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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

Annual results for the year ended 31 December 2012	
Compared to 2011 financial results:	
Revenue	at about the same level, approximately RMB15,248 million
Gross profit	an increase of approximately 273.0% to approximately RMB1,037 million
Net profit attributable to owners of the parent	an increase of approximately 95.9% to approximately RMB482 million
Earnings per share	an increase of approximately 90.5% to RMB0.40
Proposed final dividend per share	an increase of approximately 109.8% to RMB0.1246 (including tax)

The board of directors (the "**Board**") of Weiqiao Textile Company Limited (the "**Company**" or "**Weiqiao Textile**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2012 (the "**Year**" or "**Year under Review**"). During the Year under Review, the revenue of the Group was approximately RMB15,248 million, which was at about the same level as the corresponding period of last year. Net profit attributable to owners of the parent amounted to approximately RMB482 million, with an increase of approximately 95.9% as compared with the year ended 31 December 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	4	**15,247,956**	15,232,034
Cost of sales		**(14,210,749)**	(14,953,545)
Gross profit		**1,037,207**	278,489
Other income and gains	4	**794,410**	927,998
Selling and distribution expenses		**(206,211)**	(180,418)
Administrative expenses		**(252,398)**	(230,650)
Other expenses		**(84,216)**	(75,353)
Finance costs	6	**(628,886)**	(467,743)
Share of profit of an associate		**3,835**	2,232
PROFIT BEFORE TAX	5	**663,741**	254,555
Income tax expense	7	**(184,752)**	(15,230)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**478,989**	239,325
Attributable to:			
Owners of the parent		**481,880**	245,584
Non-controlling interests		**(2,891)**	(6,259)
		478,989	239,325
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	**RMB0.40**	RMB0.21

During the years ended 31 December 2012 and 31 December 2011, the Group did not have any other comprehensive income.

Details of the dividends payable and proposed for the year are disclosed in note 8 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**13,662,949**	15,645,003
Prepaid land lease payments		**185,791**	195,345
Other intangible assets		**1,109**	2,169
Investment in an associate		**51,067**	47,232
Deferred tax assets		**263,044**	259,281
Total non-current assets		**14,163,960**	16,149,030
CURRENT ASSETS			
Inventories		**5,799,515**	10,045,178
Trade receivables	*10*	**548,475**	351,225
Prepayments, deposits and other receivables		**119,249**	188,369
Due from the immediate holding company		**8,312**	8,436
Pledged time deposits	*11*	**243,598**	460,182
Non-pledged time deposits maturing over three months	*11*	**120,332**	96,450
Cash and cash equivalents	*11*	**7,349,732**	2,057,949
		14,189,213	13,207,789
Non-current assets classified as held for sale		**20,496**	–
Total current assets		**14,209,709**	13,207,789
CURRENT LIABILITIES			
Trade payables	*12*	**1,935,893**	3,505,954
Due to other related parties		**5,670**	6,440
Due to the immediate holding company		**–**	741
Other payables and accruals		**1,033,245**	1,007,495
Derivative financial instruments		**3,236**	–
Interest-bearing bank and other borrowings		**4,460,927**	4,441,452
Tax payable		**357,085**	228,860
Deferred income		**41,538**	16,596
Total current liabilities		**7,837,594**	9,207,538
NET CURRENT ASSETS		**6,372,115**	4,000,251
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,536,075**	20,149,281

	Note	2012 RMB'000	2011 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**4,605,450**	4,665,813
Deferred income		**282,366**	240,493
Deferred tax liabilities		**4,385**	4,663
Total non-current liabilities		**4,892,201**	4,910,969
Net assets		**15,643,874**	15,238,312
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**1,194,389**	1,194,389
Reserves		**14,213,252**	13,880,193
Proposed final dividend	*8*	**148,821**	70,947
		15,556,462	15,145,529
Non-controlling interests		**87,412**	92,783
Total equity		**15,643,874**	15,238,312

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Attributable to owners of the parent							
	Issued capital	Capital reserve	Statutory surplus reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	1,194,389	6,673,380	1,263,477	5,768,699	522,665	15,422,610	101,800	15,524,410
Final 2010 dividend declared	–	–	–	–	(522,665)	(522,665)	–	(522,665)
Dividend paid to a non-controlling shareholder	–	–	–	–	–	–	(2,758)	(2,758)
Total comprehensive income for the year	–	–	–	245,584	–	245,584	(6,259)	239,325
Proposed final 2011 dividend *(note 8)*	–	–	–	(70,947)	70,947	–	–	–
Transfer from retained profits	–	–	43,034	(43,034)	–	–	–	–
At 31 December 2011	1,194,389	6,673,380*	1,306,511*	5,900,302*	70,947	15,145,529	92,783	15,238,312

	Attributable to owners of the parent							
	Issued capital	**Capital reserve**	**Statutory surplus reserve**	**Retained profits**	**Proposed final dividend**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
At 1 January 2012	**1,194,389**	**6,673,380**	**1,306,511**	**5,900,302**	**70,947**	**15,145,529**	**92,783**	**15,238,312**
Final 2011 dividend declared	**–**	**–**	**–**	**–**	**(70,947)**	**(70,947)**	**–**	**(70,947)**
Total comprehensive income for the year	**–**	**–**	**–**	**481,880**	**–**	**481,880**	**(2,891)**	**478,989**
Proposed final 2012 dividend *(note 8)*	**–**	**–**	**–**	**(148,821)**	**148,821**	**–**	**–**	**–**
Disposal of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(2,480)**	**(2,480)**
Transfer from retained profits	**–**	**–**	**56,933**	**(56,933)**	**–**	**–**	**–**	**–**
At 31 December 2012	**1,194,389**	**6,673,380***	**1,363,444***	**6,176,428***	**148,821**	**15,556,462**	**87,412**	**15,643,874**

* *These reserve accounts comprise the consolidated reserves of RMB14,213,252,000 (2011: RMB13,880,193,000) in the consolidated statement of financial position as at 31 December 2012.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**663,741**	254,555
Adjustments for:			
Finance costs	6	**628,886**	467,743
Share of profit of an associate		**(3,835)**	(2,232)
Bank interest income	4	**(20,549)**	(33,554)
Recognition of deferred income	4	**(61,775)**	(12,464)
Gross rental income on property leasing	4	**–**	(363)
Gain on disposal of items of property, plant and equipment and prepaid land lease payments	4	**(4,045)**	(515,501)
Loss on disposal of a subsidiary	5	**622**	–
Impairment of property, plant and equipment	5	**30,000**	–
Depreciation	5	**1,370,689**	1,380,980
Amortisation of other intangible assets	5	**1,060**	1,359
Recognition of prepaid land lease payments	5	**4,612**	4,661
Reversal of impairment of trade receivables	5	**(4,525)**	(1,757)
Unrecoverable prepaid tax		**4,499**	–
Fair value losses on derivative financial instruments – transactions not qualifying as hedges	5	**3,236**	–
Changes in provision against inventories	5	**(176,587)**	518,754
		2,436,029	2,062,181
Decease/(increase) in inventories		**4,420,318**	(4,692,818)
(Increase)/decrease in trade receivables		**(196,836)**	151,366
Decrease in prepayments, deposits and other receivables		**65,338**	533,056
Decrease in amounts due from the immediate holding company		**124**	37,604
(Decrease)/increase in trade payables		**(1,626,239)**	2,012,522
Decrease in bills payable		**–**	(580,000)
Decrease in amounts due to other related parties		**(770)**	(3,300)
(Decrease)/increase in amounts due to the immediate holding company		**(741)**	741
Increase in other payables and accruals		**12,002**	126,753
Cash generated from/(used in) operations		**5,109,225**	(351,895)
Interest paid		**(611,521)**	(567,137)
PRC corporate income tax paid		**(60,278)**	(641,059)
Net cash flows from/(used in) operating activities		**4,437,426**	(1,560,091)

