



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)



2005

Annual Results

Sustainable Growth
Value Creation

6 April 2006

Disclaimer

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Agenda

- ① Financial review
- ② Industry and market analysis
- ③ Business review
- ④ Strategy and objectives



Financial Review

Financial Review

For the year ended 31 December
(RMB in millions)

	2004	2005	Change(%)
Turnover	11,088	13,584	22.5
Gross profit	1,857	2,244	20.8
GP margin (%)	16.8	16.5	(0.3) pts
Operating profit	1,537	1,856	20.8
Profit before tax	1,247	1,436	15.2
Profit attributable to shareholders	826	1,242*	50.5
Basic earnings per share (RMB)	0.97	1.35	39.2
NP margin(%)	7.4	9.1	1.7 pts

*In 2005, part of the assets acquired by the Group were granted tax relief from local tax authorities for a total of RMB287,689,000. The Group may apply for similar tax relief in the foreseeable future.



Financial Review

For the year ended 31 December
(RMB in millions)

	2004	2005
Total assets	16,389	24,705
Total liabilities	10,229	14,783
Net assets value	6,160	9,921
Current ratio (times)	1.1	1.0
Account receivable turnover (days)	20	15
Inventory turnover (days)	106	117
Account payable turnover (days)	44	60
Net debt to equity ratio(%)	78	66
Gearing ratio (%)	44	41



EPS and Dividend

For the year ended 31 December (RMB)	2004	2005	Change (%)
Basic earnings per share	0.97	1.35	39.2
Dividend			
- Final dividend	0.25	0.287	14.8
Total :	0.25	0.287	14.8
Payout ratio(%)	35%	35%	



Costs Analysis

For the year ended 31 December (RMB in millions)	2004	2005	Change(%)
COGs	9,231	11,340	22.8
Sale and distribution cost	276	345	25.0
Administrative expenses	144	151	4.9
Other operating expenses	60	82	37.4
Finance costs	290	420	44.7
Tax payment	420	187	(55.5)

*In 2005, part of assets acquired by the Group were granted tax relief from local tax authorities for a total of RMB287,689,000. The Group may apply for similar relief in the foreseeable future.



Tax Relief

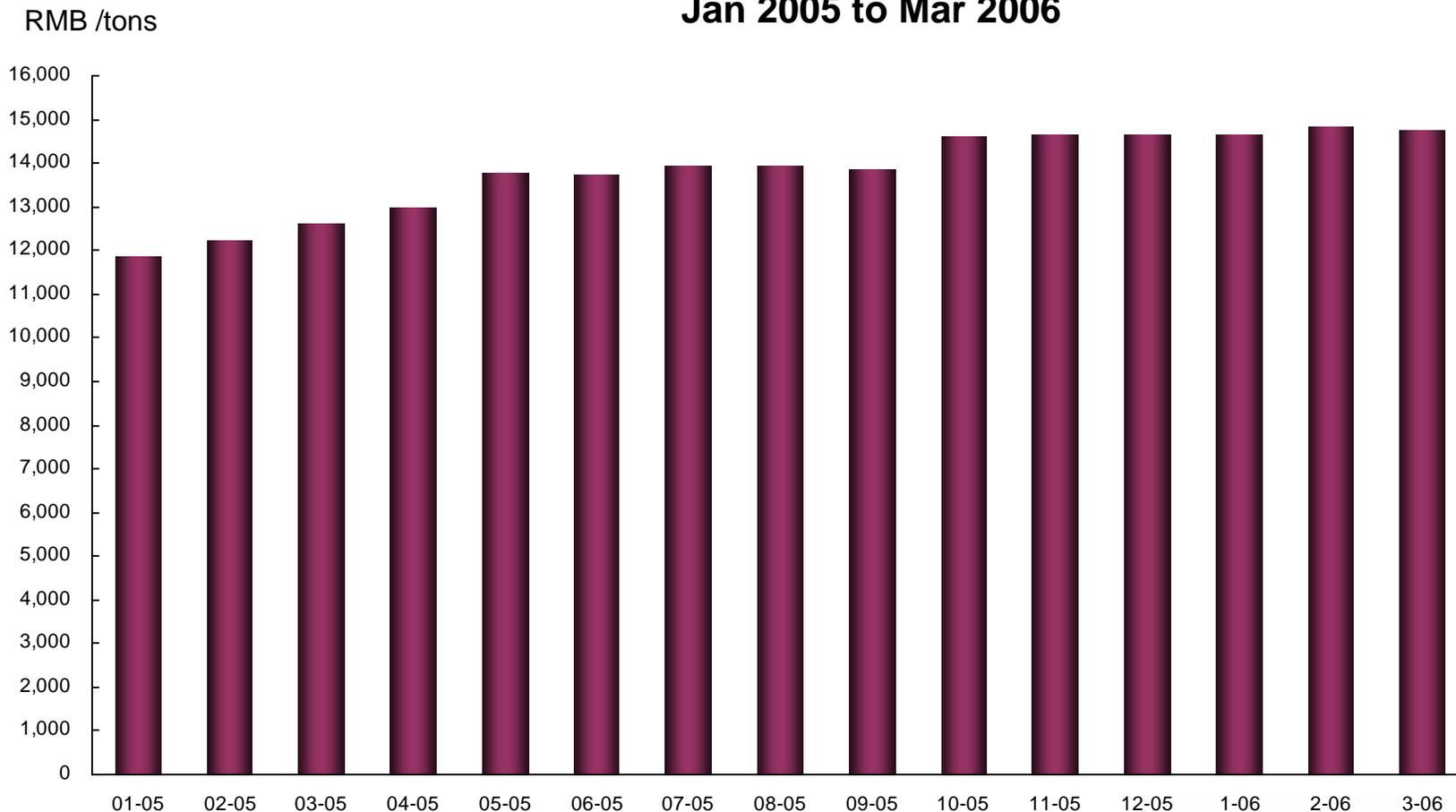
- ② On September 2005, The Company awarded a tax reduction of about RMB273.2 million by the local tax bureau
- ② On October 2005, Binzhou Industrial Park was awarded a reduction of about RMB14.5 million
- ② Pursuant to the prevailing tax laws in China, the Group may apply for similar tax relief in the future.



