



魏橋紡織股份有限公司
Weiqiao Textile Company Limited
(Stock Code : 2698)

2012 Interim Results Presentation

20 August 2012



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.





Agenda

- **Financial Review**
- **Industry and Market Analysis**
- **Business Review**
- **Prospects and Strategies**





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Financial Review



Financial Review

(RMB in millions)	2011 As at 30 June	2012 As at 30 June	Change (%)
Turnover	8,031	7,709	-4.0
Gross Profit	1,017	419	-58.8
Gross Profit Margin (%)	12.7	5.4	-7.3 pp
Operating profit margin (%)	11.3	5.5	-5.8 pp
Profit before tax	672	97	-85.6
Profit attributable to shareholders	545	54	-90.1
Diluted earnings per share (RMB)	0.46	0.05	-89.1
Net profit margin (%)	6.8	0.7	-6.1 pp



Financial Review

(RMB in millions)	2011 As at 31 Dec	2012 As at 30 Jun	Change (%)
Total assets	29,357	27,335	-6.9
Total liabilities	14,119	12,116	-14.2
Net asset value	15,238	15,219	-0.1
Current ratio (times)	1.4	1.7	0.3 time
Account receivable turnover(days)	8	8	-
Inventory turnover(days)	245	180	-65 days
Account payable turnover(days)	84	35	-49 days
Net debt to equity ratio(%)	46.3	34.4	-11.9 pp
Gearing ratio(%)	31.0	33.0	2.0 pp



Cost Analysis

(RMB in millions)	2011 As at 30 June	2012 As at 30 June	Change (%)
Cost of goods sold	7,014	7,290	3.9
Sales and distribution costs	83	105	26.5
Administrative expenses	112	118	5.4
Other expenses	35	80	128.6
Finance costs	233	323	38.6





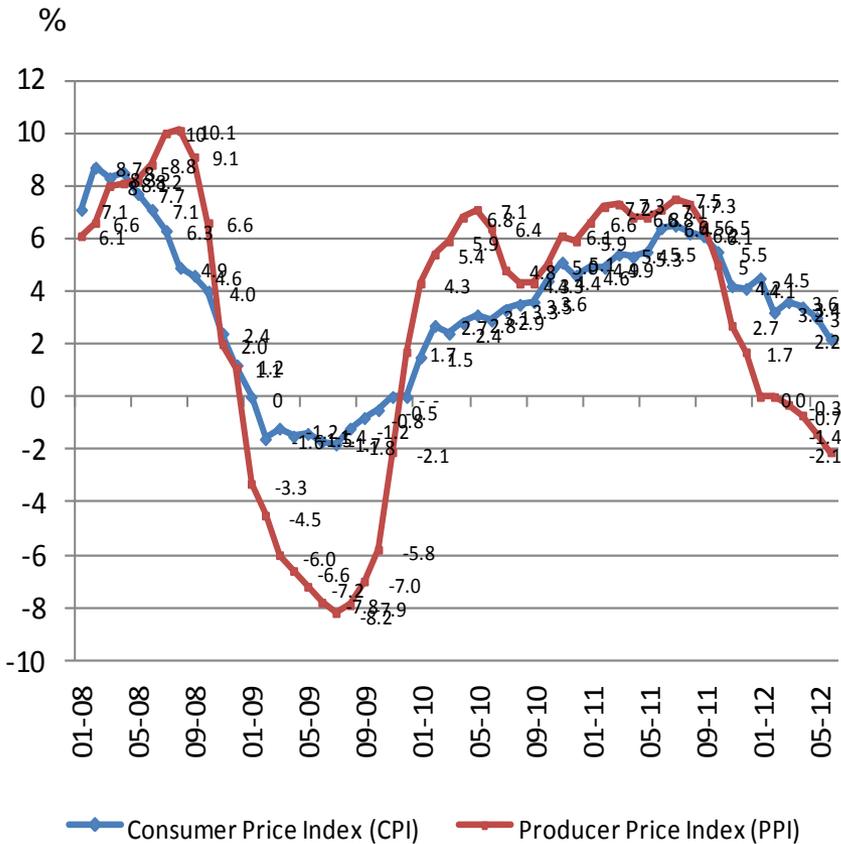
Industry and Market Analysis

- China's textile industry in 1H2012
- Global cotton demand analysis
- China's textile and apparel exports analysis

