



魏橋紡織股份有限公司
Weiqiao Textile Company Limited

2007 Annual Results

31 March 2008



Disclaimer

This presentation may include certain forward-looking statements. The actual results or development of Weiqiao Textile Company Limited may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, market shares, competition, environmental risks, changes in legal, financial and regulatory frameworks, international economic and financial market conditions, political risks, and other risks and factors beyond its control. In addition, these forward-looking statements are as of today and Weiqiao Textile Company Limited undertakes no obligation to update them. Statistical and other information relating to the PRC and the textile industry contained in this presentation have been compiled from various publicly available official or unofficial sources generally believed to be reliable. However, the quality of such source materials cannot be guaranteed. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis. Neither Weiqiao Textile Company Limited nor any of its directors has verified the accuracy of the information contained in such sources. They therefore make no representation as to the accuracy of this information. Accordingly, the industry information and statistics contained in this presentation may not be accurate and should not be unduly relied upon.



Agenda

- Financial Review
- Industry and Market Analysis
- Business Review
- Objectives and Strategies





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Financial Review



Financial Review

For the year ended Dec. 31 (RMB million)	2006	2007	Change (%)
Turnover	19,826	18,590	(6.2)
Gross profit	3,323	2,662	(19.9)
GP margin (%)	16.8	14.3	(2.5) PTS
Operating profit margin (%)	15.3	16.1	0.8 PTS
Profit before tax	2,308	2,273	(1.5)
Profit attributable to shareholders	1,685	1,868	10.9
Basic earnings per share (RMB)	1.43	1.56	9.1
NP margin (%)	8.5	10.1	1.6 PTS



Financial Review

For the year ended Dec. 31 (RMB million)	2006	2007
Total assets	26,141	26,749
Total liabilities	14,019	13,276
Net assets value	12,122	13,473
Current ratio (times)	1.2	1.3
Account receivable turnover (days)	13	18
Inventory turnover (days)	79	82
Account payable turnover (days)	15	27
Net debt to equity ratio (%)	46.7	38.7
Gearing ratio (%)	39.7	36.9



Financial Review

For the year ended Dec. 31 (RMB)	2006	2007	Change (%)
Basic earnings per share	1.43	1.56	9.1
Dividend			
- Final dividend	0.44	0.50	13.6
Total :	0.44	0.50	13.6
Payout ratio (%)	35	35	-



Cost Analysis

For the year ended Dec. 31 (RMB million)	2006	2007	Change (%)
COGS	16,503	15,927	(3.5)
Sales and distribution costs	359	410	14.2
Administrative expenses	177	197	11.3
Other operating expenses	110	58	(47.3)
Finance costs	720	726	0.8
Tax payments	617	395	(36.0)





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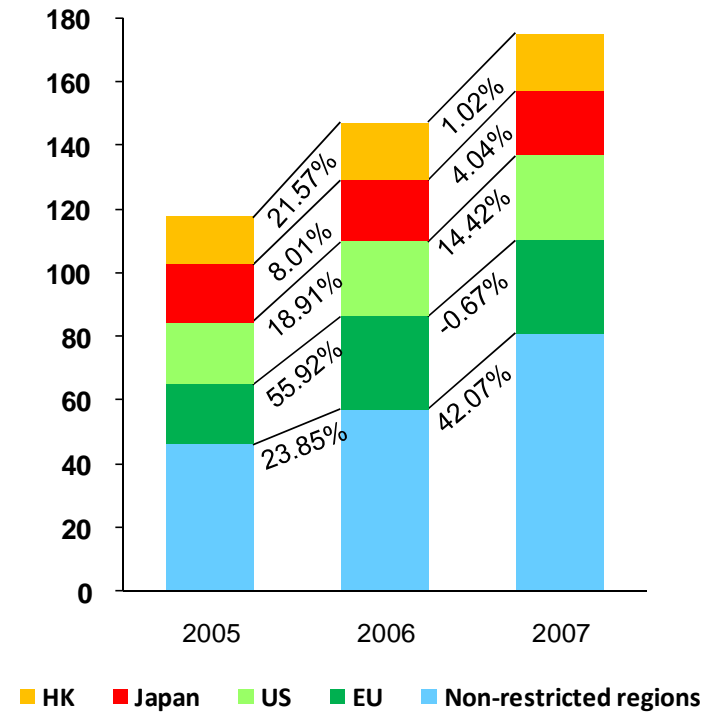
Industry and Market Review



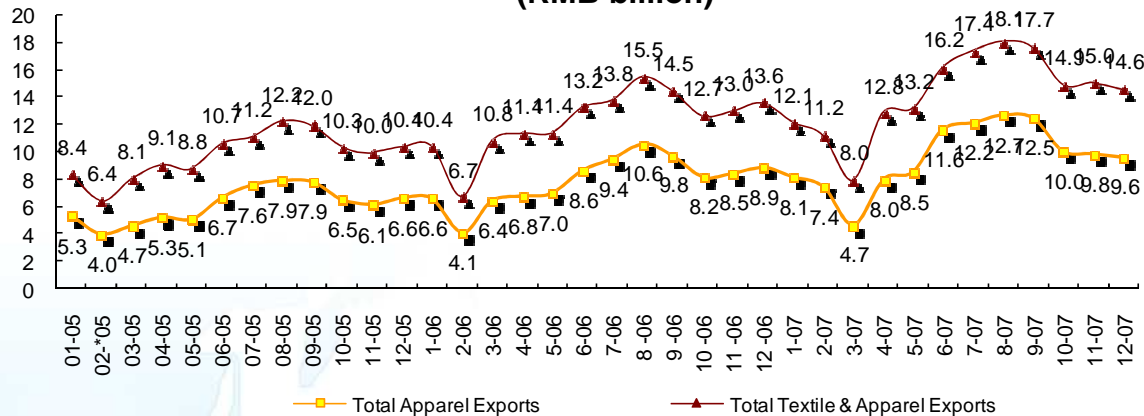
Textile & Apparel Export: Grew Amidst Challenges

- In 2007, exports faced rising production costs due to the appreciation of renminbi. This, coupled with the Regulation of export tax refund policy, led to more intense market competition
- In 2007, exports of textile products and clothing in China grew steadily but at reduced rate. Exports of textile products and clothing for 2007 amounted to US\$175.6 billion, representing an increase of 19.11% over the same period last year
- Starting from 2008, the EU lifts restrictions on China but new trade barriers will continue to emerge

Value of China's Textile/Apparel Exports (USD billion) and Percentage Change by Countries (2005 to 2007)



Textile and Apparel Exports from 2005 to 2007 (RMB billion)