Industry and Market Analysis

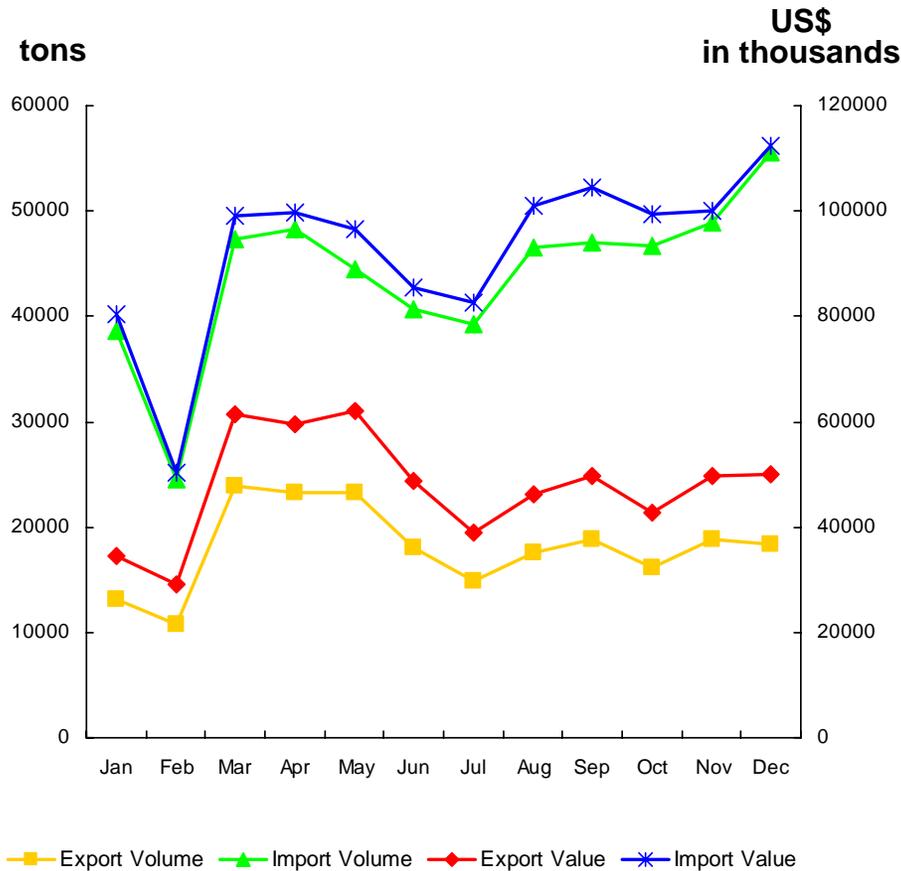
Raw Materials : Relatively Stable Cotton Price