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**24,343**	38,515
Purchases of items of property, plant and equipment		**(225,760)**	(517,143)
Construction payment refund to be settled		**136,113**	–
Additions to prepaid land lease payments		**–**	(81,774)
Receipt of government grants		**128,590**	84,963
Proceeds from disposal of items of property, plant and equipment		**627,980**	662,860
Proceeds from disposal of prepaid land lease payments		**87,142**	–
Disposal of a subsidiary		**23,454**	–
Rental received on property leasing	*4*	**–**	363
(Increase)/decrease in non-pledged time deposits maturing over three months		**(23,882)**	1,498,050
Decrease/(increase) in pledged time deposits		**216,584**	(293,168)
Net cash flows from investing activities		**994,564**	1,392,666
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**8,380,746**	6,369,911
Repayment of bank loans		**(8,415,686)**	(6,005,415)
Repayment of a finance lease		**(4,755)**	–
Dividends paid to owners of the parent		**(70,947)**	(522,665)
Dividends paid to non-controlling shareholders		**–**	(2,758)
Net cash flows used in financing activities		**(110,642)**	(160,927)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**5,321,348**	(328,352)
Cash and cash equivalents at beginning of year		**2,057,949**	2,412,583
Effect of foreign exchange rate changes, net		**(29,565)**	(26,282)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*11*	**7,349,732**	2,057,949
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**7,349,732**	2,057,949
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows	*11*	**7,349,732**	2,057,949

1. CORPORATE INFORMATION

The registered office of Weiqiao Textile Company Limited (the "Company") is located at No.34, Qidong Road, Weiqiao Town, Zouping County, Shandong Province, the People's Republic of China (the "PRC").

The Company and its subsidiaries (collectively, the "Group") are principally engaged in the manufacture and sale of cotton yarn, grey fabric and denim in the PRC and overseas.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Group are Shandong Weiqiao Chuangye Group Company Limited (the "Holding Company") and Shandong Weiqiao Investment Holdings Company Limited ("Weiqiao Investment"), both of which are limited liability companies established in the PRC.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for derivative financial instruments, which have been measured at fair value. Non-current assets classified as held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendment to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

3. OPERATING SEGMENT INFORMATION

The Group has only one operating segment, which is the manufacture and sale of cotton yarn, grey fabric and denim. An analysis by product for the years ended 31 December 2012 and 2011, is as follows:

	2012	2011
	RMB'000	*RMB'000*
Cotton yarn	**6,902,721**	6,252,705
Grey fabric	**7,583,270**	8,138,605
Denim	**761,482**	820,658
Others	**483**	20,066
	15,247,956	15,232,034

The geographical revenue information, based on the locations of the Group's customers, is as follows:

Revenue from external customers

	2012	2011
	RMB'000	*RMB'000*
Mainland China	**10,367,191**	10,326,648
Hong Kong	**2,610,779**	1,037,645
East Asia	**817,960**	1,789,984
Others	**1,452,026**	2,077,757
	15,247,956	15,232,034

All of the Group's assets are located in the PRC.

There is no transaction with a single external customer which arises revenue amounting to 10% or more of the Group's revenue.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of textile goods sold, after allowances for returns and trade discounts, and excludes sales taxes and intra-group transactions.

An analysis of revenue, other income and gains is as follows:

	2012 *RMB'000*	2011 *RMB'000*
Revenue		
Sale of textile goods	**15,247,956**	15,232,034
Other income		
Bank interest income	**20,549**	33,554
Compensation from suppliers on supply of sub-standard goods and service	**66,589**	65,761
Recognition of deferred income	**61,775**	12,464
Gross rental income	**–**	363
Government subsidies	**17,044**	10,225
Others	**39,047**	10,786
	205,004	133,153
Gains		
Sale of electricity and steam	**2,832,240**	3,226,814
Less: Cost thereon	**(2,280,422)**	(2,977,769)
Gains on sale of electricity and steam	**551,818**	249,045
Gains on disposal of items of property, plant and equipment and prepaid land lease payments	**4,045**	515,501
Gains on sale of waste and spare parts	**33,543**	30,299
	589,406	794,845
	794,410	927,998

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2012 RMB'000	2011 RMB'000
Cost of inventories sold		**14,372,597**	14,412,463
Employee benefit expense (excluding directors' and supervisors' remuneration):			
Wages, salaries and other social insurance costs		**2,165,768**	2,647,386
Pension scheme contributions		**140,933**	120,205
		2,306,701	2,767,591
Depreciation		**1,370,689**	1,380,980
Amortisation of land lease payments		**4,612**	4,661
Amortisation of other intangible assets		**1,060**	1,359
Repairs and maintenance		**239,741**	330,955
Gains on disposal of items of property, plant and equipment and prepaid land lease payments		**(4,045)**	(515,501)
Loss on disposal of a subsidiary		**622**	–
Auditors' remuneration		**6,090**	6,670
Foreign exchange differences, net	*6*	**29,713**	(101,714)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**–**	399
Changes in provision against inventories		**(176,587)**	518,754
Reversal of impairment of trade receivables		**(4,525)**	(1,757)
Bank interest income	*4*	**(20,549)**	(33,554)
Government subsidies	*4*	**(17,044)**	(10,225)
Recognition of deferred income		**(61,775)**	(12,464)
Impairment of property, plant and equipment		**30,000**	–
Fair value losses on derivative instruments – transactions not qualifying as hedges		**3,236**	–
Research and development costs included in:			
Wages and salaries		**32,804**	33,417
Consumables		**24,565**	27,852
		57,369	61,269
Minimum land and building lease payments under operating leases		**22,860**	24,845

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Interest on bank loans		
wholly repayable within five years	**598,973**	569,049
Foreign exchange differences, net	**29,713**	(101,714)
Interest on a finance lease	**200**	408
	628,886	467,743

No interest was capitalised in 2012 (2011: Nil).

7. INCOME TAX

Except for a subsidiary in Hong Kong which is subject to profits tax at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2012, all other entities within the Group are subject to corporate income tax at the statutory tax rate of 25% (2011: 25%).