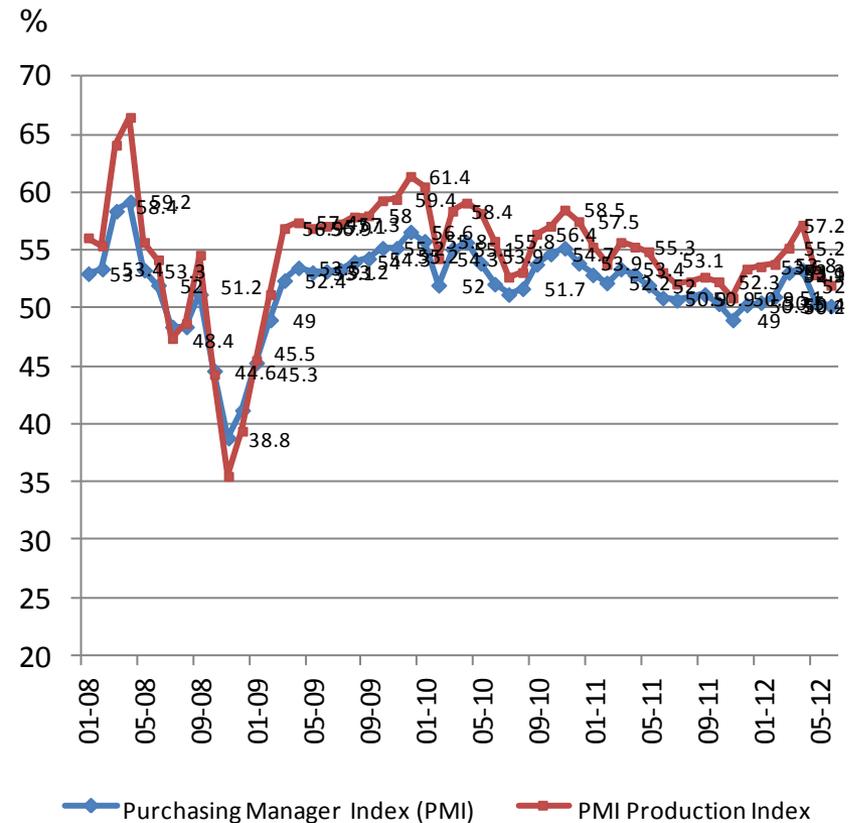


Trend of PPI, CPI and PMI in 1H 2012

Trend of consumer price index (CPI) and producer price index (PPI)



Trend of purchasing manager index (PMI) and PMI Production Index



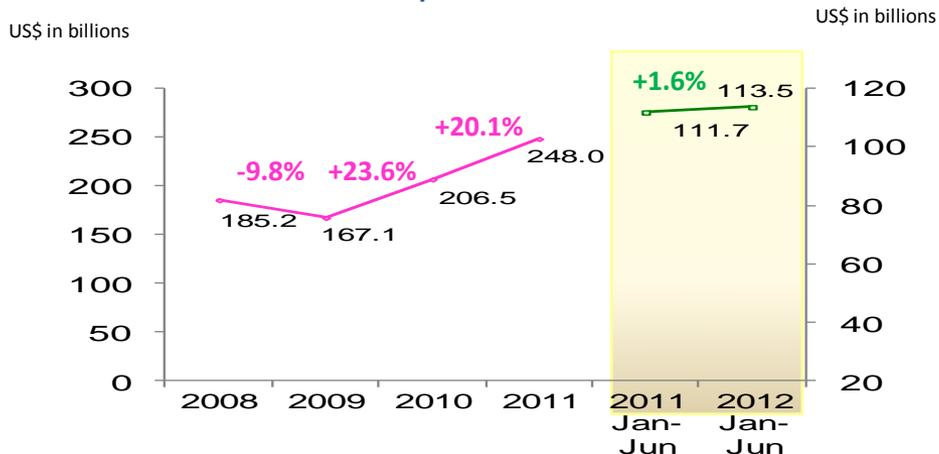
Source: National Bureau of Statistics of China