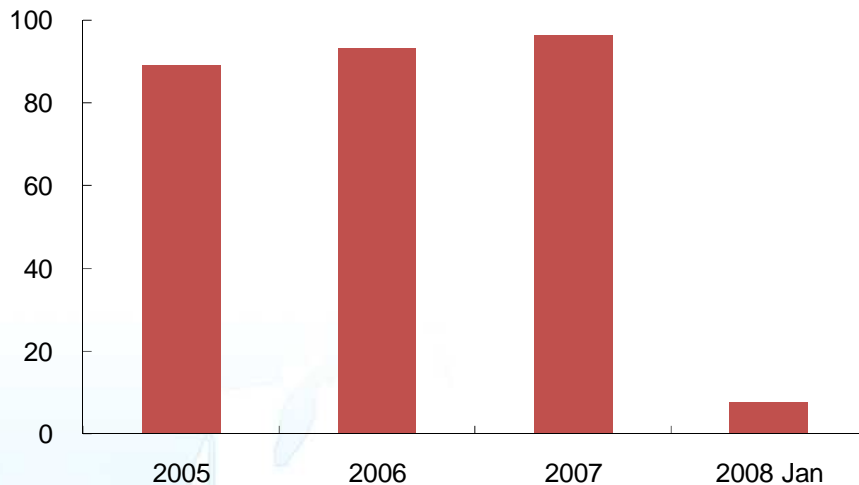
*Source: China Customs; National Bureau of Statistics of China; TTEB.com

Textile & Apparel Export: Grew Amidst Challenges

- According to statistics from the Office of Textiles and Apparel of the US Department of Commerce, in Jan 2008, the US imported USD7.64 billion of textile and apparel products from the global markets, a 4% decrease compared to the same period of last year.
- According to statistics from the Japan External Trade Organization (JETRO), Japan imported USD25.05 billion of textile and apparel products from the global markets, which represents a year-on-year increase of 0.47%, but a 4.8 percentage point decrease when compared with the growth rate of 5.2% in 2006.

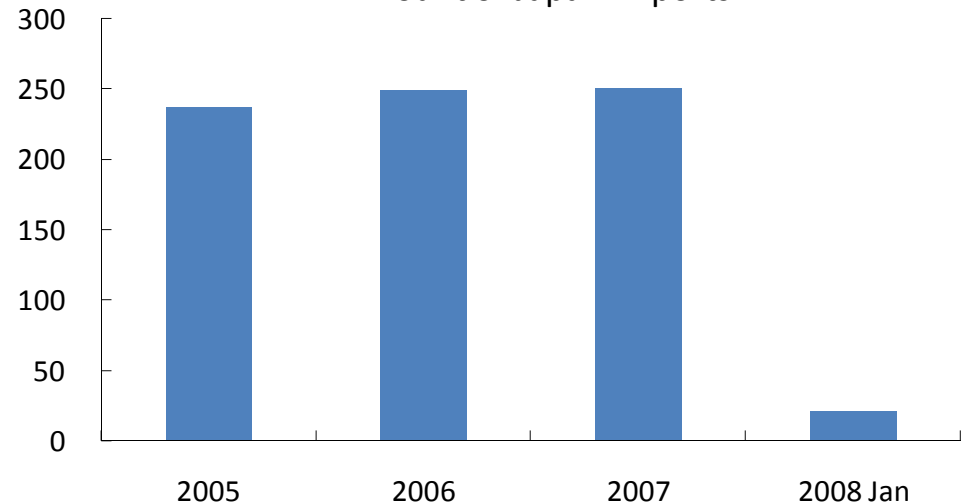
(USD '000 million)

Amount of US imports



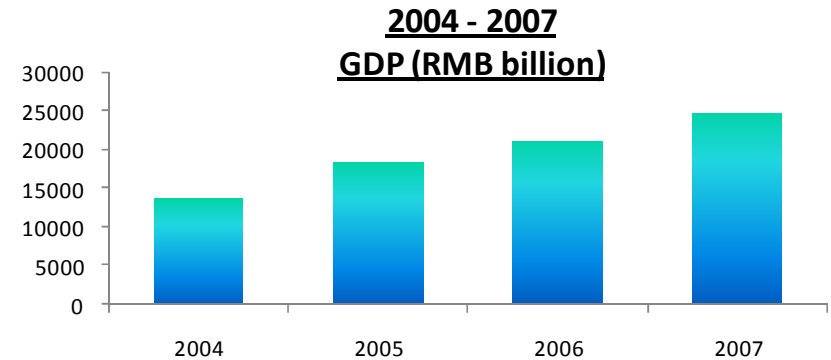
(USD '000 million)