	Group	
	2012	2011
	RMB'000	*RMB'000*
Current		
– Mainland China	**184,702**	174,136
– Hong Kong	**4,091**	11
Deferred	**(4,041)**	(158,917)
Total tax charge for the year	**184,752**	15,230

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company, majority of its subsidiaries and joint ventures are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Group			
	2012		2011	
	RMB'000	%	*RMB'000*	%
Profit before tax	**663,741**		254,555	
Tax at PRC jurisdiction statutory tax rate	**165,935**	**25.0**	63,639	25.0
Effect of the different income tax rate for a Hong Kong subsidiary	**(2,107)**	**(0.3)**	(6)	–
Profit attributable to an associate	**(959)**	**(0.2)**	(558)	(0.2)
Expenses not deductible for tax	**8,981**	**1.3**	3,673	1.4
Tax losses utilised from previous years	**–**	**–**	(3,102)	(1.2)
Tax losses not recognised	**13,214**	**2.0**	–	–
Adjustment in respect of tax concession approved by local tax bureau	**–**	**–**	(48,599)	(19.0)
Others	**(312)**	**–**	183	–
Tax charge at the Group's effective rate	**184,752**	**27.8**	15,230	6.0

The share of tax attributable to an associate amounting to RMB959,000 (2011: RMB558,000) is included in "share of profit of an associate" in the consolidated income statement.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

8 DIVIDEND

	2012	2011
	RMB'000	*RMB'000*
Proposed final – RMB0.1246 (2011: RMB0.0594) per share	**148,821**	70,947

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. In accordance with the articles of association of the Company, the net profit of the Company for the purpose of profit distribution will be deemed to be the lesser of (i) the net profit determined in accordance with China Accounting Standards for Business Enterprises; and (ii) the net profit determined in accordance with the accounting standards of the overseas jurisdiction where the Company's shares are listed (HKFRSs).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent of RMB481,880,000 (2011: RMB245,584,000), and on the weighted average number of ordinary shares of 1,194,389,000 (2011: 1,194,389,000) in issue during the year.

The Group had no potentially dilutive ordinary share in issue during those years.

10. TRADE RECEIVABLES

	Group 2012 RMB'000	2011 RMB'000
Trade receivables	**550,065**	357,340
Impairment	**(1,590)**	(6,115)
	548,475	351,225

The Group normally allows a credit period of not more than 45 days to its customers, although an extension of the credit period is not uncommon for customers who have a long term relationship with the Group. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group 2012 RMB'000	2011 RMB'000
Within 3 months	**545,170**	340,291
3 to 6 months	**47**	8,723
6 months to 1 year	**3,219**	412
Over 1 year	**39**	1,799
	548,475	351,225

11. CASH AND CASH EQUIVALENTS, PLEDGED TIME DEPOSITS AND NON-PLEDGED TIME DEPOSITS MATURING OVER THREE MONTHS

	Group	
	2012	2011
	RMB'000	*RMB'000*
Cash and bank balances	**7,349,732**	2,057,949
Time deposits	**363,930**	556,632
	7,713,662	2,614,581
Less: Pledged time deposits against:		
– Letters of credit	**(243,598)**	(429,182)
– Guarantee issued	**–**	(31,000)
Non-pledged time deposits maturing over three months	**(120,332)**	(96,450)
Cash and cash equivalents	**7,349,732**	2,057,949

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Renminbi amounted to RMB7,370 million (2011: RMB2,388 million). Renminbi is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies through authorised banks to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between three months to twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the date of transferring the significant risks and rewards of ownership of raw materials and items of property, plant and equipment to the Group, is as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Within 3 months	**1,828,194**	2,865,108
3 to 6 months	**2,893**	555,759
6 months to 1 year	**13,460**	7,684
Over 1 year	**91,346**	77,403
	1,935,893	3,505,954

13. RELATED PARTY TRANSACTIONS

The Group is part of a larger group of companies under Weiqiao Investment and has extensive transactions and relationships with the members of Weiqiao Investment. As such, it is possible that the terms of these transactions are not the same as those of the transactions among unrelated parties. The transactions were made on terms agreed between the parties.

The Group had the following transactions with related parties during the year:

(a) Transactions with related parties

	Group	
	2012	2011
	RMB'000	*RMB'000*
The immediate holding company:		
Sales of textile products	**184,532**	280,806
Sales of electricity	**1,883,185**	1,435,987
Expenses on land use rights and property leasing	**21,425**	23,320
Gross rental income on property leasing	**–**	292
Sales of textile products to fellow subsidiaries	**768,050**	867,079
Sales of textile products to a company of which a director of the Company is a controlling shareholder	**96,458**	197,923
Gross rental income on property leasing to an associate	**–**	71

(b) Outstanding balances with related parties

	Due from related parties		**Due to related parties**	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The Holding Company	**8,312**	8,436	**–**	741
Fellow subsidiaries	**–**	–	**5,670**	6,440

The balances with related parties are unsecured, interest-free and usually have a repayment term of one month.

(c) Commitments with related parties

At the end of the reporting period, the Group entered into sales agreements with certain fellow subsidiaries with commitments amounting to RMB15,250,000, which are expected to be fulfilled in 2013.

(d) Compensation of key management personnel of the Group

	2012 *RMB'000*	2011 *RMB'000*
Short term employee benefits	**4,213**	4,489
Post-employment benefits	**51**	34
Total compensation paid to key management personnel	**4,264**	4,523

The related party transactions mentioned above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

14. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 15 March 2013.

CHAIRMAN'S STATEMENT

It is my pleasure to present on behalf of the Board of Directors (the "Board") of Weiqiao Textile Company Limited ("Weiqiao Textile" or the "Company") the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012 (the "Year" or "Year under Review").

Since the beginning of 2012, the textile industry in China has faced a very complex and volatile environment both domestically and overseas. A variety of adverse factors such as weak demand in overseas markets, slowing demand in domestic markets, widening gaps between domestic and overseas cotton prices, and increasing production costs, had resulted in a notable slowdown in China's textile industry. Specifically, the growth rates of the textile industry including production, export and investment declined as compared with that of last year, and the profitability of the industry decreased significantly. However, growth rates of the textile industry's major economic indicators have picked up slightly since September of 2012 due to stable growth in domestic demand, adjustments made by enterprises in commodity inventory levels, and lower comparable basis of last year; while the gap between domestic and overseas cotton prices continued to widen, and the demand of international markets remained sluggish, leaving the prospect for industry recovery on a shaky ground.

During the Year, the international market for textile products and apparel remained sluggish due to the adverse effects of the weak recovery in the global economy and the sovereign debt crisis in Europe, while competition became more intense. According to figures released by the Administration of China Customs, China's total exports of textile products and apparel from January to December 2012 increased by 2.8% from 2011 to approximately US$255 billion, representing a decrease in growth rate by 17.3 percentage points from that of the previous year. In addition, the situation of ultimate demand from international markets was unoptimistic, as part of export orders for textile products and apparel began shifting from China to neighboring countries with lower production costs, thereby further intensifying the international competitions.

During the Year under Review, the domestic market was an important support for sustainable and healthy development of China's textile industry. The domestic market maintained a fairly stable growth rate. According to statistics released by the National Bureau of Statistics of China, from January to December 2012, sales of apparel, footwear, headwear and knitwear by companies in China with an annual revenue of over RMB20 million grew by approximately 18.0% as compared with that of 2011, which represents a decrease of approximately 6.2 percentage points in the growth rate from that of 2011.

