



魏橋紡織股份有限公司

WEIQIAO TEXTILE COMPANY LIMITED

2006 Annual Results Announcement

2 April 2007

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
- ▶ Strategy and objectives

The slide features a background with a grid of white lines on a blue gradient. In the upper left, there are several rolls of yellow paper. A white horizontal band is positioned across the middle of the slide, containing the text. A purple and blue wavy line is on the left, and a green and yellow wavy line is on the right.

Financial Review

Financial Review

As of Dec. 31, 2006 (RMB in million)	2005	2006	Change (%)
Turnover	13,584	19,826	46.0
Gross profit	2,244	3,323	48.1
GP margin (%)	16.5	16.8	0.3 pt
Operating profit	1,856	3,028	63.1
Profit before tax	1,436	2,308	60.7
Profit attributable to shareholders	1,242	1,685	35.7
Basic earnings per share (RMB)	1.35	1.43	5.9
NP margin (%)	9.1	8.5	-0.6 pt

**In 2006, part of the assets acquired by the Group were granted tax relief from local tax authorities for a total of RMB163,000,000. The Group may apply for similar tax relief in the foreseeable future.*

Financial Review

As of Dec. 31, 2006 (RMB in million)	2005	2006
Total assets	24,705	26,141
Total liabilities	14,783	14,019
Net assets value	9,921	12,122
Current ratio (times)	1.0	1.2
Account receivable turnover (days)	15	13
Inventory turnover (days)	117	79
Account payable turnover (days)	60	15
Net debt to equity ratio* (%)	69.8	46.7
Gearing ratio (%)	41	40

* The ratio of total interest-bearing bank borrowings and long-term payables to the immediate holding company, net of cash and cash equivalents to total equity.

Financial Review

As of Dec. 31, 2006 (RMB)	2005	2006	Change (%)
Basic earnings per share	1.35	1.43	5.9
Dividend			
- Final dividend	0.287	0.44	53.3
Total :	0.287	0.44	53.3
Payout ratio (%)	35	35	

Cost Analysis

As of Dec. 31, 2006 (RMB in million)	2005	2006	Change (%)
COGS	11,340	16,503	45.5
Sales and distribution cost	345	359	4.1
Administrative expenses	151	177	17.2
Other operating expenses	82	110	34.1
Finance costs	420	720	71.4
Tax payments	187	617	229.9

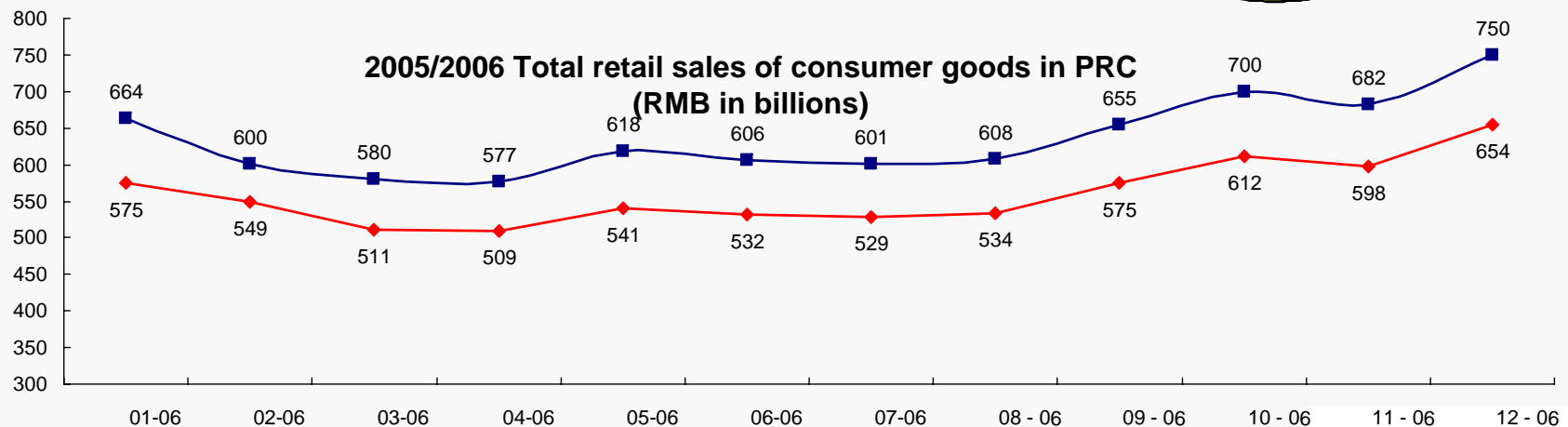
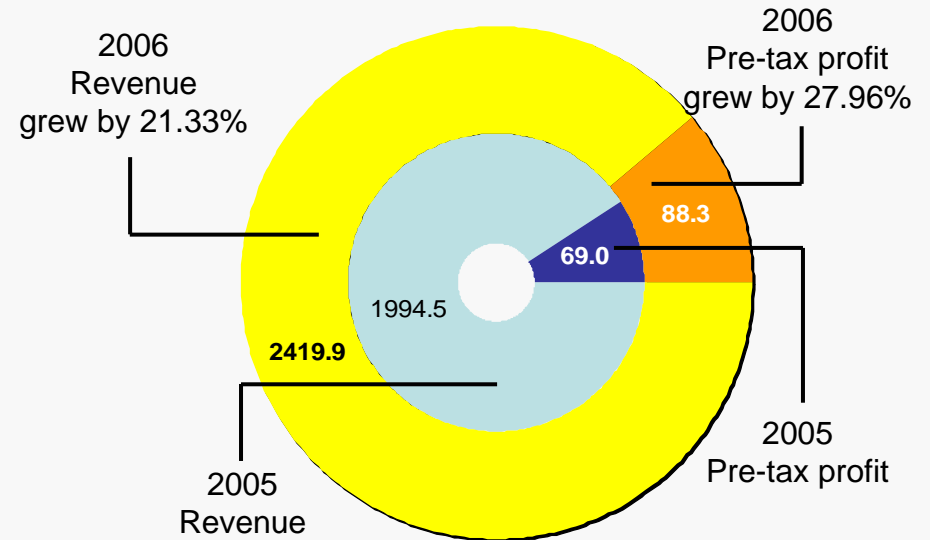