Domestic cotton price (CNCotton A Index)
Jan 2005 to Mar 2006

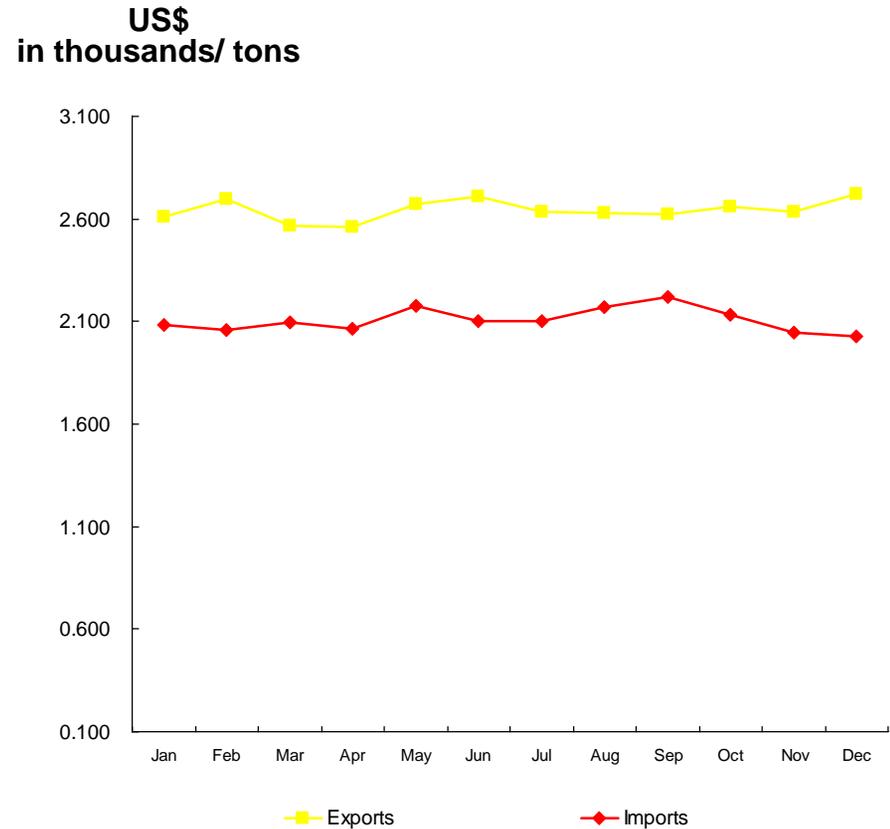


Cotton Yarn: Sustaining Demand at Stable Price

2005 Monthly Volume and Value of Cotton Yarn



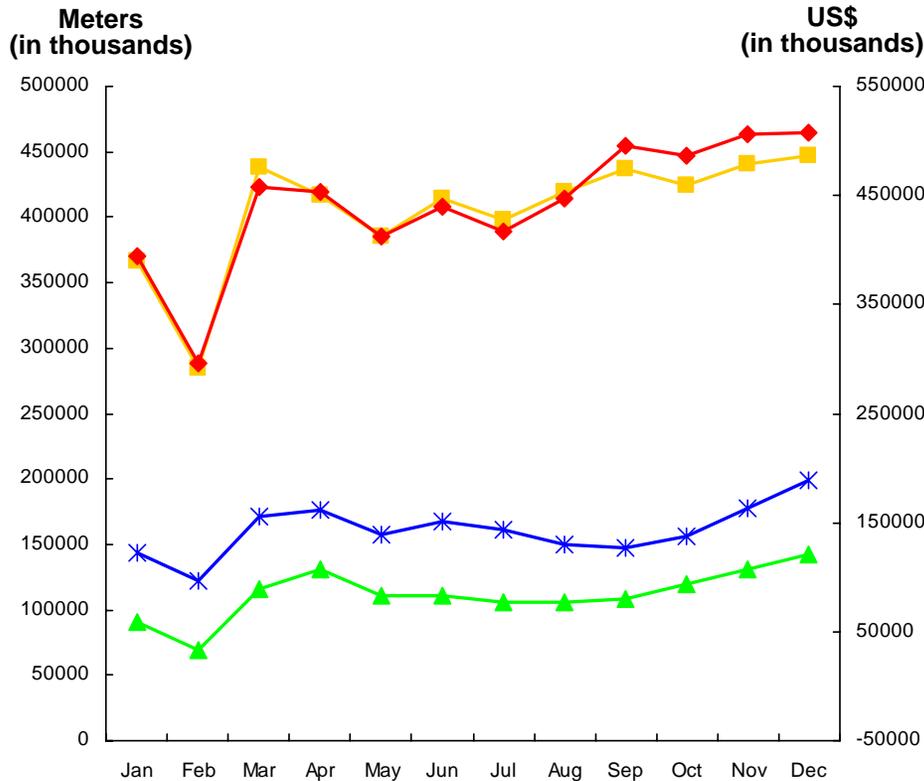
2005 Unit Price of Cotton Yarn



Grey Fabric: Sustaining Demand at Stable Price

Jan to Dec 2005

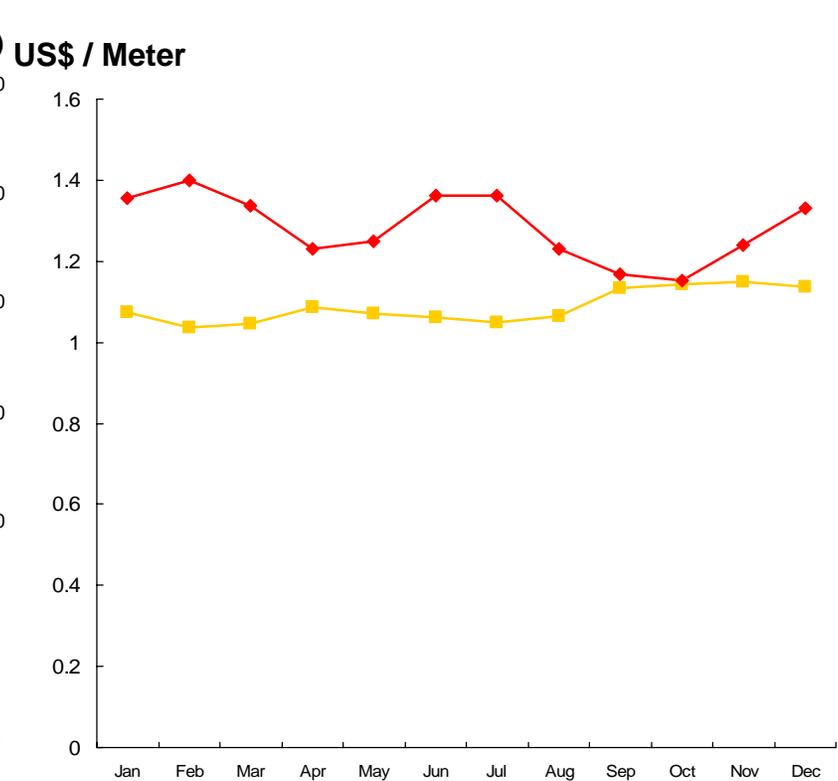