During the year of 2012, domestic cotton prices remained stable while overseas cotton prices declined continuously, making overseas cotton much cheaper than domestic cotton. As a result, the cotton costs of textile companies in China remained high, which adversely affected the competitiveness of Chinese companies in the global market.

During 2012, when the market condition of textile industry was grim, the Group recorded revenue of approximately RMB15,248 million, which was at about the same level as compared with that in 2011. Net profit attributable to owners of the parent was approximately RMB482 million, representing an increase of approximately 95.9% as compared with that of 2011. Earnings per share were RMB0.40. The Board recommended the payment of a final dividend of RMB0.1246 per share (tax inclusive) for the year ended 31 December 2012.

Looking forward, given that the issue of higher price of domestic cotton as opposed to overseas cotton will persist in the short term, coupled with the effects of factors such as increasing labor costs, the operation of China's textile industry will remain under pressure. However, from the view of domestic environment in China, it is expected that the domestic textile products and apparel market will continue to grow at a steady pace with the gradual stabilization of the domestic economy. From the view of global environment, despite the uncertainty in the global economy, the possibility of significant deterioration remains relatively remote, and the demand in the overseas market is expected to touch the bottom level. From the view of favourable policies for China's economic development, further advance of urbanization will provide a broad market space for the growth in domestic demand. With increasing personal income, demand for various middle-and-high end textile products and apparel is expected to grow. Overall, the operating environment for China's textile enterprises will remain challenging in 2013, and is expected to show a stable but slow growth.

As the world's largest cotton textile enterprise, we have highly automated production facilities and are supported by an innovative research and development team. While proactively expanding our market and reducing inventory levels, we will continue to increase production efficiency and reduce the labour used per 10,000 spindles through optimizing operating process coupled with technical innovations and upgrades. We intend to maintain our strategy of focusing on high-end products, developing emerging market and expanding market share by taking advantage of industry consolidation. We will also proactively update our products, adjust and optimize our product mix by leveraging our solid financial resources and market position. We will continue to lower our raw material costs to the maximum extent by leveraging our cotton import quota advantages. Our timely monitoring of the market changes will allow us to better grasp the opportunities generated from the market transition, to mitigate the impacts of the market's current volatility and maintain our leading position in the global cotton textile industry.

The management team of Weiqiao Textile and I will continue to work diligently to maximize shareholders' value. It is the trust and support of our shareholders, together with the efforts of our staff, that will enable us to better achieve our goals. I would like to express my sincere gratitude to our shareholders, investors and business partners for their trust and support. I would also like to thank the members of the Board, the entire management team and our employees, for their dedication and hard work for the Group.

Chairman
Zhang Hongxia

Shandong, People's Republic of China
15 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Since the beginning of 2012, the overall textile industry in China has been under great pressure due to weak demand from overseas markets, the higher price of domestic cotton as opposed to overseas cotton and rising labor costs, which led to a significant slowdown in the growth rate of the textile industry in China.

During the Year under Review, the growth in the domestic market remained stable, but the growth rate slowed down. According to the statistics released by China National Textile and Apparel Council Statistics Center, sales of apparel from January to December of 2012 by distribution companies in China with over RMB20 million in annual revenues grew by 18.0% year-over-year, which represents a decrease of 6.2 percentage points in the growth rate from that of the corresponding period of last year. The proportion of domestic sales of large textile companies increased to approximately 84.3% as compared to approximately 82.9% for the corresponding period of last year.

During the Year, China's exports of textile products grew at a slow rate, with a significant decrease in growth rate. According to the statistics released by the Administration of China Customs, China's export of textile products in 2012 totaled approximately US$95.8 billion, which rose by approximately 1.2% compared with that of the corresponding period of last year. The growth rate decreased by approximately 21.7 percentage points from approximately 22.9% of the corresponding period of 2011. During the Year, exports of textile products and apparel to the below countries and regions were as follows:

– United States: approximately US$38.9 billion, representing an increase of approximately 3.3% from the corresponding period of last year, while the growth rate decreased by 8.4 percentage points.

– Japan: approximately US$27.2 billion, representing an increase of approximately 0.5%, while the growth rate decreased by 20.3 percentage points.

– Hong Kong: approximately US$16.3 billion, representing an increase of approximately 5.8%, while the growth rate increased by 2.8 percentage points.

– European Union: approximately US$47.1 billion, representing a decrease of approximately 11.9%, while the growth rate decreased by 31.6 percentage points.

The export of textile products and apparel to emerging markets such as ASEAN, the Middle East, and Africa, increased by approximately 34.2%, 15.8% and 14.7%, respectively.

During the Year under Review, the average price of cotton according to the Cotton A Index in China was approximately RMB20,035 per ton, representing a decrease of approximately 20.8% as compared to that of the corresponding period of last year; while the average price of cotton according to the Cotlook A Index was approximately 89.24 US cents per pound, which represents a decrease of approximately

40.7% as compared with that of the corresponding period of last year. Due to a much higher domestic cotton price over overseas cotton, textile companies in China bore higher production costs than their overseas peers, weakening the competitiveness of Chinese companies and leading to the substantial decrease in the growth rate of exports.

BUSINESS REVIEW

During the Year under Review, the Group's financial results were affected by weak demand from overseas market, a slowdown in demand from the domestic market, and by the large cotton price gap between domestic and overseas markets. Despite the challenging market conditions, the Group continued to strengthen its business development capabilities, internal management and cost controls, as well as optimizing its allocation of resources. The Group also continued to further optimize its product portfolio to cater to market demand. It also took a more flexible sales strategy to reduce inventory level of finished products, increased the proportion of medium-and-high-end products, and made other improvements across its value chain from research and development to procurement, production and marketing and sales, so as to ensure its stable operation. The Group is confident that it will overcome the current challenges it faces and take advantage of the opportunities arising from market consolidation to further enhance its dominant position in the industry.

For the year ended 31 December 2012, the Group had four production bases, all of which are located in Shandong Province of China, namely:

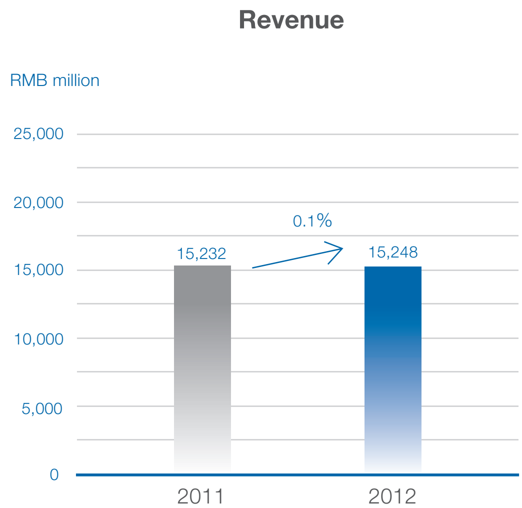
1. Weiqiao Production Base (currently has two production areas);