Industry and Market Review

Improved Industry Efficiency & Domestic Demand

2005/2006 Total revenue and pre-tax profit for textile industry in China (RMB in billion)*

- ▶ Textile industry in China
 - ▶ Revenue increased by 21.33% reached 2,419.9 billion
 - ▶ Pre-tax profit increased by 27.96% reached 88.3 billion
- ▶ Strong growth in domestic demand
 - ▶ GDP climbed 10.7% to RMB20,940.7 billion
 - ▶ Total retail sales of consumer goods climbed 13.7% to RMB7,641 billion, outpacing the growth rate of GDP



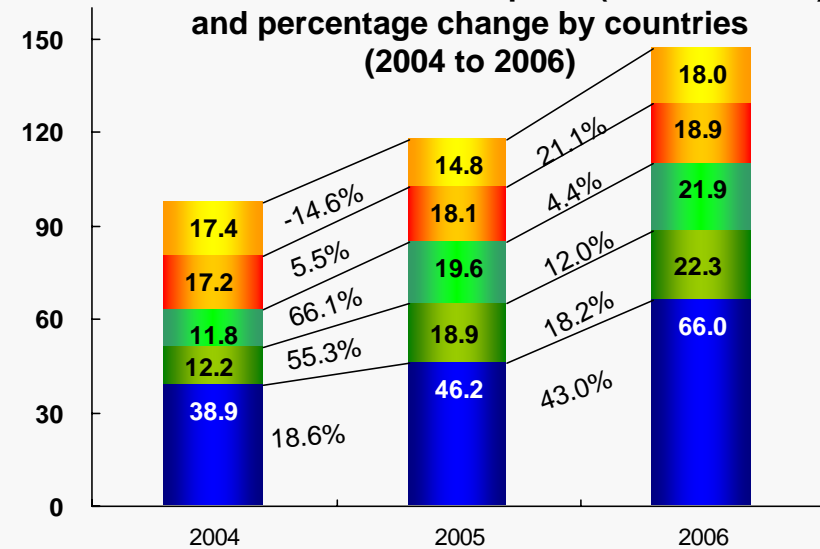
* Source: www.tteb.com



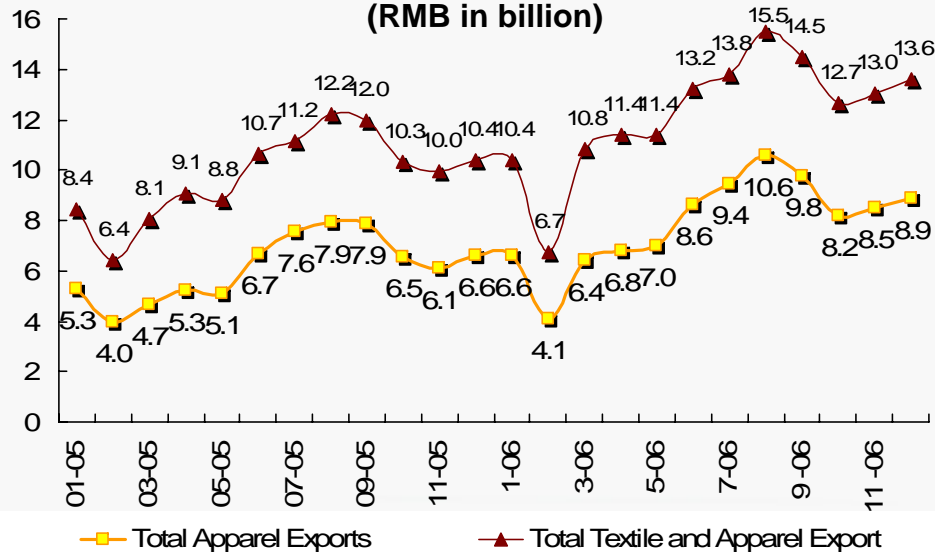
Solidified China's Leading Position in Global Textile Market

- World's largest textile and garment export country
- Accounted for 24% of world's total textile & garment exports in 2005
- Annual textile & garment exports reached USD 147 billion in 2006
- Substantial increase in exports to non-restricted countries and restricted countries