Source: China Federation of Logistics and Purchasing

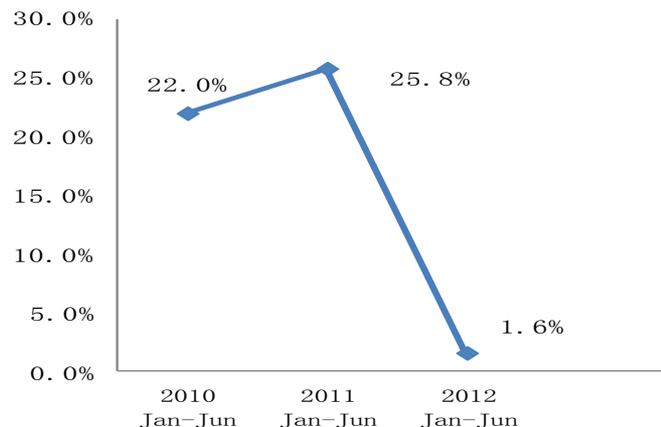


China's Textile Industry in 1H 2012 – Slowing Down Hurting Domestic Market Growth and Pressuring Exports

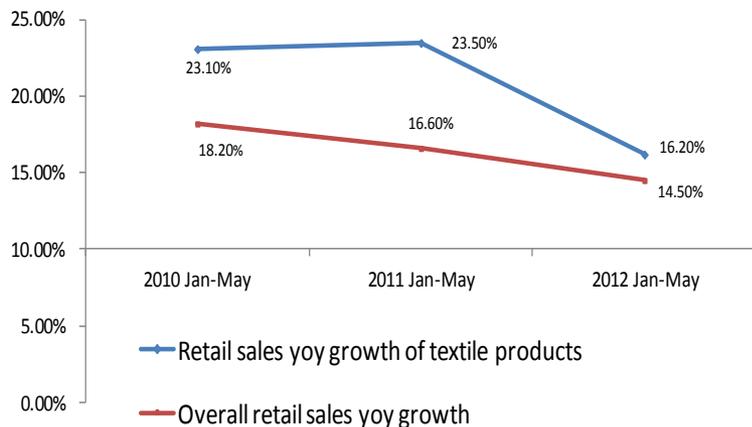
Trend of China's Textile and Apparel Exports



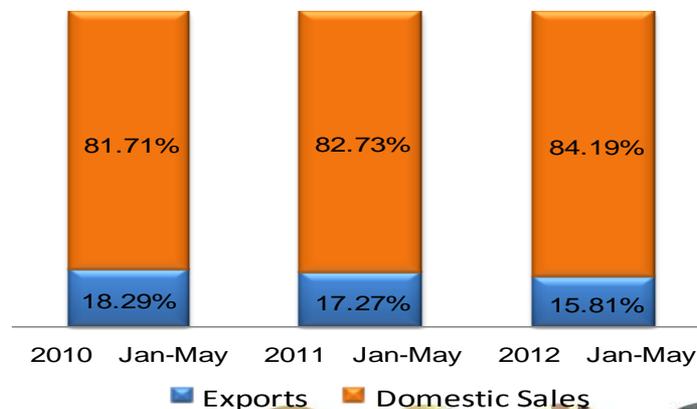
Growth of China's Textile and Apparel Exports slowed down in 1H 2012



