

## CHAIRMAN'S STATEMENT

# Capturing Growth Opportunities



Given the strength of its leading position in the global market, scale of production, comprehensive product portfolio, reputable brand name, strong customer base and professional management, Weiqiao Textile aims at becoming the largest and strongest cotton textile manufacturer in the world.

It is my pleasure to present the annual results of Weiqiao Textile Company Limited ("Weiqiao Textile" or the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2004 (the "Year").

For the year ended 31 December 2004, the Group's turnover amounted to approximately RMB11,088 million, representing a significant increase of 69.0% as compared to 2003. Net profit attributable to shareholders was RMB826 million, representing an increase of 52.4% as compared to 2003. Earnings per share were RMB0.97. The Board of Directors (the "Board") has recommended payment of final dividend of RMB0.25 per share for the year ended 31 December 2004.

Weiqiao Textile achieved rapid development in 2004. In spite of significant price fluctuations in the cotton industry, shortage of electricity supply and macro economic control measures implemented by the PRC government which accelerated the consolidation of the cotton textile industry in the PRC, Weiqiao Textile continued maintain its leading position in the PRC cotton textile industry. It proactively expanded its production capacity and gained market share, achieving satisfactory results. During the Year, Weiqiao Textile further strengthened its financial position. It completed the placement of 57,447,000 new H shares in June 2004 at HK\$11.6 per H share. Net proceeds amounted to approximately HK\$653,000,000. In addition, a dual currency syndicated loan of US\$78 million and RMB183 million was successfully secured in September 2004. Leveraged on the opportunities from industry



consolidation, it will accelerate the Group's development scale and enhance its level of product development.

During the Year, Weiqiao Textile obtained further recognition from the public and the investors. It was included as a constituent stock of Hang Seng China Enterprises Index in March 2004 and as a constituent stock of China index by Morgan Stanley Capital International ("MSCI") in May 2004. In addition, Weiqiao Textile is the only textile enterprise granted the "Top 100 Listed Companies in the PRC" by Fortune China.

In 2005, quota policies relating to textile products have been fully abolished pursuant to the textile product and clothing import and export agreement of the World Trade Organisation. Although other members of the World Trade Organisation has imposed a 7.5% limit on the increase of import and export of Chinese textile products and clothing until 31 December 2008, western countries may also impose non-quota trade barriers and the PRC may take the initiative in imposing export tariffs and etc which can control the unnecessary export growth and restrain the unnecessary production capacity expansion of the textile industry in the PRC. In the long run, liberalisation of textile trade is irreversible. Being a leader in the industry, Weiqiao Textile will embrace more opportunities. Given that more textile production processes are shifted to the PRC as well as the continuous development of the PRC's economy, domestic demand will grow further, in turn providing a more favourable operating environment for Weiqiao Textile.

Weiqiao Textile will expand its production capacity for high-end products by leveraging on more advanced equipment and upgrading existing technologies. It will proactively explore the domestic and international markets and optimise its capital structure to lower costs for the Company's growth. Weiqiao Textile will also enhance its level of internal corporate governance and pursue acquisitions as appropriate. Given the strength of its leading position in the global market, scale of production, comprehensive product portfolio, reputable brand name, strong customer base and professional management, Weiqiao Textile aims at becoming the largest and strongest cotton textile manufacturer in the world.

Finally, on behalf of the Board, I would like to express my sincere gratitude to the shareholders, investors and business partners for their continuous support and dedication and to the staff for their devotion during the past year. Their support, dedication and efforts have enabled Weiqiao Textile to grow, and become sturdy.

A handwritten signature in black ink, appearing to be 'Zhang Bo'.

**Zhang Bo**  
*Chairman*

Shangdong, the PRC  
28 February 2005