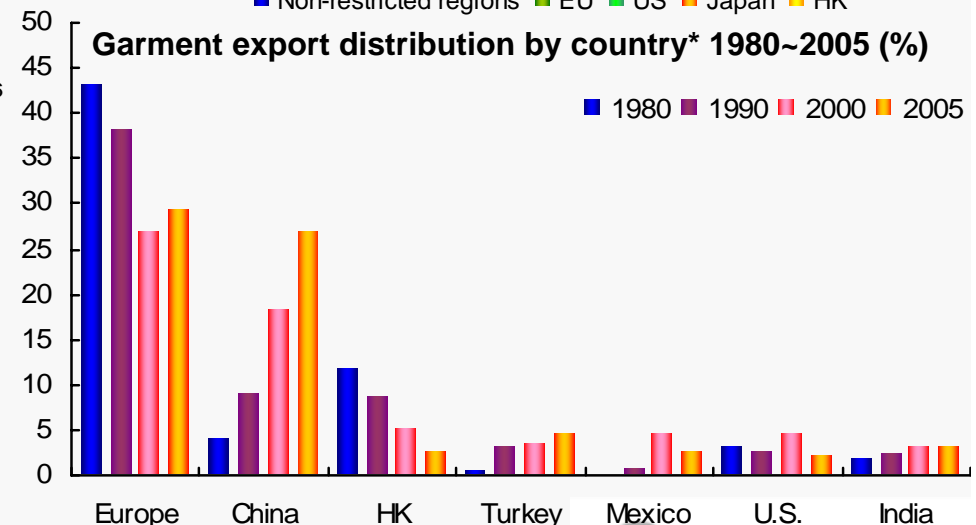
Value of China's textile exports (in USD billion) and percentage change by countries (2004 to 2006)



Textile and apparel exports from 2005 to 2006 (RMB in billion)

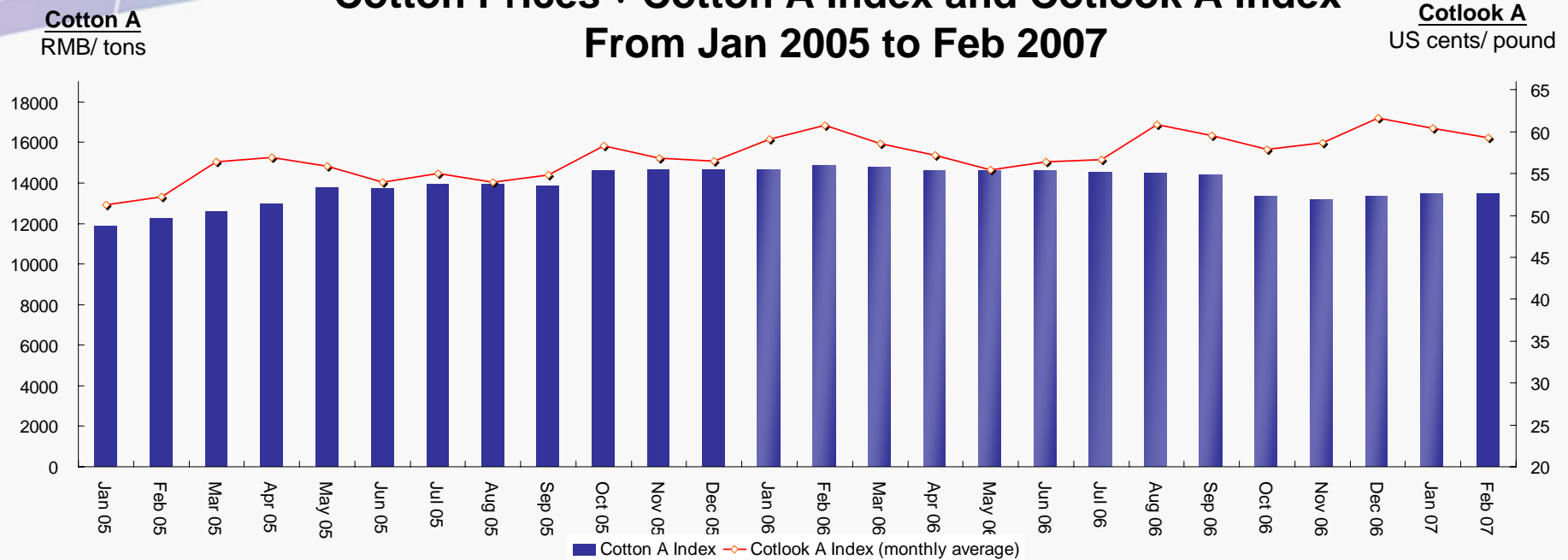


Garment export distribution by country* 1980~2005 (%)

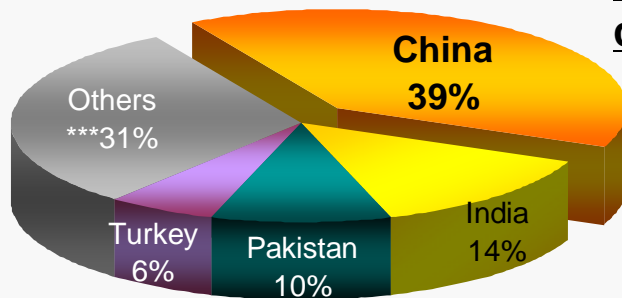


Raw Material : Stable Cotton Prices

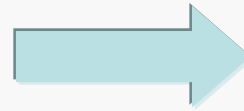
Cotton Prices : Cotton A Index and Cotlook A Index* From Jan 2005 to Feb 2007