Monthly Import and Export Volume and Value of Grey Fabric



- Export Volume of Grey Fabric (thousand meters)
- ▲— Import Volume of Grey Fabric (thousand meters)
- ◆— Export Value of Grey Fabric (ten thousand US dollar)
- *— Import Value of Grey Fabric (thousand US dollar)

Jan to Dec 2005

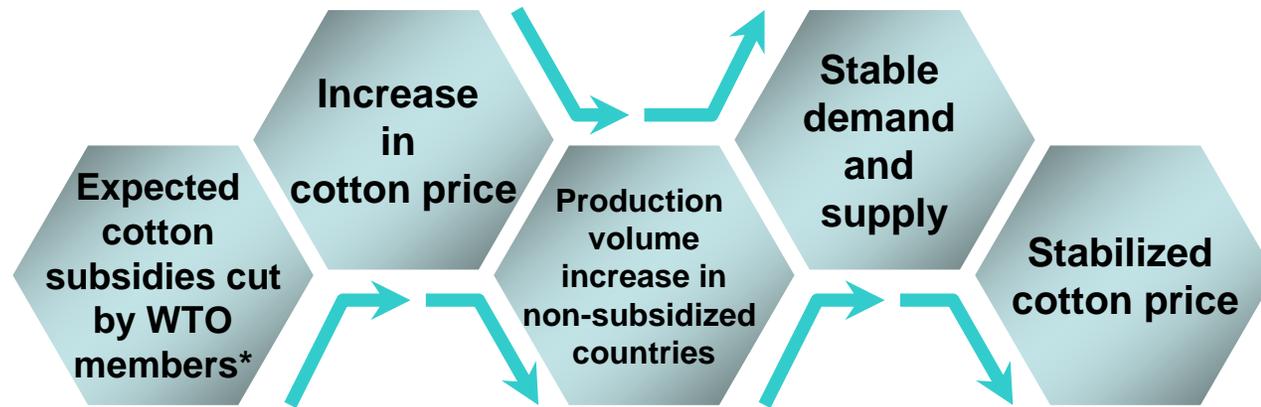
Unit Price Trend of Import and Export Grey Fabric