Amount of Japan Imports

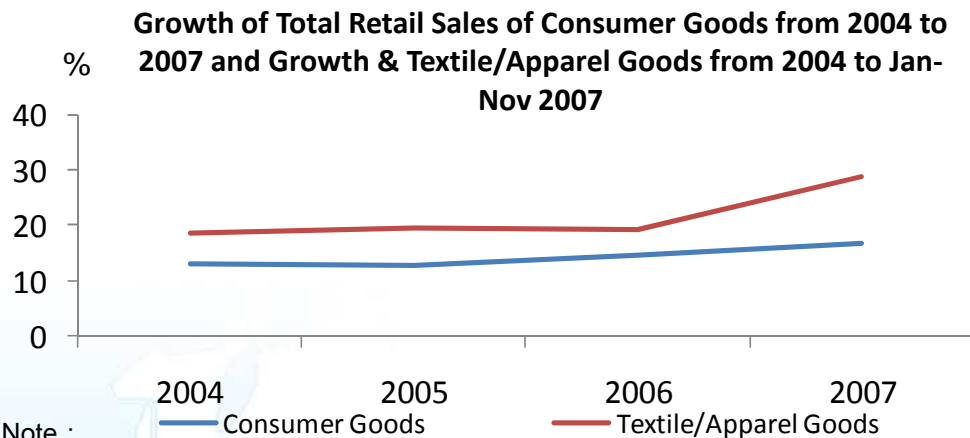


Strong Economic Growth & Domestic Demand

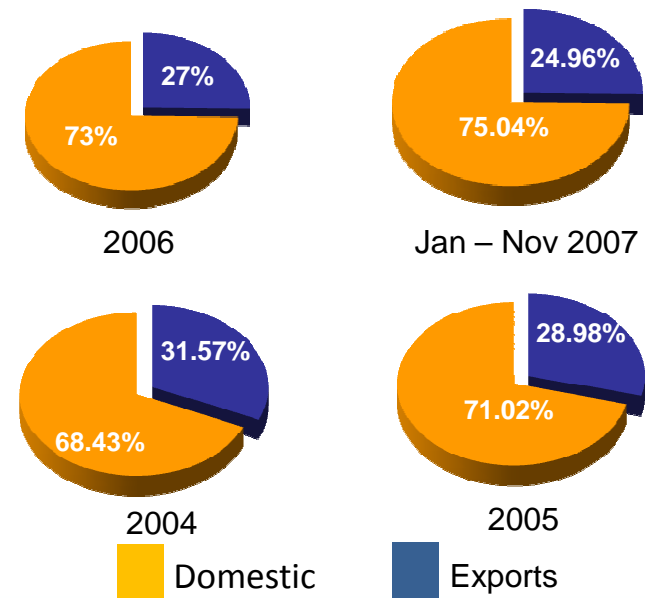
- Compared with the same period last year, GDP grew 11.4% to RMB 24,661.9 billion¹ in 2007
- Total retail sales of consumer goods climbed 16.8% to RMB 8,921.0 billion¹ in 2007
- Total retail sales of textile/apparel goods increased by 29.0%¹ from Jan to Nov 2007



**Textile/ Apparel Industry –
Domestic Sales & Exports
2004 to Jan-Nov 2007**



1. Source: National Bureau of Statistics of China



Industry Consolidation

- According to statistics from the China National Textile Industry Council, the number of companies in the textile industry with a profit margin over 10% was 3,069, about 7.01% of the total number of companies in the industry.
- Industry average profit margin was 3.97%.

	Companies with profit margin exceeding industry average	Companies with profit margin below industry average
Ratio	31.48%	68.52%
% of total profit of the industry	81.19%	18.81%
Average profit margin	8.43%	0.73%
No. of employees	35%	65%

- Figures showed that about 2/3 of the companies had profit margins below industry average. These companies are basically on the verge of losing money. The other 1/3 of the companies led the growth of the industry.
- The above figures revealed the extremely unbalanced development of the textile industry. Small scale manufacturers are finding it difficult to compete in the industry. This is accelerating industry consolidation.

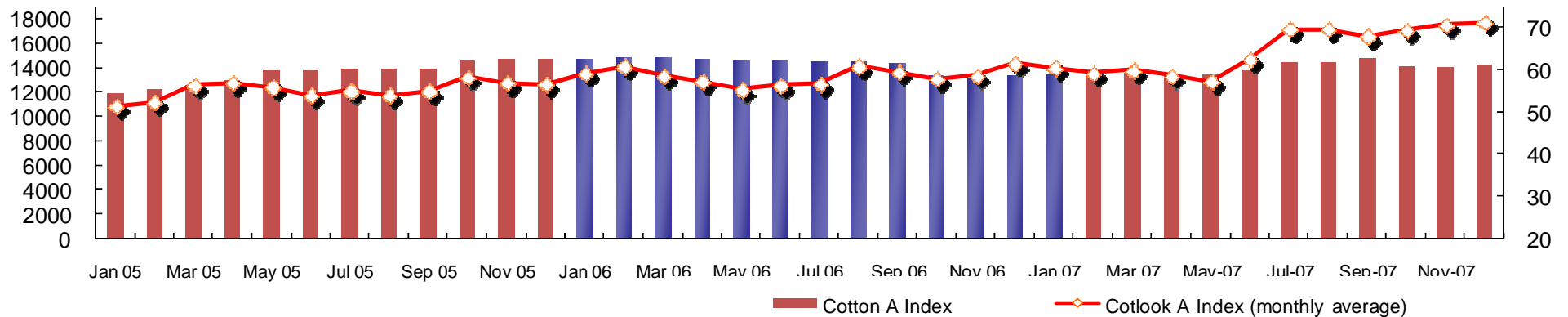


Price Trend and Demand of Cotton

Cotton A
RMB/ tons

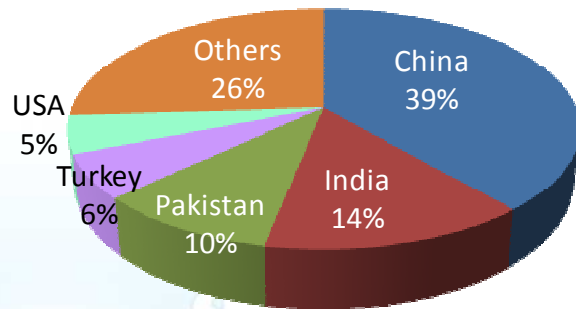
**Cotton Prices : Cotton A Index and Cotlook A Index¹
from Jan 2005 to Dec 2007**