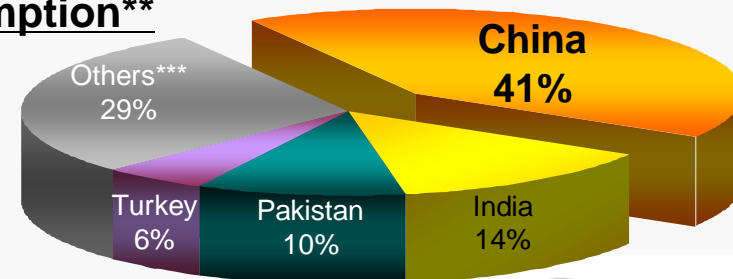
2005/06 Estimates



Breakdown of world's cotton consumption**



2006/07 Forecast

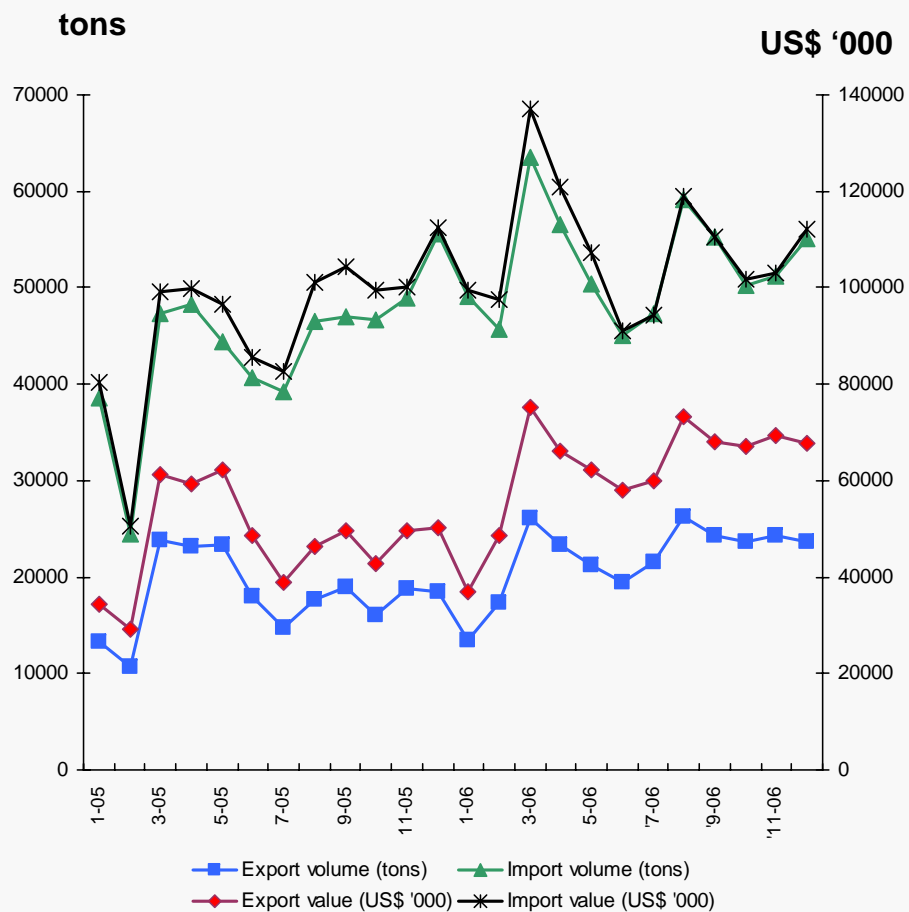


Sources

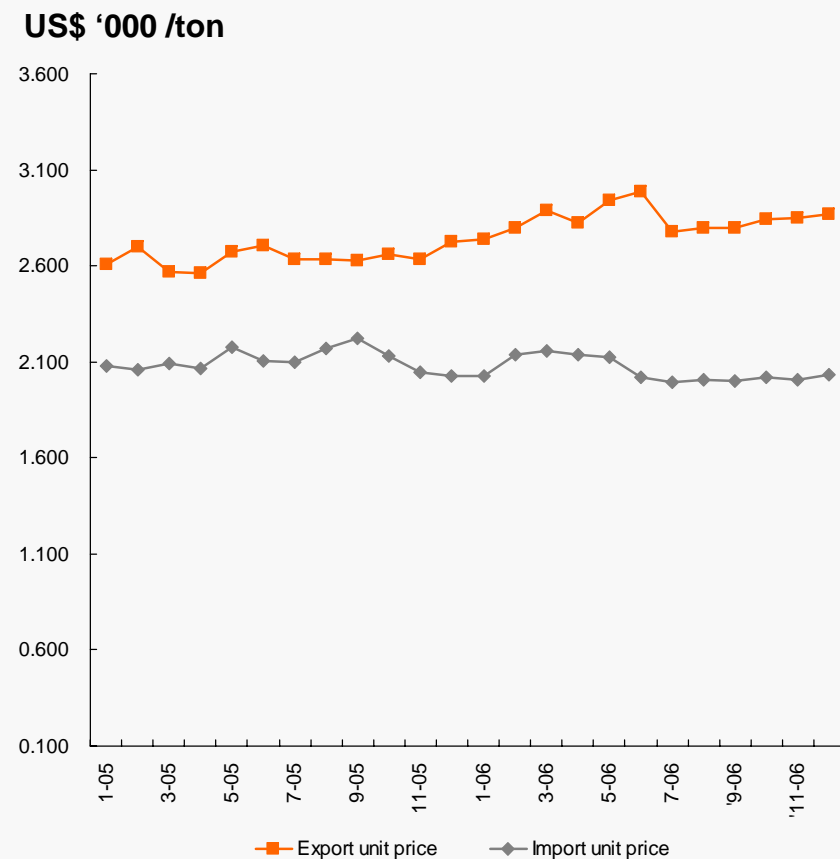
* cncotton.com, cotlook.com; **USDA; ***including USA, Brazil, etc.