Retail Sales Growth of Textile Products V.S. Overall Retail Sales Growth



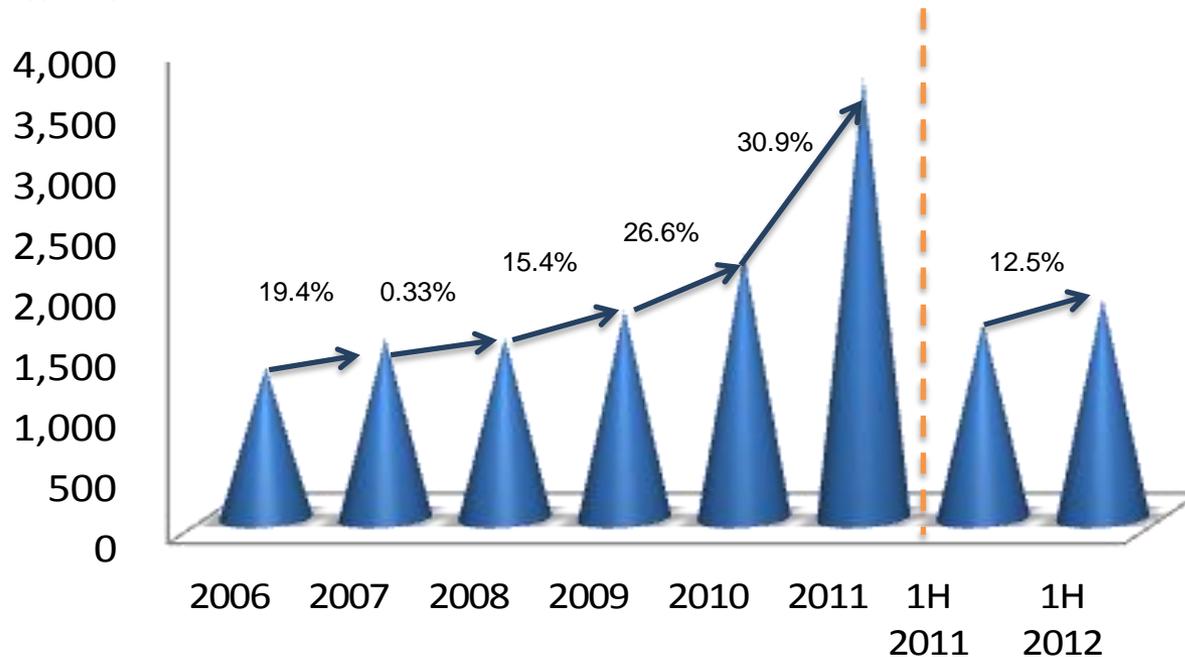
Proportion of Exports and Domestic Sale for China Textile and Apparel Industry