- Unit Price of Export Grey Fabric
- ◆— Unit Price of Import Grey Fabric



Market Analysis : Eliminations of Textile Quotas and Cotton Subsidy



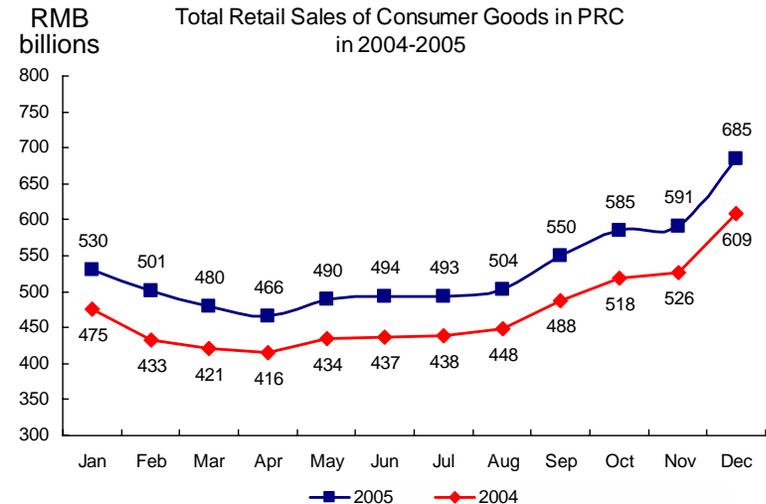
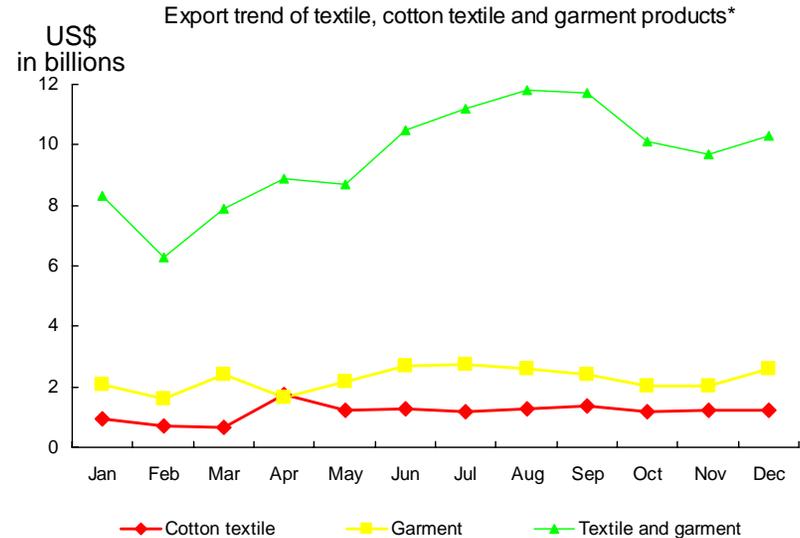
Market Analysis : Higher Domestic and Export Demand

Export sales

- Total export of textile goods and garment rose 20.9% to US\$115.03 billion in 2005
- Total export of cotton textile was US\$14.07 billion, a 19.2% increase over 2004
- Total export of garment increased 19.9% from 2004 to US\$73.89 billion

Domestic demand

- GDP grew 9.9% in 2005
- Chinese economy migrating from investment-driven to consumption-driven model
- Total Retail Sales of Consumer Goods were RMB6717.7 billion in 2005.
- Domestic sales of textile enterprises grew 28.04%, faster than exports
- Increase in national income is expected to provide the textile industry with strong domestic demand, fueling growth for the manufacturers.