Cotton Yarn: Increased Demand and Stable Prices

Volume and value of cotton yarn exports
Jan 2005 to Dec 2006



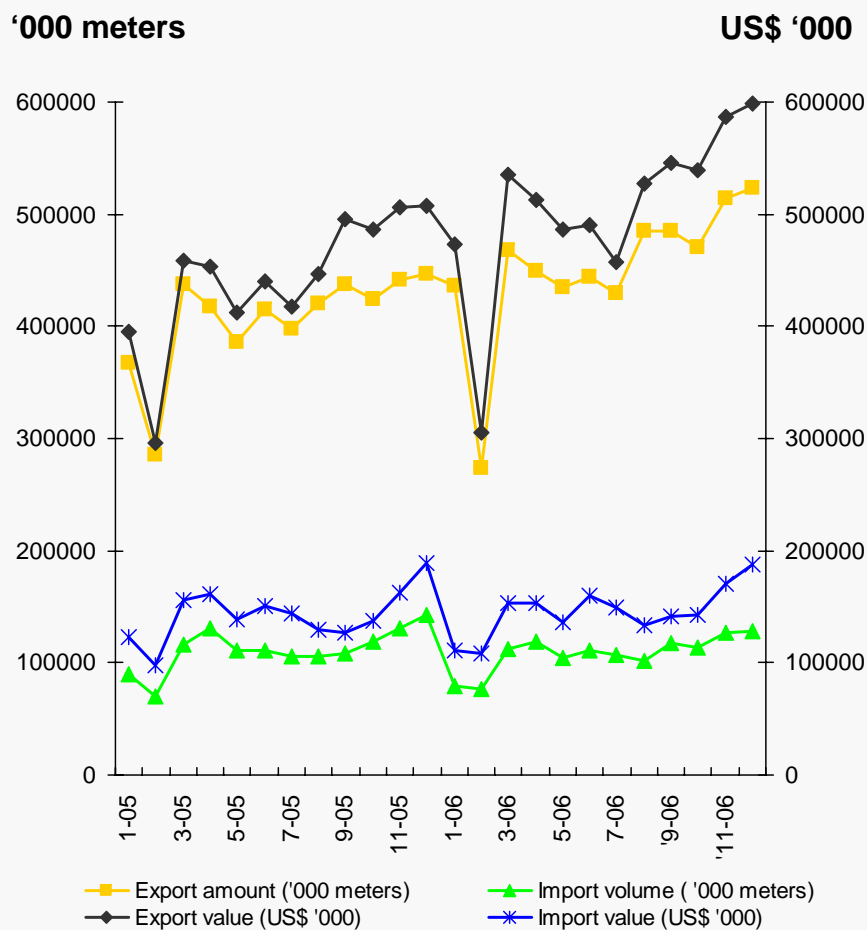
Unit price of cotton yarn exports
Jan 2005 to Dec 2006



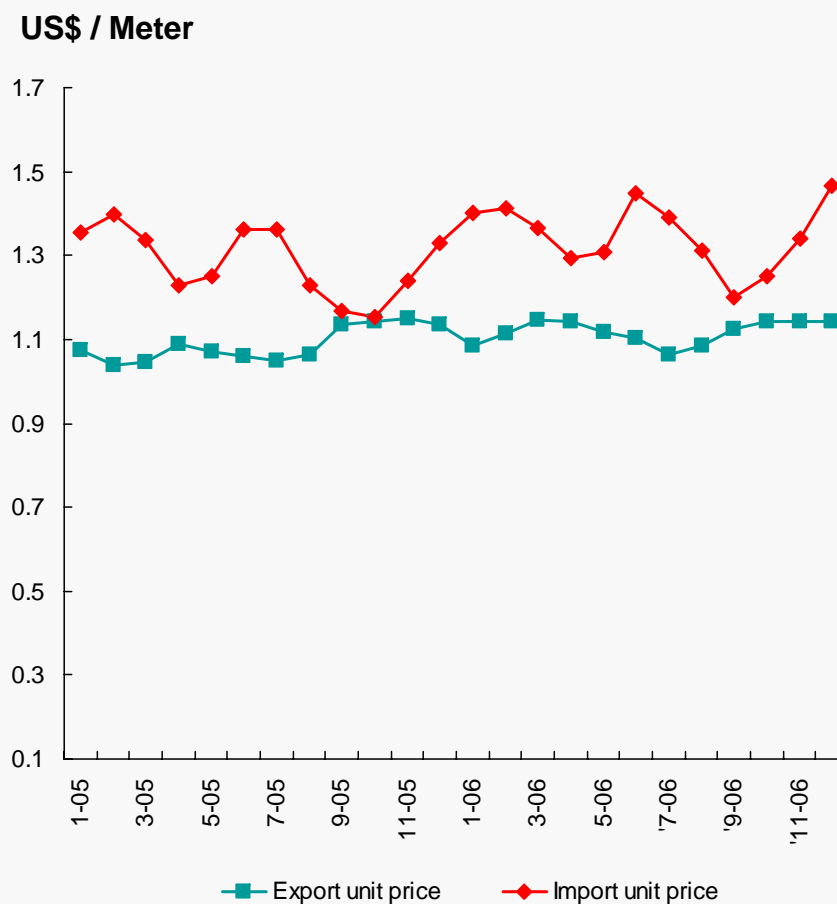
Sources: China Custom, National Bureau of Statistic, www.tteb.com