Cotlook A
cents/ pound

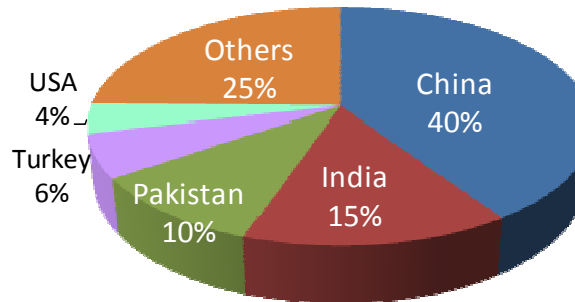


Breakdown of World's Cotton Consumption²

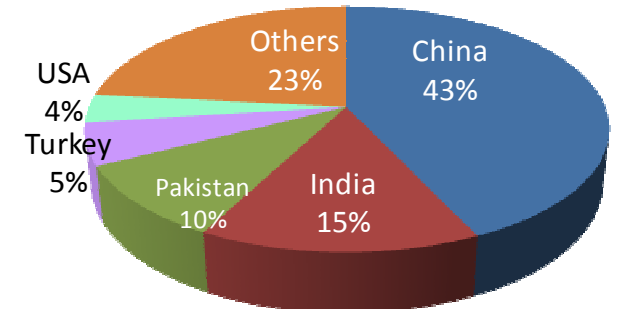
2005/06



2006/07 Estimated



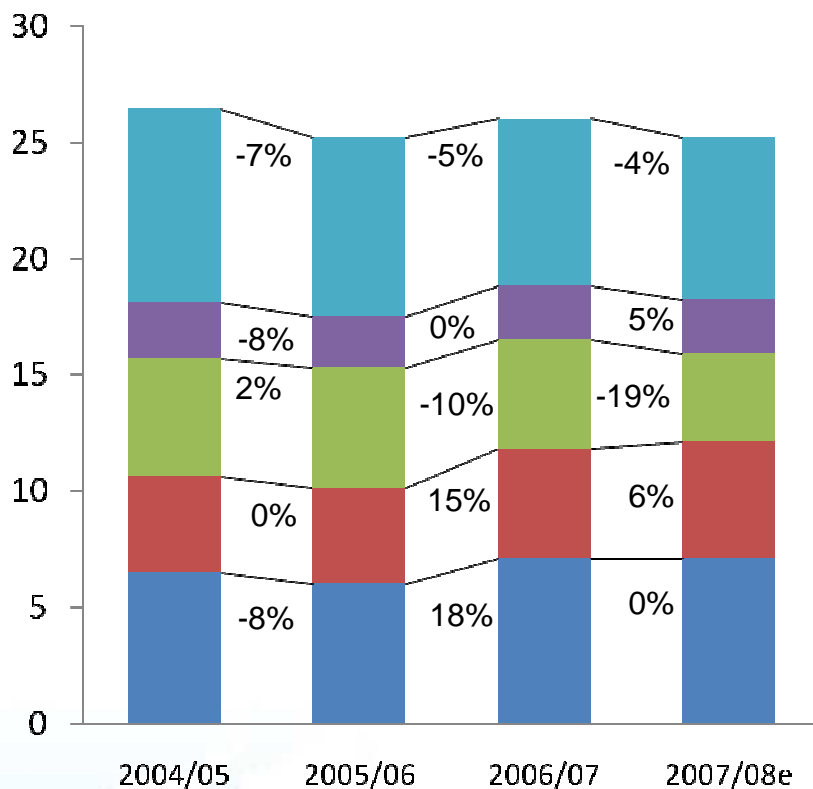
2007/08 Projected



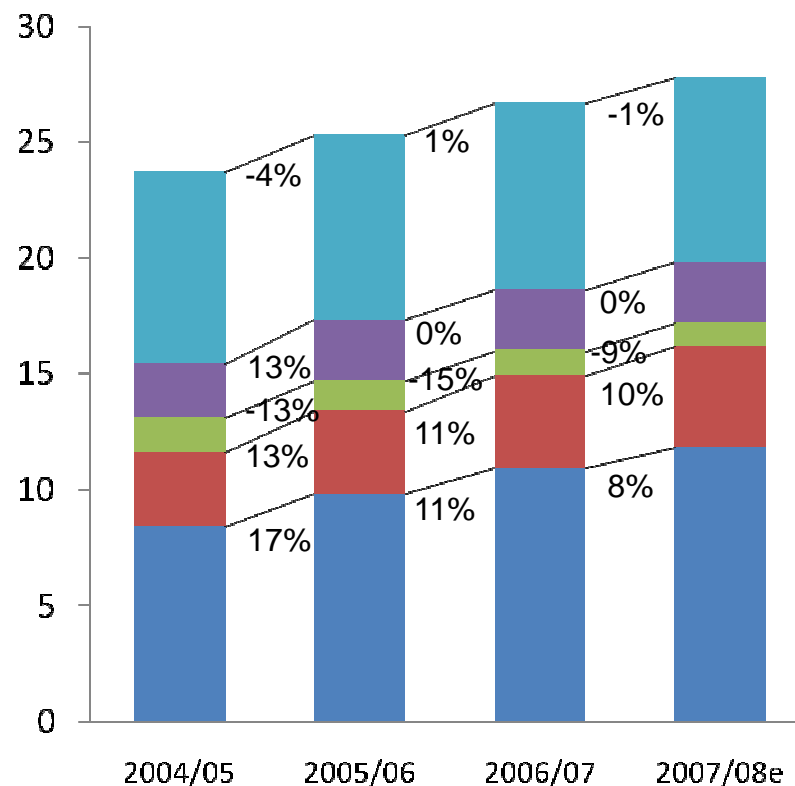
1. cncotton.com, cotlook.com; 2. USDA

World's Output & Consumption of Cotton

World Cotton Production
(Millions of metric tons)



World Cotton Consumption
(Millions of metric tons)



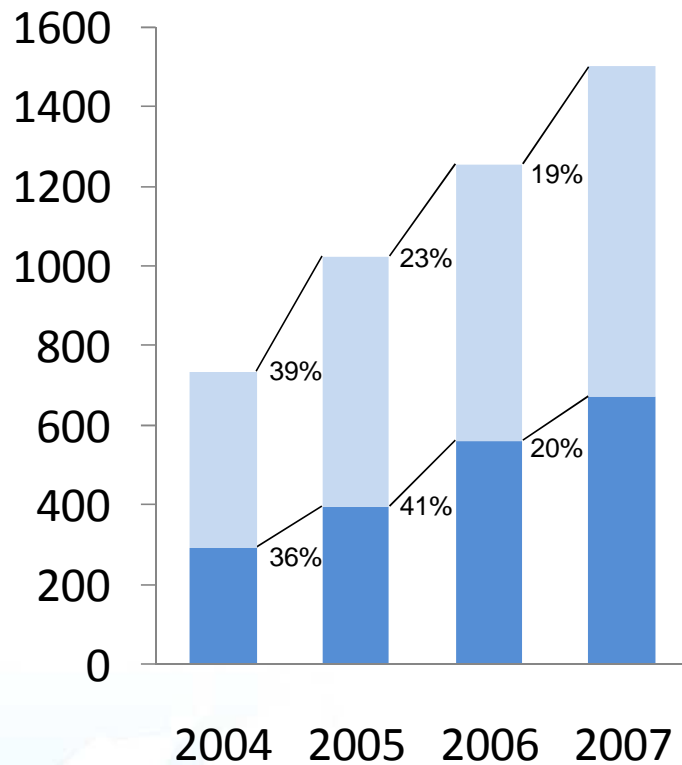
Others Pakistan USA India China



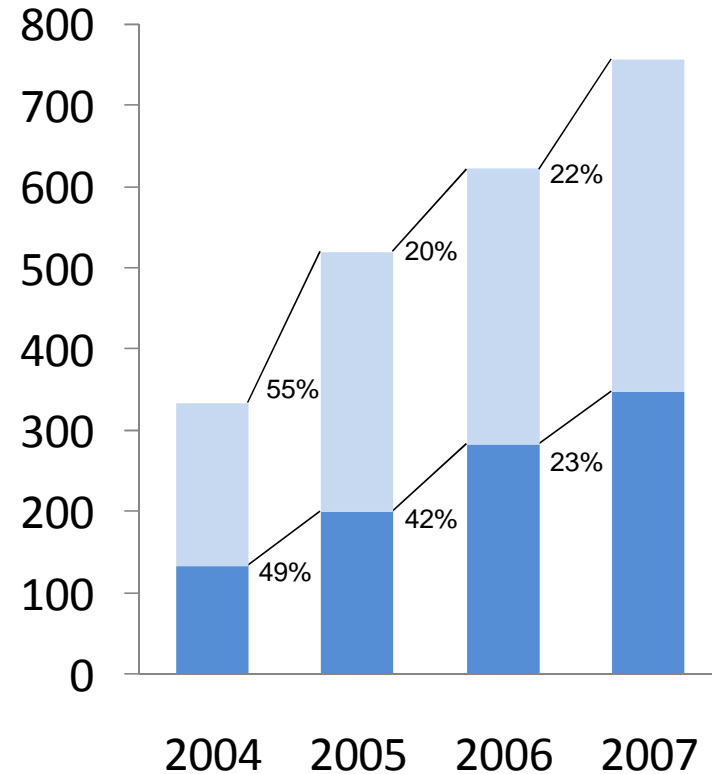
Source: USDA

Investment Trends in Textile Industry

Capital Investment in Textile Industry (RMB 100 million)