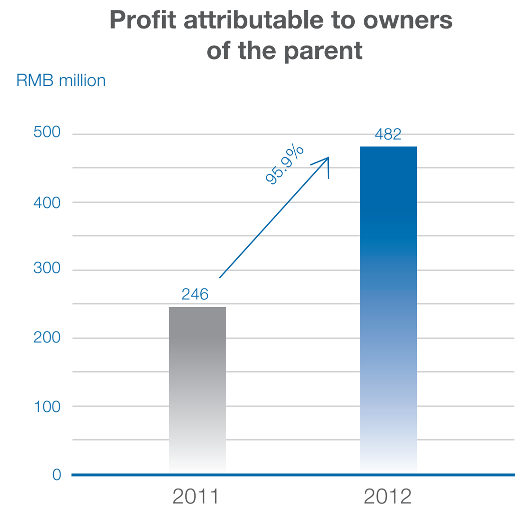
2. Binzhou Production Base (the First Production Area and the Second Production Area of Binzhou Weiqiao Technology Industrial Park Company Limited ("Binzhou Industrial Park"));

3. Weihai Production Base (Weihai Weiqiao Textile Company Limited ("Weihai Weiqiao") and Weihai Weiqiao Technology Industrial Park Company Limited ("Weiwei Industrial Park")); and

4. Zouping Production Base (the First Industrial Park of Zouping, the Second Industrial Park of Zouping and the Third Industrial Park of Zouping).

For the years ended 31 December 2012 and 2011, the revenue of the Group and profit attributable to owners of the parent were as follows:



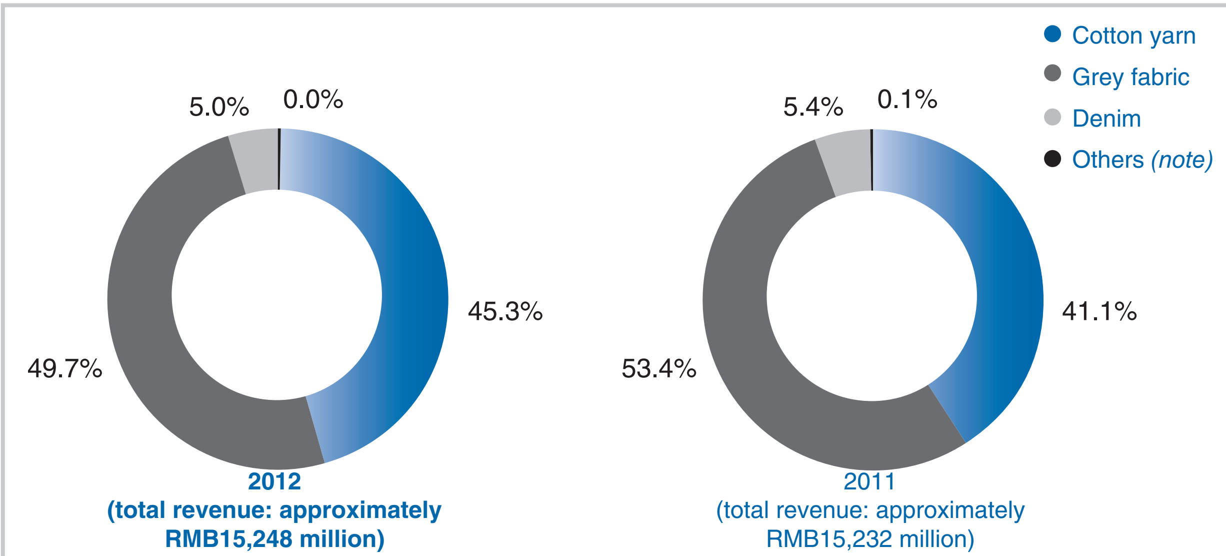


For the year ended 31 December 2012, the Group recorded revenue of approximately RMB15,248 million, which remained at about the same level as compared with that of the same period of last year. It was primarily due to the flexible approach taken by the Group to its sales strategy to reduce inventory levels and increase sales volume under the condition of significant decrease in selling prices as compared with that of last year.

For the year ended 31 December 2012, profit attributable to owners of the parent accounted to approximately RMB482 million, representing an increase of approximately 95.9% over last year. The increase in profit was primarily due to the increase in gross profit and increase in profit generated from sales of electricity and steam as a result of the decrease in coal price during the Year.

The charts below compares the breakdown of revenue by product for the years ended 31 December 2012 and 2011:

Proportion of revenue by product



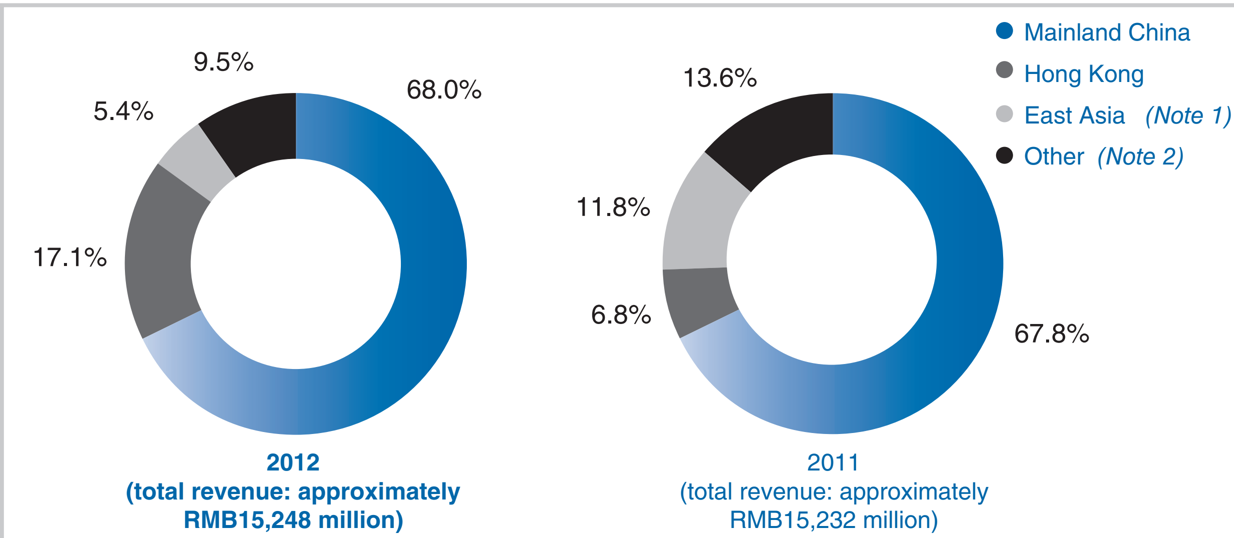
Note: Others include cotton seed and other by-products.

For the year ended 31 December 2012, the proportion of the Group's revenue contributed by cotton yarn increased compared with that of the corresponding period of last year, while the proportion of revenue contributed by grey fabric decreased. It was mainly because the Group adopted a flexible sales strategy to reduce cotton yarn inventory according to the changes in market demand, which led to an increase in revenue generated from cotton yarn. The proportion of revenue contributed by denim remained at about the same level as compared with that of the corresponding period of last year.

During the Year, the Group's production volume of cotton yarn, grey fabric and denim were approximately 450,000 tonnes, 1,045 million meters and 89 million meters, respectively. The production volume of cotton yarn, grey fabric and denim decreased by approximately 27.2%, 10.3% and 12.7%, respectively, over last year. The decrease was mainly because of the competition in the industry intensified during the Year under Review as a result of the weak demand in the textile products market and large cotton price gap between domestic and overseas markets; in the meantime, the Group adjusted its production plan to reduce production volume with a view to reduce its inventory level.