Grey Fabric: Continuous Demand and Stable Prices

Export Volume and value of grey fabric
Jan 2005 to Dec 2006



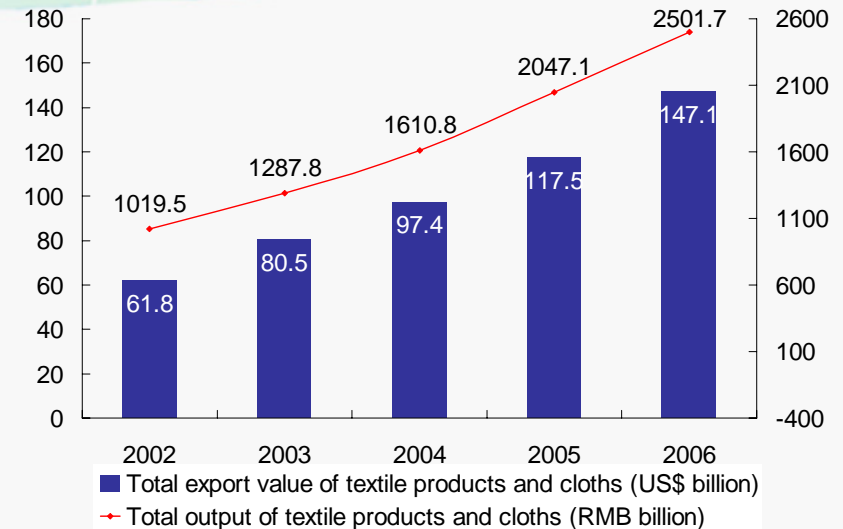
Unit price of import and export grey fabric
Jan 2005 to Dec 2006



Source: China Cotton Textile Association

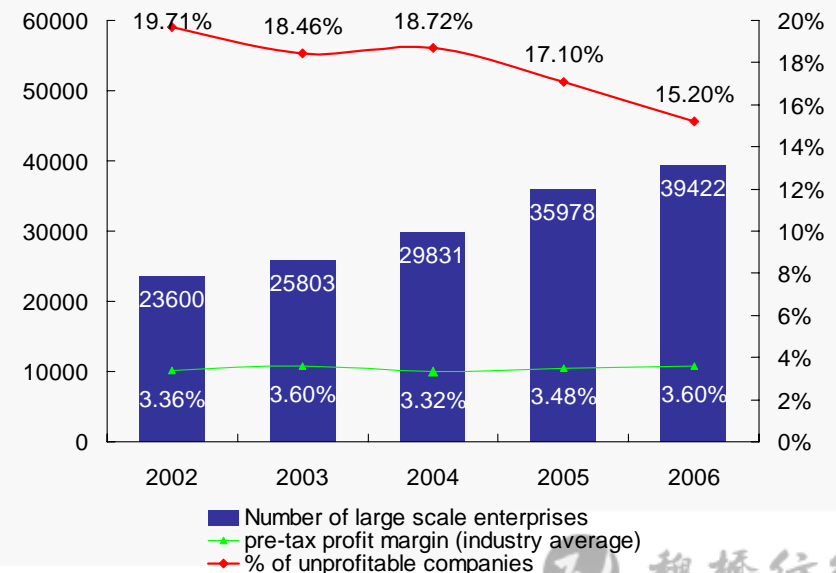
Post WTO: Improving Industry Structure

- ▶ From quantity-driven to quality-driven
- ▶ Increase in total output and total exports
- ▶ Proportion of unprofitable companies lowered



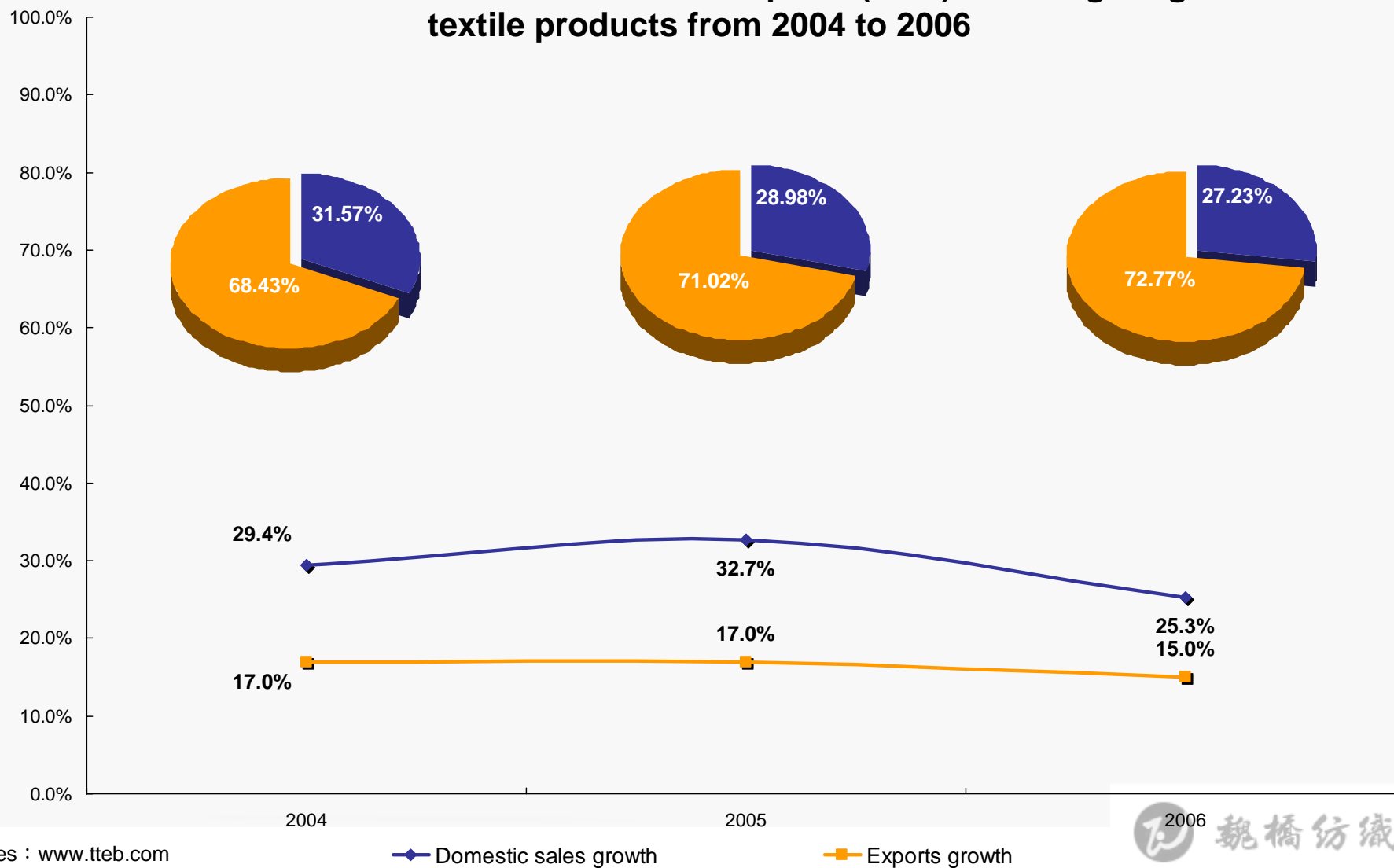
**Key indicators of China's textile industry
2001 vs 2006**