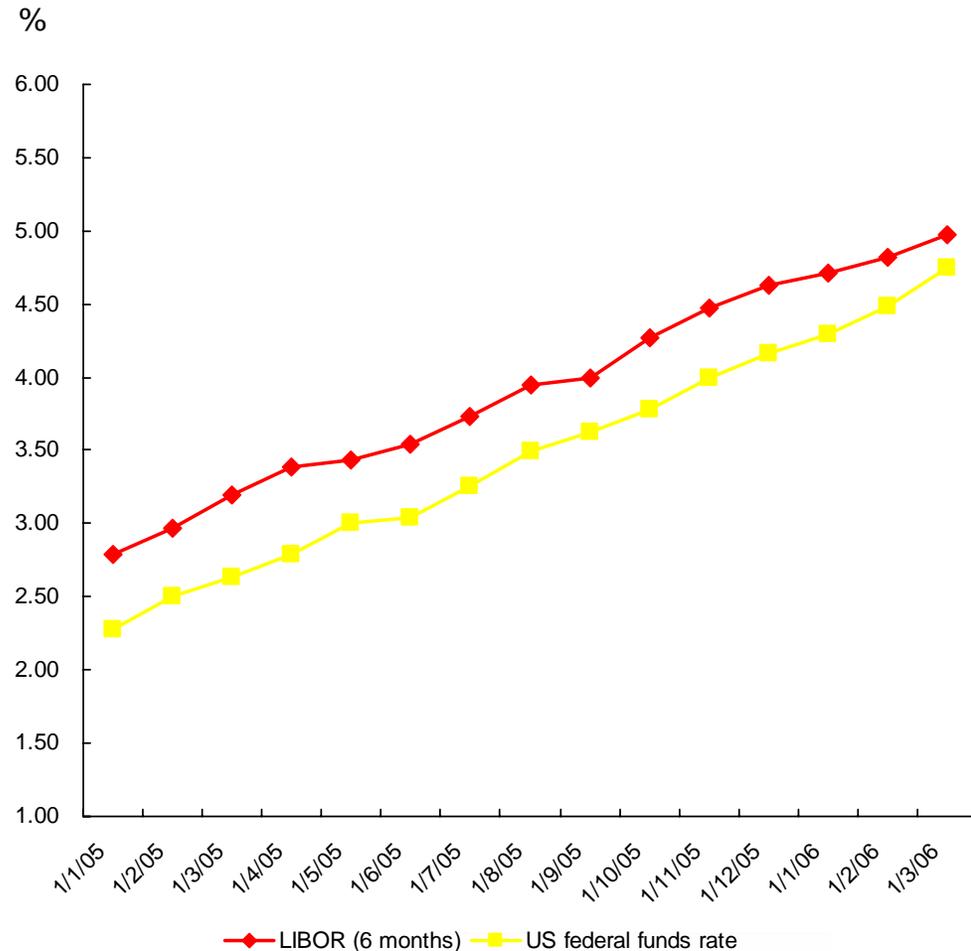
*Sources: China Customs, National Statistic Bureau, China Textile Economic Information Network



Challenges: Exchange and Interest Rates, Energy Cost and Labor Shortages

- ① RMB exchange rate
 - ① Moderate increase in export prices
 - ① Focus on high-value added products
 - ① Reduced the cost of US dollar-based liabilities
- ① Rise in interest rates
 - ① Increase in funding cost
- ① Increase in energy prices
 - ① Rising production costs
- ① Labor shortages

