

Weiqiao Textile Announces its 2012 Annual Results

Strengthened cost control, optimized products mix Continued leadership in industry consolidation

Financial Summary

- ◆ Revenue was approximately RMB15,248 million, about the same level as in 2011
- ◆ Gross profit was approximately RMB1,037 million, an increase of approximately 273.0%
- ◆ Net Profit attributable to owners of the parent was approximately RMB482 million, an increase of approximately 95.9%
- ◆ Earnings per share were RMB0.40, an increase of approximately 90.5%
- ◆ Proposed final dividend of RMB0.1246 per share (including tax), an increase of approximately 109.8%

(Hong Kong, March 17, 2013) – 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, 2012 (the “Review Period” or the “Period”).

Since the beginning of 2012, the Chinese textile industry 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 growth in domestic markets, widening gaps between domestic and overseas cotton prices, and increasing production costs, has resulted in a notable slowdown in China’s textile industry. 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 in 2011; while the gap between domestic and overseas cotton prices continued to widen, and demand from international markets remained sluggish, leaving the prospect for an industry recovery on shaky ground.

In 2012, as market conditions in the textile industry were grim, the Group recorded revenue of approximately RMB15,248 million, about the same level as in 2011. Net profit attributable to owners of the parent company was approximately RMB482 million, representing an increase of approximately 95.9% as compared with 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.

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, year over year. The decrease was mainly because of intensified competition in the industry 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. The Group adjusted its production plan accordingly to reduce production volume in order to reduce its inventory level.

Commenting on the company’s performance in 2012, Ms. Zhang Hongxia, Chairman of Weiqiao Textile, said, “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. In addition, part of export orders for textile products and apparel began shifting from China to neighboring countries with lower production costs, especially for lower-end products, thereby further intensifying international competition. 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, cotton costs of remained high for textile companies in China, which adversely affected the competitiveness of Chinese companies in the global markets. We were also affected to some extent.”

“Looking into 2013, the recovery of the global economy still holds many uncertainties. As a result, 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 control costs and maintain, or even increase, its market share in the face of continued market turbulence through proactive sales strategies and flexible pricing policies. The Group’s management believes that its operating efficiency and strategy will benefit once the market recovers.”

Business Review

Despite the challenging market conditions, the Group continued to strengthen its business development capabilities, internal management and cost controls, as well as optimizing resource allocation. 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 proportions of revenue generated from the sales of Cotton yarn, grey fabrics and denim were 45.3%, 49.7% and 5.0% respectively. The breakdowns of revenue by products are as follows:

Products	Revenue in 2012 (RMB 000’)	Revenue in 2011 (RMB 000’)	Change (%)	Sales proportion for 2012 (%)
Cotton yarn	6,902,721	6,252,705	10.4	45.3
Grey fabric	7,583,270	8,138,605	-6.8	49.7
Denim	761,482	820,658	-7.2	5.0
Others	483	20,066	-97.6	0.0

Total	15,247,956	15,232,034	0.1	100.0
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For the year ended 31 December 2012, the proportion of the Group's revenue contributed by cotton yarn increased compared with 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 the corresponding period of last year.

For the year ended 31 December 2012, the breakdowns of revenue by regions are as follows:

Regions	Revenue In 2012 (RMB 000')	Revenue In 2011 (RMB 000')	Change (%)	Sales proportion for 2012 (%)
China	10,367,191	10,326,648	0.4	68.0
Hong Kong	2,610,779	1,037,645	151.6	17.1
East Asia ⁽¹⁾	817,960	1,789,984	-54.3	5.4
Others ⁽²⁾	1,452,026	2,077,757	-30.1	9.5

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 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. 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 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 depreciation of the Renminbi; while an exchange gain of approximately RMB102 million was recorded last year.

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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 82,000 people. As at December 31, 2012, the Group produced approximately 450,000 tons of cotton yarn, 1,045,000,000 meters of grey fabric and 89,000,000 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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