Capital Investment in Cotton Industry (RMB 100 million)



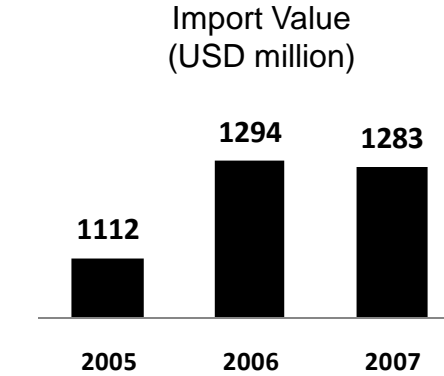
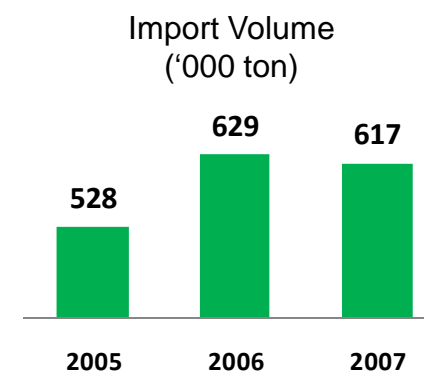
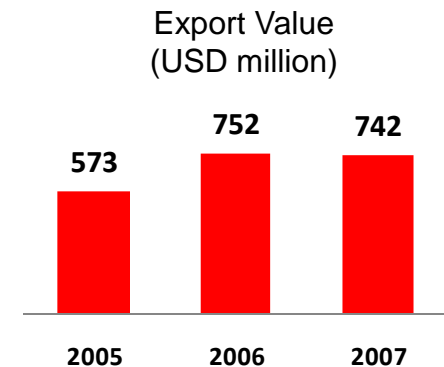
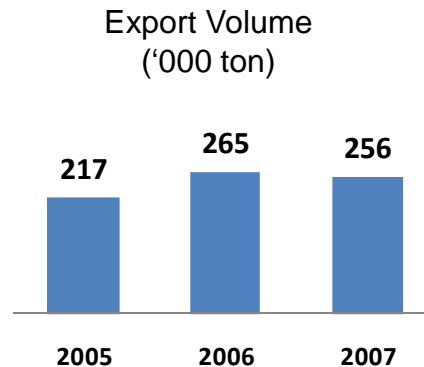
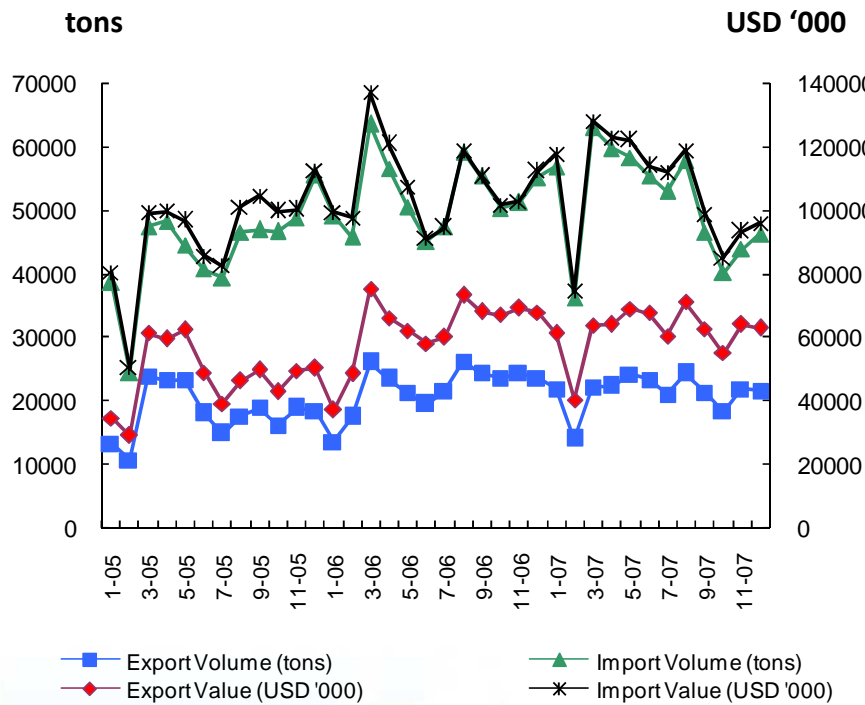
Source: CTEI



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Import and Export of Cotton Yarn: Volume & Value