The following charts show the breakdown of the Group's revenue in terms of geographical location for the years ended 31 December 2012 and 2011:

Proportion of revenue by geographical location



Note 1: East Asia includes Japan and South Korea.

Note 2: Others mainly include Southeast Asia, the US, Europe, Taiwan and Africa.

For the year ended 31 December 2012, the proportion of the Group's revenue contributed from overseas markets to its total revenue was approximately 32.0%, which was essentially flat as compared with that of the same period of last year.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis of the Group's revenue, gross profit and gross profit margin attributable to its major products for the years ended 31 December 2012 and 2011:

	For the year ended 31 December					
	2012			2011		
Product	**Revenue**	**Gross profit**	**Gross profit margin**	Revenue	Gross profit	Gross profit margin
	RMB'000	***RMB'000***	**%**	*RMB'000*	*RMB'000*	%
Cotton yarn	**6,902,721**	**585,622**	**8.5**	6,252,705	382,538	6.1
Grey fabric	**7,583,270**	**456,328**	**6.0**	8,138,605	(171,939)	(2.1)
Denim	**761,482**	**(4,755)**	**(0.6)**	820,658	66,716	8.1
Others	**483**	**12**	**2.5**	20,066	1,174	5.9
Total	**15,247,956**	**1,037,207**	**6.8**	15,232,034	278,489	1.8

For the year ended 31 December 2012, the gross profit margin of the Group increased to 6.8% from 1.8% of the corresponding period of last year. This was mainly attributable to the increase in the proportion of imported cotton used by the Group during the Year, as the price of imported cotton was lower than domestic cotton, leading to the decrease in production costs, which in turn increased the profitability of the Group.

OTHER INCOME AND GAINS

For the year ended 31 December 2012, other income and gains of the Group was approximately RMB794 million, representing a decrease of approximately 14.4% as compared with approximately RMB928 million of the corresponding period of last year. Such decrease was mainly due to the one-off gain on disposal of properties of approximately RMB516 million by the Company during last year. Meanwhile, gains generated from the sales of electricity and steam amounted to approximately RMB552 million, representing an increase of approximately 121.7% over the corresponding period of last year, primarily due to the decrease in coal price during the Year, which resulted in the decrease in unit production cost of electricity.

For the year ended 31 December 2012, the Group's sales of electricity and steam amounted to approximately RMB2,832 million, representing a decrease of approximately 12.2% as compared with approximately RMB3,227 million for the corresponding period of last year, mainly attributable to the decrease in sales of electricity due to the Group's disposal of certain thermal power assets during the Year.

SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses increased by approximately 14.4% to approximately RMB206 million for the year ended 31 December 2012 from approximately RMB180 million for the corresponding period of last year. In particular, transportation costs increased by approximately 15.4% to approximately RMB150 million from approximately RMB130 million in 2011, which was mainly due to the increased sales volume of the Group's products during the Year, which increased transportation costs accordingly. Salary of the sales staff was approximately RMB28 million, representing an increase of approximately 64.7% as compared with approximately RMB17 million for the corresponding period of last year, which was primarily due to the increase in the sales amount of the Group's domestic sales during the Year, which resulted in the increase in sales staff's salary accordingly. Sales commission was approximately RMB10 million, representing a decrease of approximately 47.4% as compared with approximately RMB19 million of the corresponding period of last year, which was primarily due to a decrease in the Group's overseas sales through intermediate traders during the Year, which resulted in a decrease in the commission paid accordingly.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group for the year ended 31 December 2012 amounted to approximately RMB252 million, representing an increase of approximately 9.1% as compared with approximately RMB231 million of the corresponding period of last year. It was primarily due to the upward adjustment of the salary of the staff by the Group, leading to the increase in the salary expenses of administrative management staff.

FINANCE COSTS

For the year ended 31 December 2012, finance costs of the Group were approximately RMB629 million, representing an increase of approximately 34.4% as compared with approximately RMB468 million of last year, among which, the interest expenses amounted to approximately RMB599 million, representing an increase of approximately 5.3% as compared with approximately RMB569 million of last year, which was mainly attributable to the increase in the interest rates of bank borrowings during the Year; and the exchange loss amounted to approximately RMB30 million for holding a large amount of balances of payables and loans denominated in US dollar, which was affected by the temporary depreciation of Renminbi; while an exchange gain of approximately RMB102 million was recorded last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, cash and cash equivalents of the Group were approximately RMB7,350 million, representing an increase of approximately 257.1% as compared with approximately RMB2,058 million as at 31 December 2011. It was mainly due to the reduction of certain inventory during the Year, which resulted in the substantial increase in cash and cash equivalents.

The working capital of the Group is mainly financed by cash inflow from operating activities. For the year ended 31 December 2012, the Group had a net cash inflow from operating activities of approximately RMB4,437 million, a net cash inflow from investing activities of approximately RMB995 million and a net cash outflow from financing activities of approximately RMB111 million. As at the end of the Year, the cash and cash equivalents increased by approximately RMB5,292 million. The Group will take effective measures to ensure adequate liquidity and financial resources to satisfy its business needs and will continue to maintain sound financial status.

For the year ended 31 December 2012, the inventory turnover days of the Group decreased by 96 days to 149 days as compared with that of the corresponding period of last year. The decrease in inventory turnover days was due to the Group's increased sales efforts during the Year, which resulted in an increase in the sales volume and a decrease in the inventory level. The average turnover days of the Group's account receivables increased to 13 days from 8 days of last year, which was mainly due to the corresponding increase in the settlement by way of letters of credit as a result of the increased volume of exports at the end of the Year.

For the year ended 31 December 2012, the Group used financial instruments, i,e. a forward currency contract, to reduce exposure to exchange rate fluctuation. As at 31 December 2012, the derivative financial liability from the above forward currency contract was approximately RMB3 million.

NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT AND EARNINGS PER SHARE

Net profit attributable to owners of the parent was approximately RMB482 million for the year ended 31 December 2012, representing an increase of approximately 95.9% as compared with approximately RMB246 million of last year.

For the year ended 31 December 2012, earnings per share of the Company were RMB0.40.

CAPITAL STRUCTURE

The major objective of the Group's capital management is to ensure the ability of ongoing operations and maintain a healthy capital ratio in order to support its business and maximise shareholders' interests. The Group continued to emphasize on an appropriate mix of equity and debt to ensure an efficient capital structure to reduce capital cost. As at 31 December 2012, the debts of the Group were mainly bank borrowings totalling approximately RMB9,066 million. Cash and cash equivalents were approximately RMB7,350 million. The gearing ratio was 11.0% as at 31 December 2012 (2011: 46.2%) (net debt (interest bearing bank borrowings after deducting cash and cash equivalents) divided by total equity).

The Group maintained a balanced portfolio of loans at fixed interest rates and variable rates to manage interest expenses. As at 31 December 2012, 39.8% of the Group's bank loans were subject to fixed interest rates, while the remaining 60.2% were subject to floating interest rates.