Interest rate trend from 1 Jan 2005 to 31 Mar 2006



Business Review

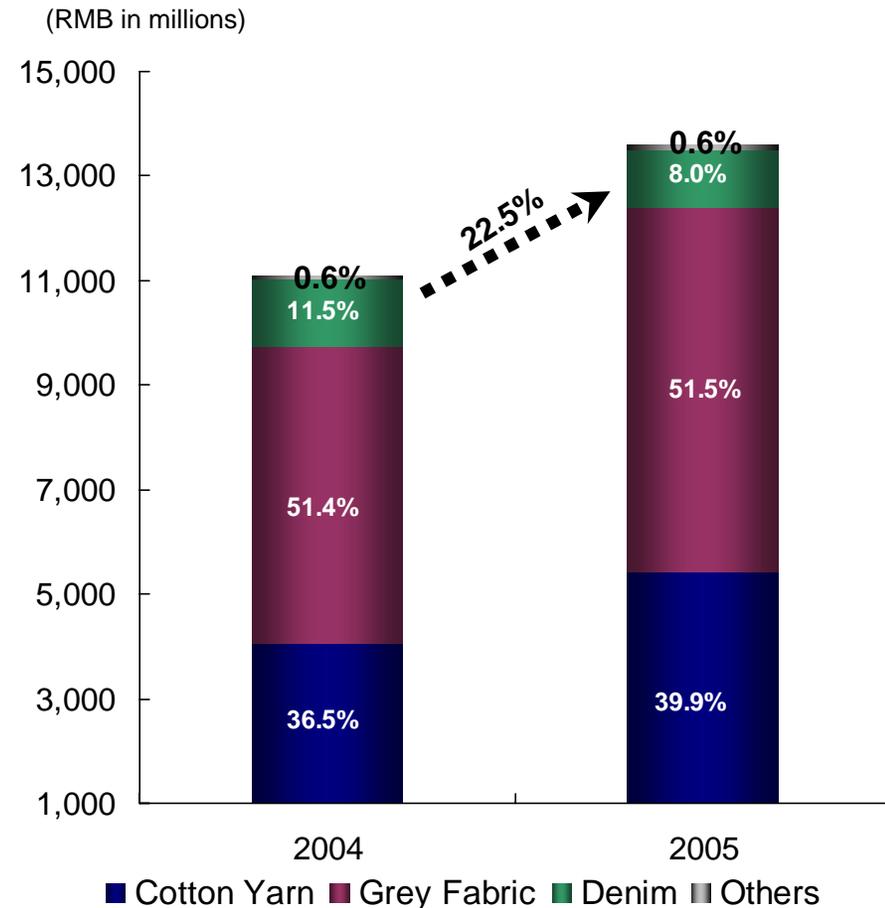
Overall Increase in Sales

- ⑦ Sales of cotton yarn and grey fabric increased 34.1%, 22.7% respectively
- ⑦ Sales of other products included cottonseed increased 31.8%

RMB in millions	2004	2005	Change (%)
Cotton Yarn	4,048	5426	34.1
Grey fabric	5,701	6991	22.7
Denim	1,274	1080	(15.2)
Others	66	87	31.8
Total sales	11,088	13,584	22.5

Sales by products

For the year ended 31 December



Increase in Production Output

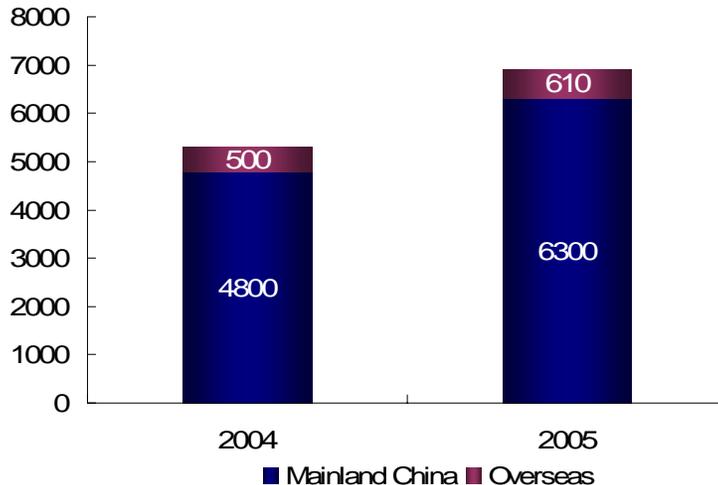
	2004	2005	Change (%)
Cotton Yarn (tons)	543,000	659,000	21.4
Grey Fabric ('000 meters)	1,205,000	1,441,000	19.6
Denim ('000 meters)	131,000	124,000	(5.3)



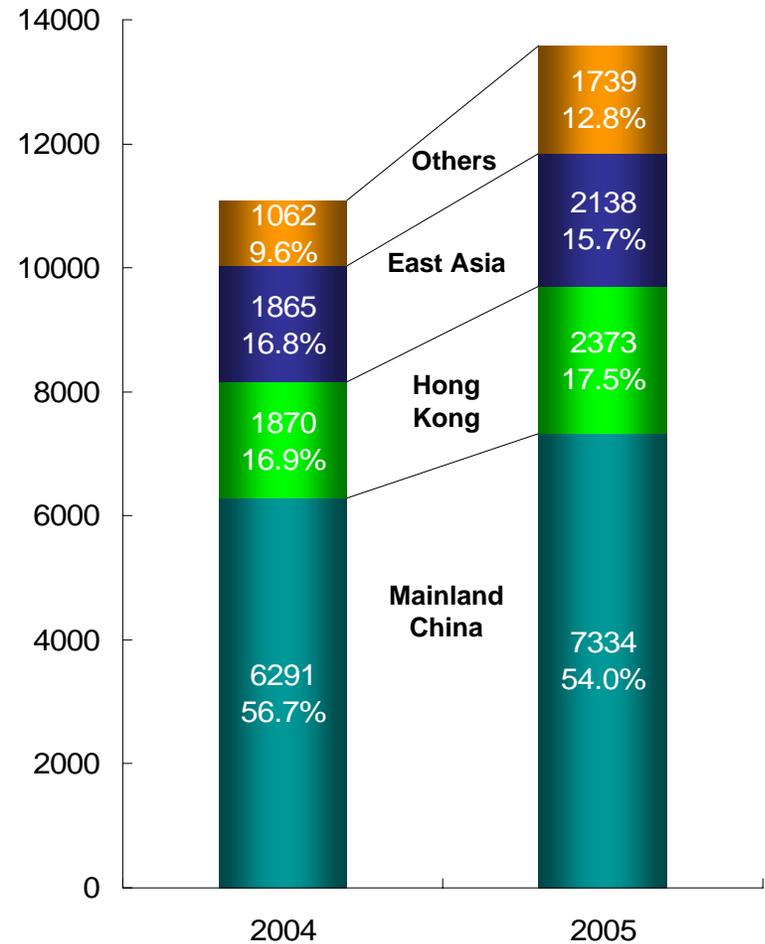
Increase in Customers and Revenue by Region