(RMB in billion)	2001	2006	Change (%)
Industry Capex	371.9	638.1	71.6
Industry Production Output	898.3	2449.8	172.7
Industry pre-tax Profit	25.8	88.3	242.2
Textile and Apparel Export (USD in billion)	54.3	147.1	170.7



Post WTO: Steady Exports and Strong Domestic Demand

Growth rate of domestic sales and exports (YOY) and weighting of textile products from 2004 to 2006



Sources : www.tteb.com



Challenges: Exchange Rate, Tax Rate, Interest Rate, Comparative Costs and Trade Barriers

- ▶ RMB exchange rate
 - ▶ Gradual increase in export prices
 - ▶ Procurement focus will shift to high value- added products gradually
 - ▶ Lower financial costs in US dollars
- ▶ Increased interest rate
 - ▶ Increased finance expenses
- ▶ Tax rate
 - ▶ Adjustment in export tax rebate put pressure on textile manufacturers who are strongly relying on exports
- ▶ Energy prices and labour costs inflation
- ▶ Cost advantage for other developing countries
- ▶ New trade barriers may impose by developed countries after the abolition of safeguards



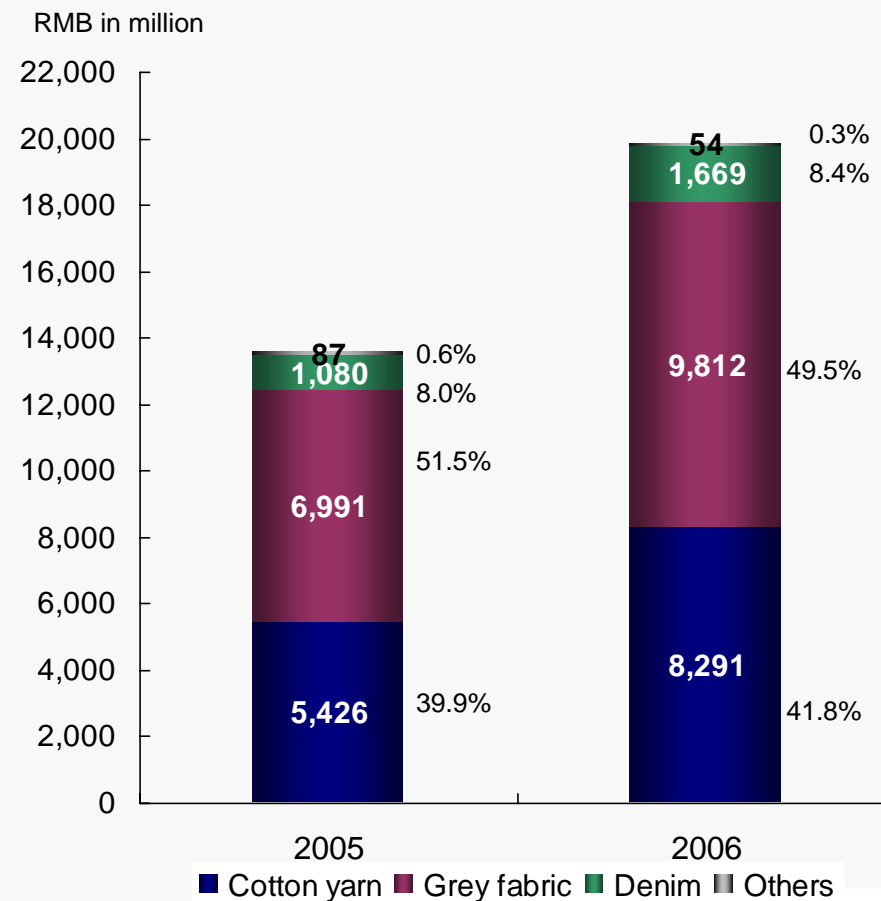
Business Review

Overall Increase in Sales

- ▶ Growth of respectively 52.8%, 40.4% and 54.5% in cotton yarn, grey fabric and denim sales
- ▶ Product breakdown remained stable