The Group aimed to keep the balance between the continuity and flexibility of funds through bank loans. At any time, the borrowings due within the upcoming 12-month period will not exceed 50.0% of the total borrowings. As at 31 December 2012, approximately 49.2% of the loans will become due within one year.

As at 31 December 2012, the Group's loans were denominated in Renminbi and US dollars, among which borrowings in US dollars represented approximately 12.0% of the total borrowings, while cash and cash equivalents were mainly denominated in Renminbi and US dollars, among which cash and cash equivalents denominated in US dollars represented approximately 4.7% of the total amount.

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2012, the Group had a total of approximately 82,000 employees, representing a decrease of 20,000 employees as compared with that of last year. Such decrease in the number of staff was mainly due to the Group's adjustment of production plans during the Year according to market demands, which led to the decrease in production volume and reserve of new staff. Meanwhile, the Group raised the level of equipment automatization, optimized operating process, and reduced the use of manpower per unit. Total staff costs amounted to approximately RMB2,311 million during the Year, representing 15.2% of the turnover of the Group. Employee remuneration is determined based on their performance, experience and the prevailing industry practice. The Group's remuneration policies and packages were also reviewed periodically by the management of the Group. In addition, bonuses and rewards were granted to the staff based on their performance appraisal to encourage and drive the staff to strive for better performance. During the Year, the Group provided appropriate training to its staff according to the skills requirements for their respective positions, such as training sessions on safety and skills.

EXPOSURE TO FOREIGN EXCHANGE RISKS

The Group adopted a prudent policy in managing its exchange rate risks. Export sales and import purchases of the Group are settled in US dollars, and a portion of bank deposits and bank borrowings are denominated in US dollars. 32.0% of the Group's revenue and 76.5% of the costs of purchase of cotton were denominated in US dollars for the year ended 31 December 2012. For the year ended 31 December 2012, the Group recorded exchange loss of approximately RMB30 million for holding a large amount of balances of payables and borrowings denominated in US Dollars due to temporary depreciation of Renminbi. During the Year, the Group did not experience any significant difficulties in its operations or liquidity as a result of fluctuations in currency exchange rates. The Board believes that the Group will have sufficient foreign currency to meet its requirements.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any contingent liabilities.

TAXATION

For the year ended 31 December 2012, the tax of the Group increased from approximately RMB15 million in 2011 to approximately RMB185 million in 2012, representing an increase of approximately 1,133.3%. Such increase in tax was mainly attributable to the substantial increase in the Group's profit during the Year, while a tax concession of approximately RMB49 million was received by Binzhou Industrial Park, a subsidiary of the Company, for the purchase of domestic-manufactured equipment during last year.

ASSETS TRANSFER

With rapid urbanization in Binzhou City of Shandong Province, relevant authorities planned to improve urban planning to further facilitate steady development of the Development Zone in Binzhou City. On 15 June 2012, the Company and Binzhou Industrial Park entered into an asset transfer agreement (the "Asset Transfer Agreement") with an independent third party. Pursuant to the Asset Transfer Agreement, the Company and Binzhou Industrial Park agreed to transfer to the independent third party the assets located at the Economic Development Zone in Binzhou City, mainly comprising thermal power assets with an installed capacity of 180 MW and a land use right of Binzhou Industrial Park. For details, please refer to the announcement of the Company dated 15 June 2012. Meanwhile, the Company terminated the lease of the land occupied by such transferred assets. The disposal of such assets was completed in 2012, and the Group recorded gain of approximately RMB7.3 million for such disposal.

DISPOSAL OF EQUITY INTEREST

For commercial purpose, the Group entered into an equity transfer agreement with an independent third party on 25 December 2012, pursuant to which, the Company sold its 92% equity interest in Shandong Weiqiao Mianye Company Limited ("Weiqiao Mianye") (a non-wholly owned subsidiary) to the independent third party for a consideration of approximately RMB28 million. The relevant transfer was completed in 2012. Upon completion of the equity transfer, the Company no longer held any equity interest in Weiqiao Mianye.

OUTLOOK

Looking into 2013, the recovery of the global economy still holds many uncertainties. To this end, Weiqiao Textile will continue to improve its product mix, encourage innovation, strengthen its brand image, and further enhance its profitability.

In the meantime, by leveraging the Group's competitive advantages, which include global cotton procurement channels, self-generated electricity and steam supplies, Weiqiao Textile will continue its efforts to reasonably control costs and maintain, or even increase, its market share under the condition of market turbulence through proactive sales strategies and flexible pricing policies. The Group's management believes that its operating efficiency and strategy will soon be benefited once the market recovers.

SUPPLEMENTAL INFORMATION

Substantial Shareholders

As at 31 December 2012, so far as known to any Directors, Supervisors or chief executive of the Company, the following persons (other than a Director, Supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO") or, who were, directly or indirectly, interested in 10% or above of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Long positions in the domestic shares of the Company ("Domestic Shares"):

Name of Shareholder	**Number of Domestic Shares** *(Note 1)*	**Approximate percentage of total issued domestic share capital as at 31 December 2012** *(%)*	**Approximate percentage of total issued share capital as at 31 December 2012** *(%)*
Holding Company	744,937,600	95.41	62.37
Shandong Weiqiao Investment Holdings Company Limited (the "Weiqiao Investment")	744,937,600 *(Note 2)*	95.41	62.37

Long positions in the H Shares of the Company:

Name of Shareholder	Type of interest	Number of H Shares *(Note 3)*	Approximate percentage of total issued H share capital as at 31 December 2012 *(%)*	Approximate percentage of total issued share capital as at 31 December 2012 *(%)*
Brandes Investment Partners, L.P.	Investment manager	79,322,612 (Long position) *(Note 4)*	19.18	6.64
The Bank of New York Mellon Corporation	Interest of a controlled corporation	41,318,078 (Long position)	9.99	3.46
		18,805,078 (Lending pool) *(Note 5)*	4.55	1.57
Mellon Financial Corporation	Interest of a controlled corporation	41,073,100 (Long position) *(Note 6)*	9.93	3.44
The Boston Company Asset Management LLC	Investment manager	21,641,900 (Long position) *(Note 7)*	5.23	1.81
Citigroup Inc.	Interest of corporation controlled by the substantial shareholder	24,783,063 (Long position)	5.99	2.07
		10,765,169 (Short position)	2.60	0.90
	Custodian corporation/ approved lending agent	14,057,985 (Lending pool) *(Note 8)*	3.39	1.18

Note 1: Unlisted shares.

Note 2: Weiqiao Investment holds 39% equity interests in Holding Company.

Note 3: Shares listed on the Main Board of the Stock Exchange.

Note 4: These 79,322,612 H Shares were held by Brandes Investment Partners, L.P. in its capacity as investment manager.

Note 5: These 41,318,078 H Shares in which The Bank of New York Mellon Corporation was deemed interested under the SFO were directly held by The Bank of New York Mellon, which was a corporation 100% controlled by The Bank of New York Mellon Corporation.

Note 6: These 41,073,100 H Shares in which Mellon Financial Corporation was deemed interested under the SFO were directly held by The Boston Company Asset Management LLC, a corporation wholly controlled by MAM (MA) Trust, which is indirectly and wholly controlled by MAM (DE) Trust. MAM (DE) Trust is wholly controlled by Mellon Financial Corporation.