2005 – 2007

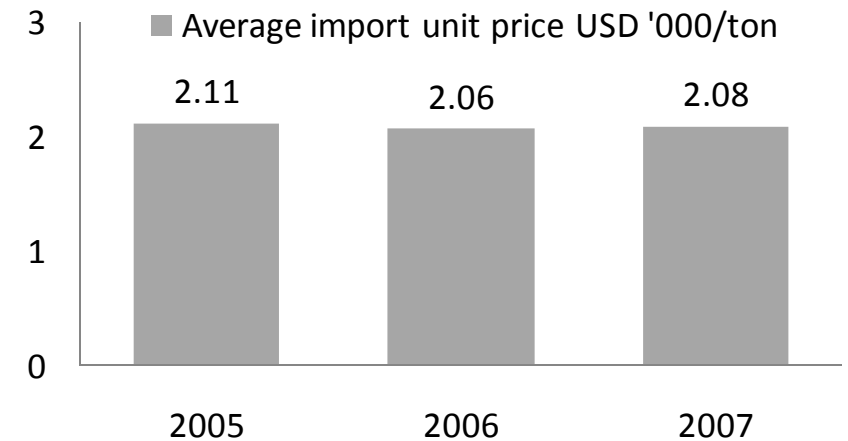
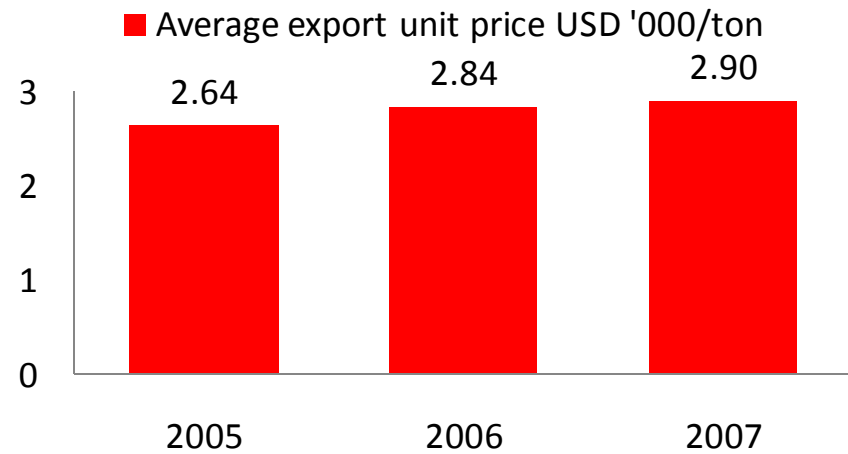
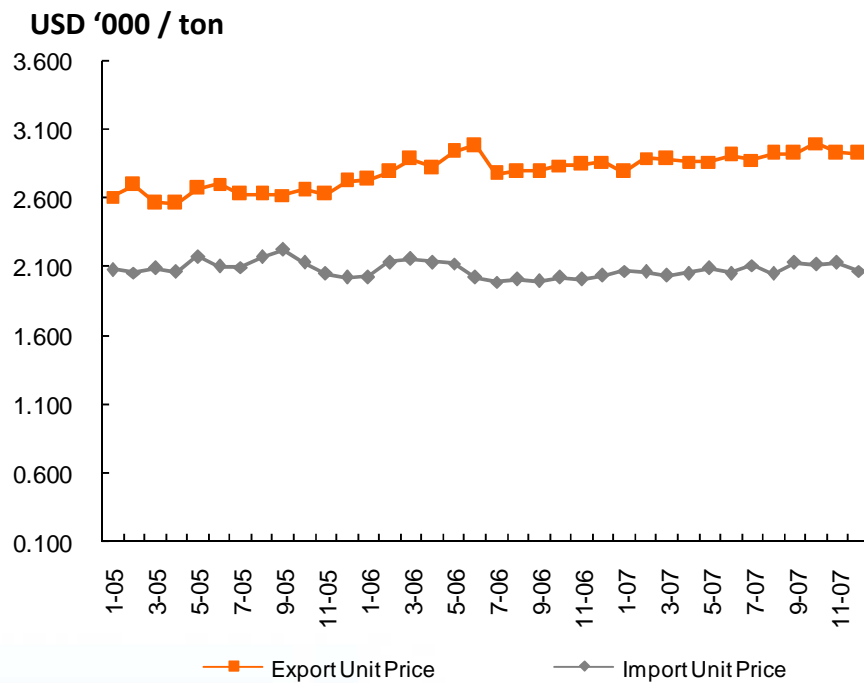


Sources: China Customs, National Bureau of Statistic, www.tteb.com



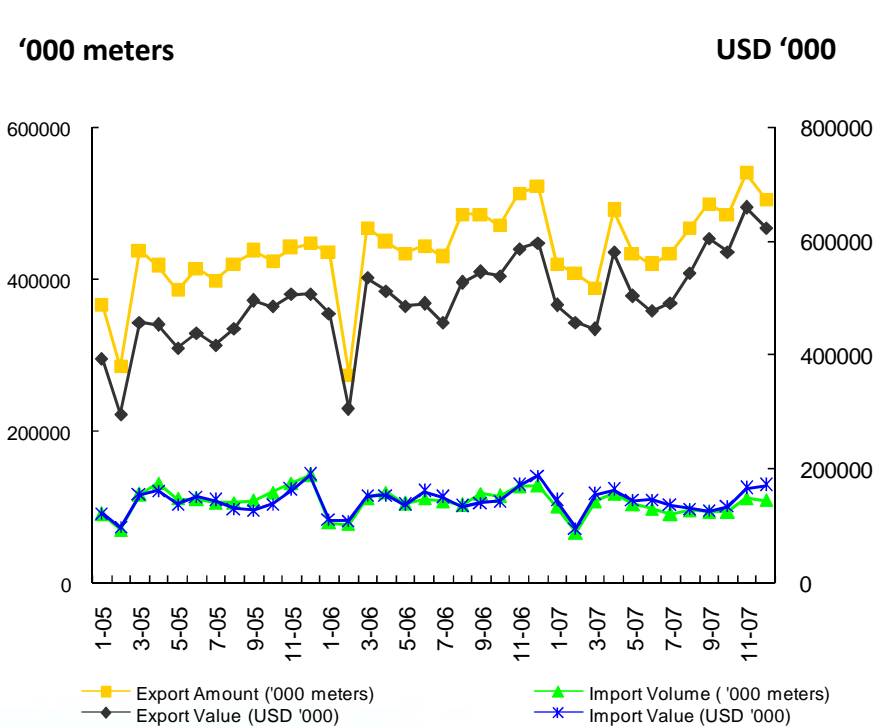
Import and Export of Cotton Yarn: Price

2005 – 2007

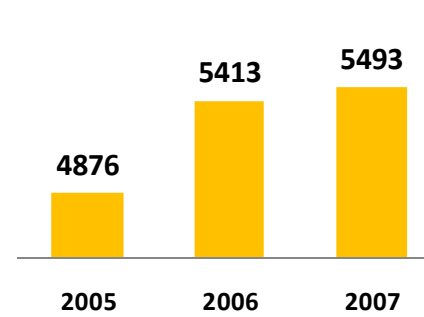


Import and Export of Grey Fabric: Volume & Value

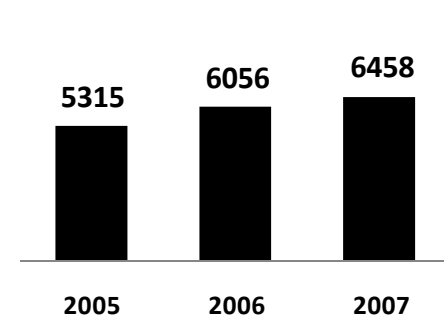
2005 – 2007



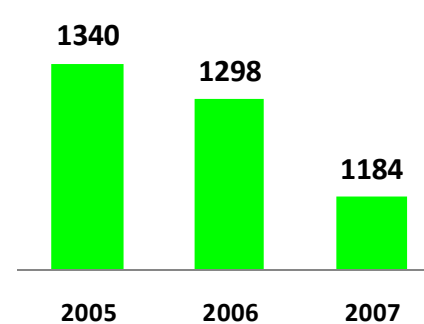
Export Volume
(million meters)



