domestic oil prices. Sales commission decreased by 5.6% to approximately RMB34,000,000 from approximately RMB36,000,000 for 2006. This was attributable to a reduction in the payment of commissions as a result of a decrease in sales volume through agents as the Company further stepped up its efforts in developing the market on its own.

Administrative Expenses

Administrative expenses for the year ended 31 December 2007 totaled to approximately RMB197,000,000, representing an increase of 11.3% from compared with approximately RMB177,000,000 for the previous year. This was attributable to the enhancement of employees' benefits by the Company.

Finance Costs

For the year ended 31 December 2007, finance costs of the Group were approximately RMB726,000,000, which was basically unchanged from 2006. This was attributable to the fact that the reduction in interest expenses due to a decrease in the Group's interest-bearing bank borrowings. This basically offset the increase in interest expenses that was caused by an increase in lending rates of financial institutions.

Acquisition of Thermal Power Assets

The Group has obtained shareholders approval at an EGM held on 18 March 2008 to acquire thermal power assets from Shandong Weiqiao Chuangye Group Company Limited for a cash consideration of RMB 2,210,000,000. The thermal power assets have an installed electricity generation capacity of about 600 MW and steam generation capacity of about 2,480 tons per hour. This acquisition will stabilize power supply and help meet the Group's growing demand for electricity and steam. It will also help the Group improve operation efficiency and competitiveness, reduce costs as well as enhance profitability.

Outlook

Weiqiao Textile's Chairman, Ms. Zhang said, "We expect market conditions to remain challenging in 2008 for the entire industry, which will present opportunities. We believe that we have the strengths necessary to capture such opportunities and develop the domestic and overseas markets at the same time. Weiqiao Textile will strive to expand the range of its medium and high-end products to maintain and strengthen its position as the first-choice supplier in China and even around the world for global buyers. In the meantime, we will continue to consolidate the outstanding image of the "Weiqiao" brand name, actively upgrade our production facilities and improve operating efficiency so as to continuously enhance our core competitiveness."

“In addition to the cost savings generated by the newly acquired thermal power assets, we will continue to implement other cost control measures to improve profitability and will continuously enhance shareholder value” concluded Ms. Zhang.

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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 135,000 people. As at December 31, 2007, the Group produced 891,000 tons of cotton yarn, 1,646,000,000 meters of grey fabric and 180,000,000 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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