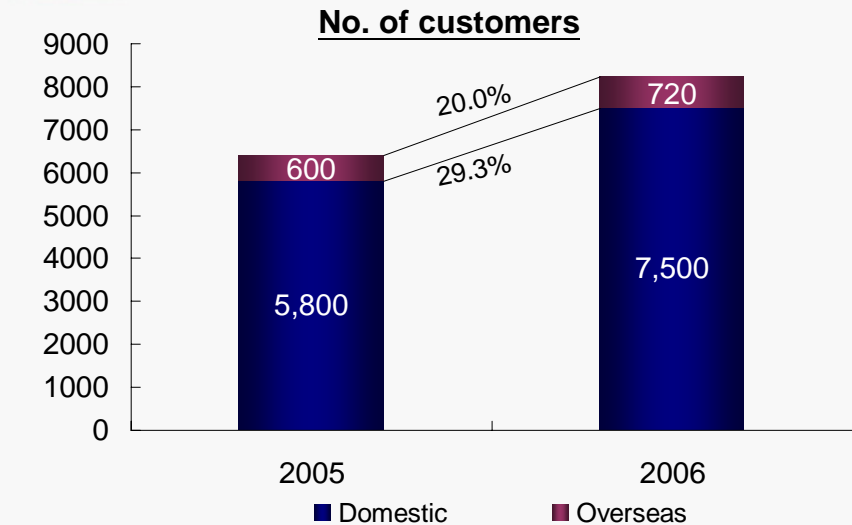
RMB in million	2005	2006	Change (%)
Cotton yarn	5,426	8,291	52.8
Grey fabric	6,991	9,812	40.4
Denim	1,080	1,669	54.5
Others	87	54	-37.9
Total sales	13,584	19,826	46.0

Sales breakdown by product (%)

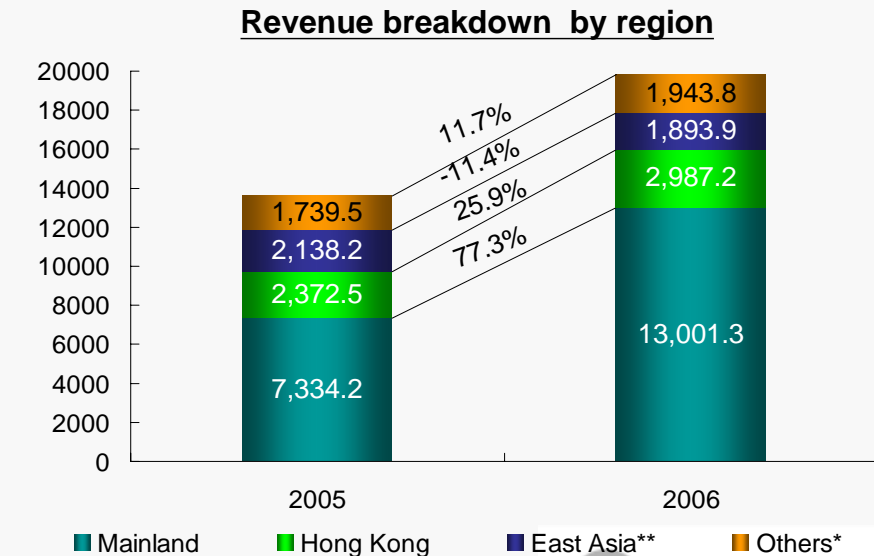


Grew with Customers

- ▶ Primary business focused on upstream targeted market remained in China Mainland and South-East Asia
- ▶ Domestic customers: approximately 7,500 customers across 30 provinces.
- ▶ Overseas customers: approximately 720 customers across 20 countries and regions
- ▶ Revenue from EU and US accounted for 3.74% of total revenue in 2006
- ▶ Sales to top five customers maintained the same level when compared to 2005
- ▶ Sales to the largest customer accounted for less than 5%



RMB in million



*Include Japan and South Korea

**Mainly include Taiwan, Thailand, US and several Europe countries

Gross Margin Breakdown

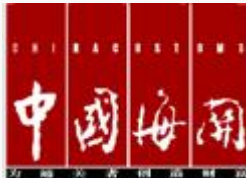
	2005 RMB' 000	GP Margin (%)	2006 RMB'000	GP Margin (%)
Cotton yarn	1,175,434	21.7	1,126,550	13.6
Grey fabric	837,942	12.0	1,872,157	19.1
Denim	239,963	22.2	311,541	18.7
Others	(9,209)	(10.5)	12,842	23.7
Total	2,244,130	16.5	3,323,090	16.8

Industry Leader



No. 78 and the only selected textile company in Fortune magazine's "Top 100 Listed Companies in the PRC"

A constituent stock of both HSCEI and MSCI China Index



- No. 1 in 2006 Top 100 Textile and Apparel Export Enterprise in the PRC
- No. 1 in 2006 Top 100 Textile Export Enterprise in the PRC
- No. 1 in 2006 Top 100 Yarn Export Enterprise in the PRC
- No.1 in 2006 Top 100 Outer Shell Export Enterprise in the PRC



Weiqiao Textile's grey fabric recognized by ACSIQ as "China Brandname Products"



Future Prospects

Market Opportunities

- ▶ China's economy mainly growth driven by domestic demand
- ▶ Stable demand for textile products in global markets and harmonization of global textile trade
- ▶ Migration of textile industry to high-end and proliferation of industry self-discipline
- ▶ Cotton prices will remain relatively stable
- ▶ Harmonization of tax regimes for domestic and foreign enterprises will create a level-playing field
- ▶ Continued tax relief

Objectives and Strategy

- Maintain advantage from economy of scale and bargaining power
- Boost proportion of high-end products in product mix
- Secure stable energy supply and enhance operating efficiency
- Tighten cost control and optimize capital structure

Become the Largest & Strongest Cotton Textile Manufacturer in the World



Q & A