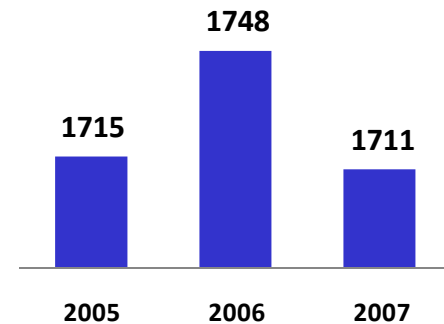
Export Value
(USD million)



Import Volume
(million meters)



Import Value
(USD million)



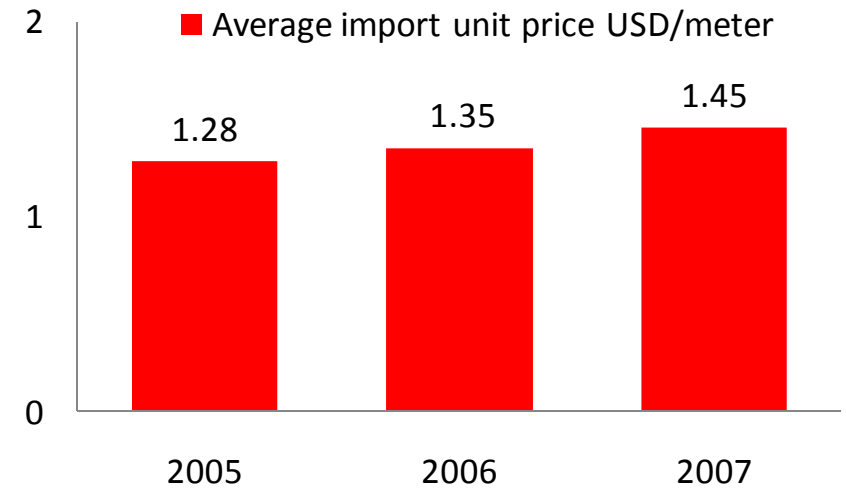
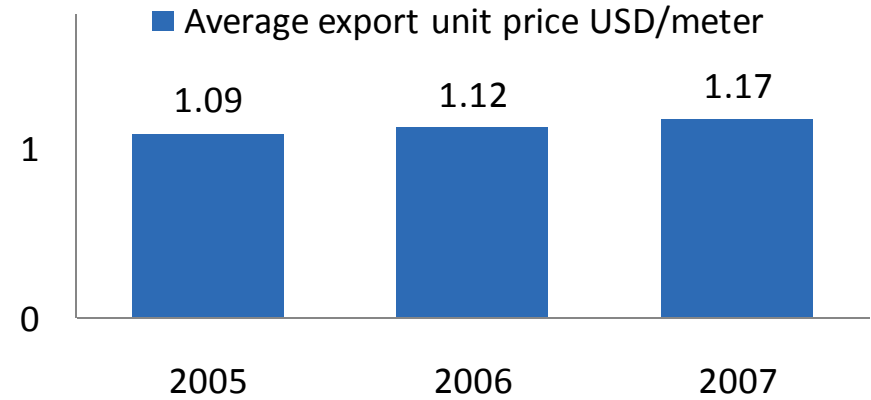
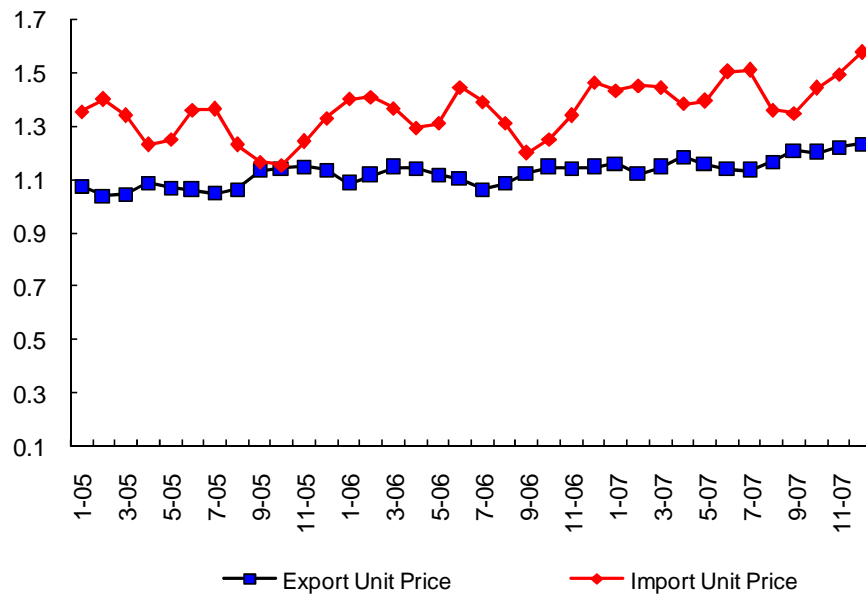
Source: China Cotton Textile Association



Import and Export of Grey Fabric: Price

2005 – 2007

USD / Meter



Co-existence of Opportunities & Challenges

Rising cotton, energy & labor costs
Imported Cotton Float Duties
Strong RMB
Reduction in VAT rebate for exports
Climbing PRC interest rates
International trade barriers

Strong growth in domestic demand
Expiration of textile safeguard trade agreement with Europe at the end of 2007
Textile exports relatively stabilized
Improving profitability via industry upgrading
Industry consolidation
Uniform corporate income tax rate





