



CHAIRMAN'S STATEMENT



It is my pleasure to present the annual results of Weiqiao Textile Company Limited (“Weiqiao Textile” or the “Company”), together with its subsidiaries, (collectively, the “Group”) for the year ended 31 December 2006 (the “Year” or “Period under Review”).

The economy in China experienced an overall sustained growth in the past years, evidencing the speeding up of the liberation of domestic market since five years of its entry into the WTO and the introduction of competitions into domestic market. In addition, China is further aligned with the world market in terms of foreign trade and improved its interacts with international trades with more disciplines. All of these established a more solid foundation for the development of the national economy and various industries.

Being the first year of the “Eleventh Five-Year Plan”, the national economy of China continued to maintain its steady while rapid developments in 2006. According to the figures of the National Bureau of Statistics of China, GDP for the whole year was approximately RMB20,940.7 billion, representing a growth of 10.7% as compared with the previous year, and an increase of 0.3 percentage point in terms of growth rate. Total retail sales of consumer goods in the whole year amounted to approximately RMB7,641.0 billion, representing an increase of 13.7% as compared with the previous year. The amount of total imports and exports in the whole year was approximately US\$1,760.7 billion, representing a growth of 23.8% as compared with the previous year. Of these, exports amounted to approximately US\$969.1 billion, representing a growth of 27.2% as compared with the previous year.



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The domestic consumption market was very active, while there was a rapid growth in foreign trade. At the same time, the production and operation of domestic textile industry also maintained a remarkable growth momentum. From January to December 2006, exports of the textile industry in China amounted to US\$147.085 billion, representing a growth of 25.14% as compared with the corresponding period of the previous year. During the same period, the aggregate industrial sales value of large scale enterprises in textile industry in China was approximately RMB2,449.776 billion, representing a growth of 21.6% as compared with the corresponding period of the previous year. The total profit amounted to approximately RMB88.294 billion, representing a growth of 27.96% as compared with the corresponding period of the previous year.

By leveraging on the Group's effective operating model and business strategies, Weiqiao Textile continued to record satisfactory results under the relatively stable foreign trade and industrial operation environment. For the year ended 31 December 2006, the Group's turnover was approximately RMB19,826,000,000, representing a growth of 46.0% as compared with 2005. Net profit attributable to shareholders was over RMB1,685,000,000, representing an increase of 35.7% as compared with 2005. Earnings per share were RMB1.43. The Board has recommended the payment of a final dividend of RMB0.44 per share for the year ended 31 December 2006.

During the Year, with the Group's continuous effort to improve both the grade and the quality of its products, gross profit of the Group's products continued to be maintained at a remarkable level within the industry,

with an overall gross profit margin of 16.8%. Of these, gross profit margin of grey fabric rose to 19.1%, representing an increase of 7.1 percentage points as compared with the corresponding period in the previous year.

Admittedly, the continued rise of energy prices, the moderate increase in cotton price and the appreciation of Renminbi are still challenges to the cost control of the Group. However, the thermal power assets acquired by the Group from parent company in 2005 for the Group's textile business provided sufficient energy supplies to the Group's operations and significantly saved the Group's costs during the Year. During the Year, the Group continued to receive tax relief and exemptions provided by the local tax bureau in respect of the Company's investment projects in domestic equipment required for technical renovations, which amounted to approximately RMB163 million and further broadened the Group's net profit.

Looking forward, the world's textile trading tends to be stabilized in the year to come. The "Special Safeguard Agreement on Textiles" between China and Europe as well as China and US will terminate by the end of 2007 and 2008 respectively. In addition, the domestic textile and clothing industries will continue to growth as result of the expansion of domestic market demands. Thus, the textile industry in China will continue to grow at a steady speed. The growth in domestic demands will reduce the reliance on exports of the textile industry and the operating risks of domestic textile enterprises. As an industrial leader, Weiqiao Textile will continue to enjoy the opportunities which are brought about by industrial regularizations.

Being the largest cotton textile manufacturer in China, the Group has gradually moved from the rapid expansion of production capacities in the past years

to quality improvements. Looking forward, we will continue to optimize production process, enhance production techniques and improve efficiency, while aiming at the sustained enhancement of production quality, to achieve the operation objectives of both qualitative and quantitative increments with sustained growth.

Weiqiao Textile is confident to face the opportunities and the challenges, and will strive to continue to achieve good results of above industrial level. The Group will continue to upgrade the corporate governance, create a industrial brand name, the overall Group values and inject long-term growth momentum in its steady development.

Finally, on behalf of the Board, I would like to express my sincere gratitude to the shareholders, investors and business partners for their continuous trust and support, and to the staff for their contribution and faithful devotion to the long-term development of the Group in the past year, and hope to continue our cooperation for mutual advancement with the Group in the days to come. The Directors believe that with their dedication, support and efforts, Weiqiao Textile will continue to make effective response to the ever changing market competitions, and the Group will continue to enhance its core competitive strength, maximize the utilization of its potentials to achieve its operation objectives, and to create values to all shareholders.

Zhang Hongxia
Chairman

Shangdong, The People's Republic of China (the "PRC")
30 March 2007