- Domestic and foreign customers increased by 21% and 20% respectively compared to 2004.
- Domestic sales driven by strong demand
- Increasing high-quality customers
- Sales to top five customers continued to decline from 15.35% in 2004 to 11.95% in 2005

Customer numbers



Turnover by Region



Profit Margin by Product

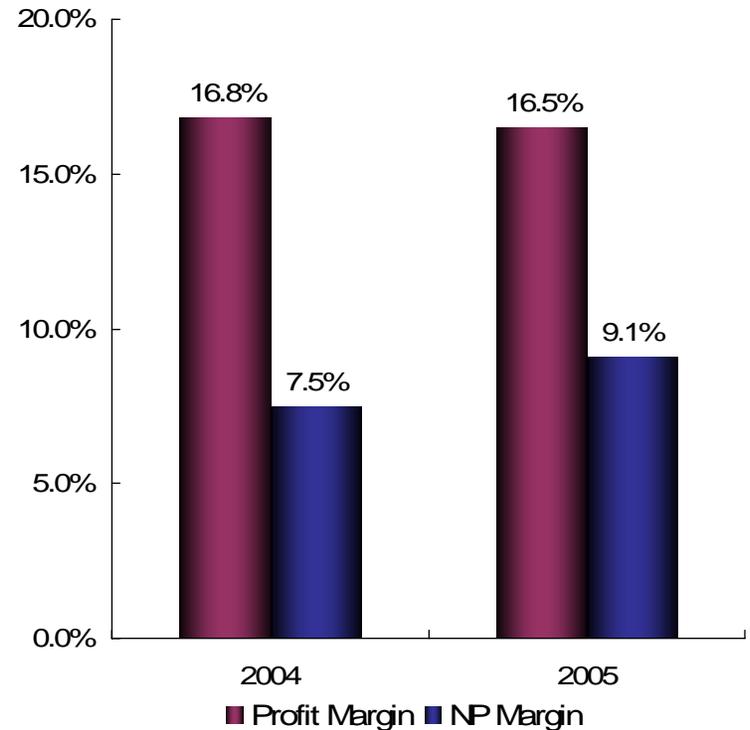
	2004	GPM	2005	GPM
	RMB '000	(%)	RMB '000	(%)
Cotton Yarn	694,493	17.2	1,196,176	21.7
Grey Fabric	798,863	14.0	885,035	12.0
Denim	341,592	26.8	240,127	22.2
Others	22,229	33.4	(9,209)	(10.5)
Total	1,857,177	16.8	2,244,130	16.5



Stable Profit Margin

- Overall profit margin maintained at a relatively higher level despite rapid growth helped by strong brand, higher sales and economies of scale

Overall Profit Margin and NP Margin



Stringent Cost Control

- ② Strict cost control in cotton procurement
- ② Contained growth in energy cost
 - ② Completion of Thermal Power Plants acquisitions
 - ② Acquisitions help generate 44 million gains via the sale of electricity and steam to the Holding Company



Enhancing Profitability to Meet the Market Demand

Placement of New Shares

Date	2 March 2006
Number of shares	68,936,500 H Shares 16.67% of expanded outstanding H shares 5.77% of expanded registered capital
Price	HK\$12.05/Share
Net proceeds	HK\$829,237,000
Use of proceeds	<ul style="list-style-type: none">• Increase production capacity of existing high value-added cotton textile products (mostly denim)• Introduction of advanced textile machinery• General working capital



Strategy and Objectives

To Become the Leading Cotton Textile Manufacturer in the World

Relatively stable export environment

Strong growth in domestic demand

Improvements in production technology, efficiency and the utilization of production capacity, with emphasis on quality improvement



Maintain economies of scale; stringent cost control; Optimization of capital structure

Enhance corporate governance to track for a healthy and sustainable future growth