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Business Review

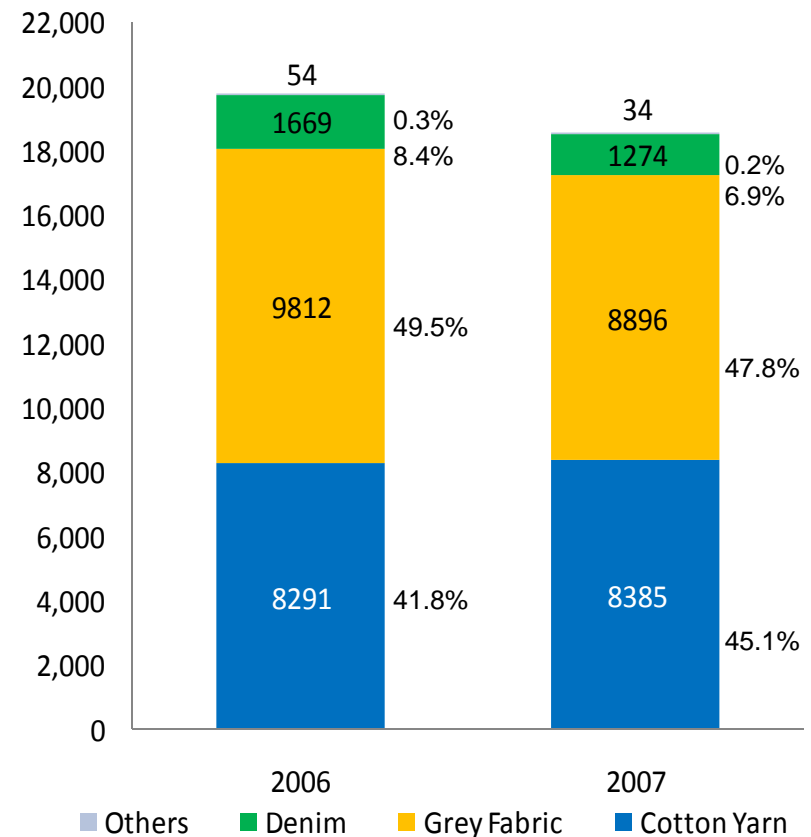


Sales by Products

- In 2007, the production volume of cotton yarn, grey fabric and denim were 891,000 tons, 1,650 million meters and 180 million meters respectively
- The sales of cotton yarn, grey fabric and denim accounted for 45.1%, 47.8% & 6.9% of total sales respectively in 2007

(RMB million)	2006	2007	Change (%)
Cotton Yarn	8,291	8,385	+1.1
Grey Fabric	9,812	8,896	-9.3
Denim	1,669	1,274	-23.7
Others	54	34	-37.0
Total	19,826	18,589	-6.2

Sales Breakdown by Product
(RMB million)



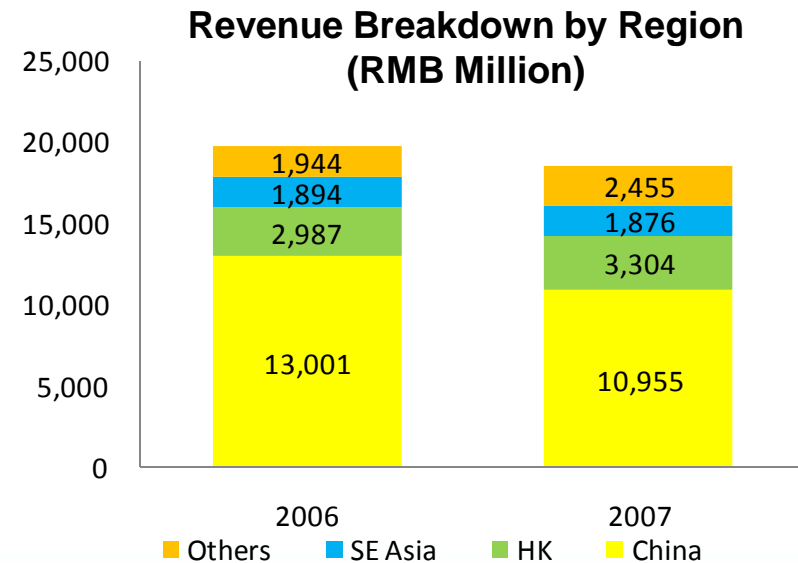
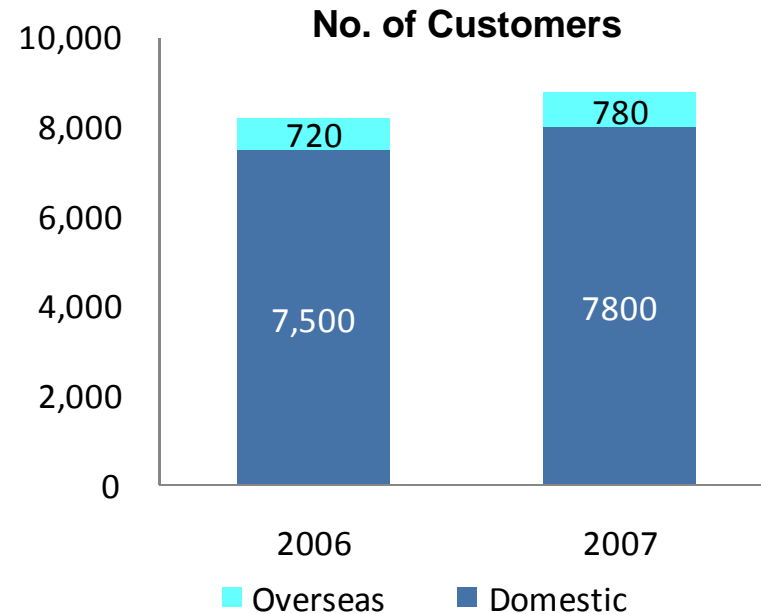
Gross Profit Margin by Segments

	2006 RMB '000	GP Margin (%)	2007 RMB '000	GP Margin (%)
Cotton yarn	1,126,550	13.6	1,119,056	13.3
Grey fabric	1,872,157	19.1	1,275,527	14.3
Denim	311,541	18.7	260,117	20.4
Others	12,842	23.7	7,671	22.3
Total	3,323,090	16.8	2,662,371	14.3



Extensive Customer Base

- Primary business focused on upstream, targeting markets in China Mainland and South-East Asia
- Domestic customers: approximately 8,000 customers across 30 provinces.
- Overseas customers: approximately 780 customers across 20 countries and regions
- Revenue from EU and US accounted for 4.4% of total revenue in 2007
- Sales to top five customers accounted for 13.1% of total sales in 2007
- Sales to single largest customer accounted for 5.7%



Acquisition of Thermal Power Assets – Cost Control

- ▶ EGM shareholders on 18 March 2008 approved the acquisition of thermal power assets from Holding Company for a 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
- ▶ Paid in cash, will not dilute shareholders' equity nor increase gearing ratio
- ▶ Stabilize power supply and meet the Group's growing demand for electricity and steam
- ▶ Improve Weiqiao's operation efficiency and competitiveness, reduce costs as well as enhance profitability





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Prospects and Strategies



Objectives & Strategies

Continue to benefit from economies of scale & strong bargaining power

Increase proportion of high-end products in total product mix

To be the largest & strongest cotton textile manufacturer of the world

Secure stable energy supply & enhance operation efficiency

Enhance internal control, optimize capital structure and improve corporate governance





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Questions & Answers