Note 7: These 21,641,900 H Shares were held by The Boston Company Asset Management LLC in its capacity as investment manager.

Note 8: These 24,783,063 H Shares (long position) and 10,765,169 shares (short position) in which Citigroup Inc. was deemed interested as the interest of corporation controlled by a substantial shareholder under the SFO were directly or indirectly held by its several subsidiaries or related companies. These 14,057,985 H Shares were held by Citigroup Inc. in its capacity as custodian corporation/approved lending agent.

Save as disclosed above, so far as known to the Directors, Supervisors and the chief executive of the Company, as at 31 December 2012, there was no other person (not being a Director, Supervisor or chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31 December 2012, the interests of the Directors, Supervisors or chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Domestic Shares of the Company:

	Type of interest	Number of Domestic Shares *(Note 1)*	Approximate percentage of total issued domestic share capital as at 31 December 2012 *(%)*	Approximate percentage of total issued share capital as at 31 December 2012 *(%)*
Zhang Hongxia *(Executive Director/Chairman)*	Beneficial	17,700,400	2.27	1.48
Zhang Shiping *(Non-executive Director)*	Beneficial	5,200,000	0.67	0.44

Note 1: Unlisted shares

Long positions in the shares of the Company's associated corporations (within the meaning of Part XV of the SFO):

	Name of associated corporation	Type of interest	Approximate percentage of total issued share capital as at 31 December 2012 *(%)*
Zhang Shiping *(Non-executive Director)*	Holding Company	Beneficial	31.59
Zhang Hongxia *(Executive Director)*	Holding Company	Beneficial and spouse *(Note 1)*	9.73 *(Note 1)*
Zhang Yanhong *(Executive Director)*	Holding Company	Beneficial	5.63
Zhao Suwen *(Executive Director)*	Holding Company	Beneficial	0.38
Zhao Suhua *(Non-executive Director)*	Holding Company	Spouse *(Note 2)*	4.93 *(Note 2)*

Note 1: These 112,000,000 shares of the Holding Company will be beneficially owned by Ms. Zhang Hongxia, who is deemed to be interested in the 43,676,000 shares directly held by her husband, Mr. Yang Congsen, under the SFO.

Note 2: Ms. Zhao Suhua is deemed to be interested in the 78,922,000 shares directly held by her husband, Mr. Wei Yingzhao, under the SFO.

Save as disclosed above, as at 31 December 2012, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or their associates or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

Final Dividends

The Directors recommended the payment of a final dividend of RMB0.1246 (tax inclusive) per share (the "2012 Final Dividend"), payable to owners of the parent whose names appear on the register of members of the Company as at close of business on Friday, 7 June 2013. The 2012 Final Dividend is subject to the approval at the coming annual general meeting of the Company. According to the relevant regulations in the PRC and as disclosed in the Company's prospectus, the Group's net profit after tax can only be distributed after making up prior years' cumulative losses, if any, and making allowance for the statutory surplus reserve, general reserve fund, employee's bonus and welfare fund and enterprise expansion fund.

According to the "Enterprise Income Tax Law of the People's Republic of China", which took effect on 1 January 2008, its implementation rules and the relevant interpretation by tax authorities in the PRC, when a company distributes the final dividends to non-resident enterprise shareholders and natural person shareholders whose names appear on the H-share register of a company, such company is required to withhold and pay on behalf of such shareholders an enterprise income tax at the rate of 10% in general (except as required otherwise by the laws, regulations and tax treaties regarding the tax revenue). Any shares registered in the name of a non-person shareholder, including Hong Kong Securities Clearing Company Nominees Limited, other nominee or trustee, or other organisation and group, are deemed as shares held by non-resident enterprise shareholders. As such, the dividends that he or she is entitled to are subject to the enterprise income tax.

The Company will strictly comply with the laws and the requirements of relevant government departments, and will withhold and pay the enterprise income tax on behalf of its shareholders whose names appear on the H-share register of the Company on the record date. The Company will take no responsibility and will reject any requests from shareholders whose identity cannot be confirmed within the specified time or cannot be confirmed at all or any disputes arising from the arrangement of withholding tax or paying tax. However, the Company may provide assistance to the extent of its ability.

For the distribution of dividends, dividends for holders of Domestic Shares will be distributed and paid in RMB, while dividends for H Shares will be declared in RMB but paid in Hong Kong dollars ("HK$") (conversion of RMB into HK$ shall be calculated on the average price of the medium prices of the conversion of RMB into HK$ announced by the People's Bank of China within five working days prior to and including 31 May 2013.

Closure of Register of Members

The Company's register of members will be closed from Saturday, 13 April 2013 to Monday, 13 May 2013 (both dates inclusive), during which no transfer of shares will be registered. In order to qualify for attending to, and voting in, the forthcoming annual general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 12 April 2013.

The Company's register of members will be closed from Saturday, 1 June 2013 to Friday, 7 June 2013 (both dates inclusive), during which no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 31 May 2013.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company has redeemed, purchased or sold any of its own listed securities during the year ended 31 December 2012, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 31 December 2012.

Audit Committee

The Company has established an audit committee (the "Audit Committee") in compliance with the Code of Best Practices for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee is composed of three independent non-executive Directors. An Audit Committee meeting was held on 15 March 2013 to review the Company's annual report and financial statements.

Code for Securities Transactions by Directors

The Company has adopted a code for securities transactions on terms equivalent to the required standard of the Model Code as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries with the Directors, the Company has confirmed that each of the Directors has complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

Code on Corporate Governance

The Company has applied the principles of the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. Except for the deviation from code provision A.1.8 and A.2.1, the Company has been in compliance with all the mandatory code provisions for the year ended 31 December 2012.

Pursuant to code provision A.1.8 of the CG Code, issuers should arrange appropriate insurance coverage for directors' liabilities in respect of legal actions against the directors. As disclosed in the Company's Interim Report dated 30 August 2012, as at 30 June 2012, the Group has not yet identified any insurer who would provide insurance service to the Group on satisfactory commercial terms. As at 31 December 2012, the Group has identified an insurer who would provide insurance service to the Group on satisfactory commercial terms.

Code provision A.2.1 stipulates that the duties of the Chairman and chief executive officer should be differentiated and shall not be held by the same person. Ms. Zhang Hongxia is the Chairman and chief executive officer of the Company. The Board is of the view that this structure would not affect the balance of power and duties between the Board and the management. Through the operations of the Board, a balance between power and duties can be maintained.

Publication of Annual Results and Annual Report on Website

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.wqfz.com. The annual report for the Year will be despatched to shareholders on or before 28 March 2013 and will be available on the Company's website and the website of the Stock Exchange at the same time.

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

Shandong, the People's Republic of China
15 March 2013

Note: As at the date of this announcement, the Board comprises nine directors, namely Ms. Zhang Hongxia, Ms. Zhao Suwen, Ms. Zhang Yanhong and Mr. Zhang Jinglei as executive directors, Mr. Zhang Shiping and Ms. Zhao Suhua 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) .*

* *For identification purpose only*