China's Textile Industry in 1H 2012 – Fixed Asset Investment Trend

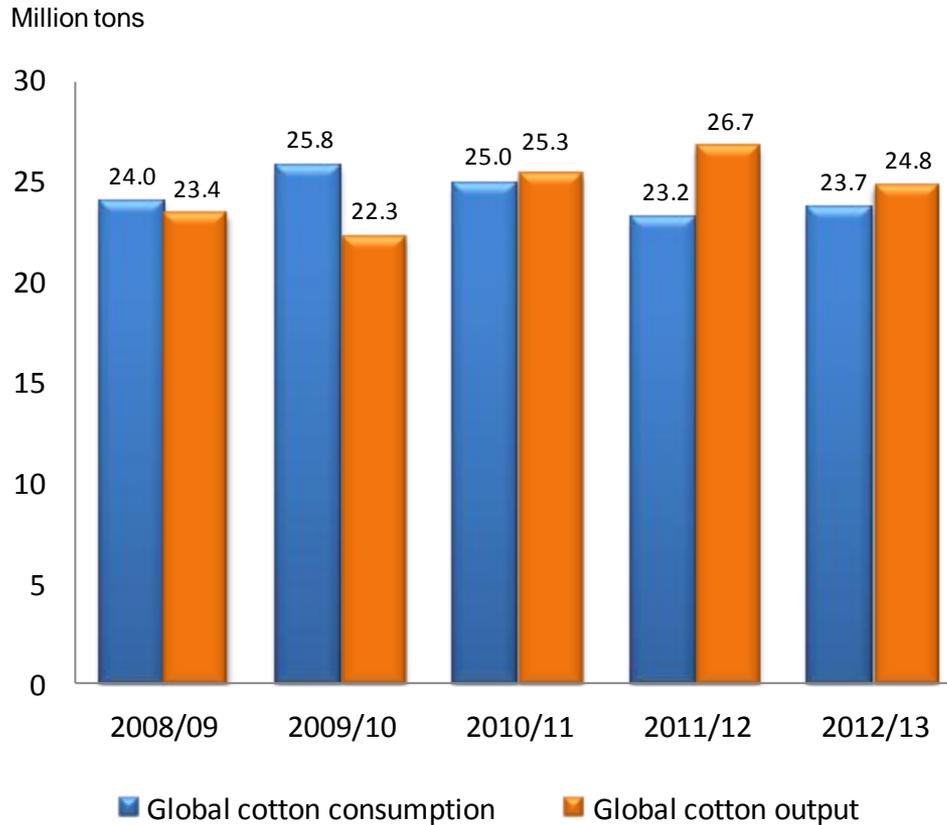
Fixed Asset Investment of Textile Industry from 2006 to June 2012

RMB 100 million

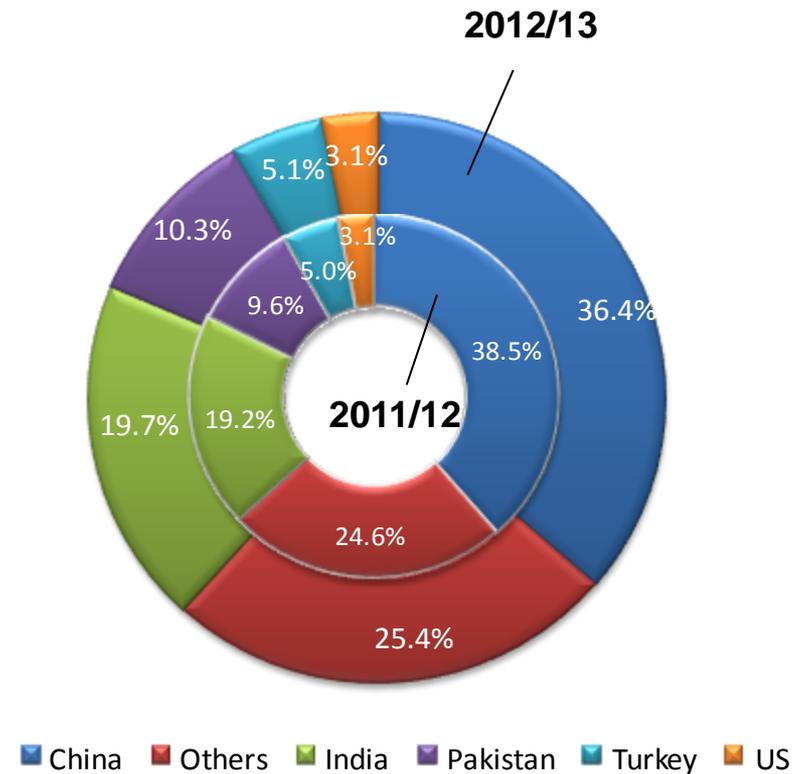


Global Cotton Market – Supply and Demand Analysis

Expected Global Cotton Output and Consumption



Geographical Breakdown of the Expected Global Cotton Consumption

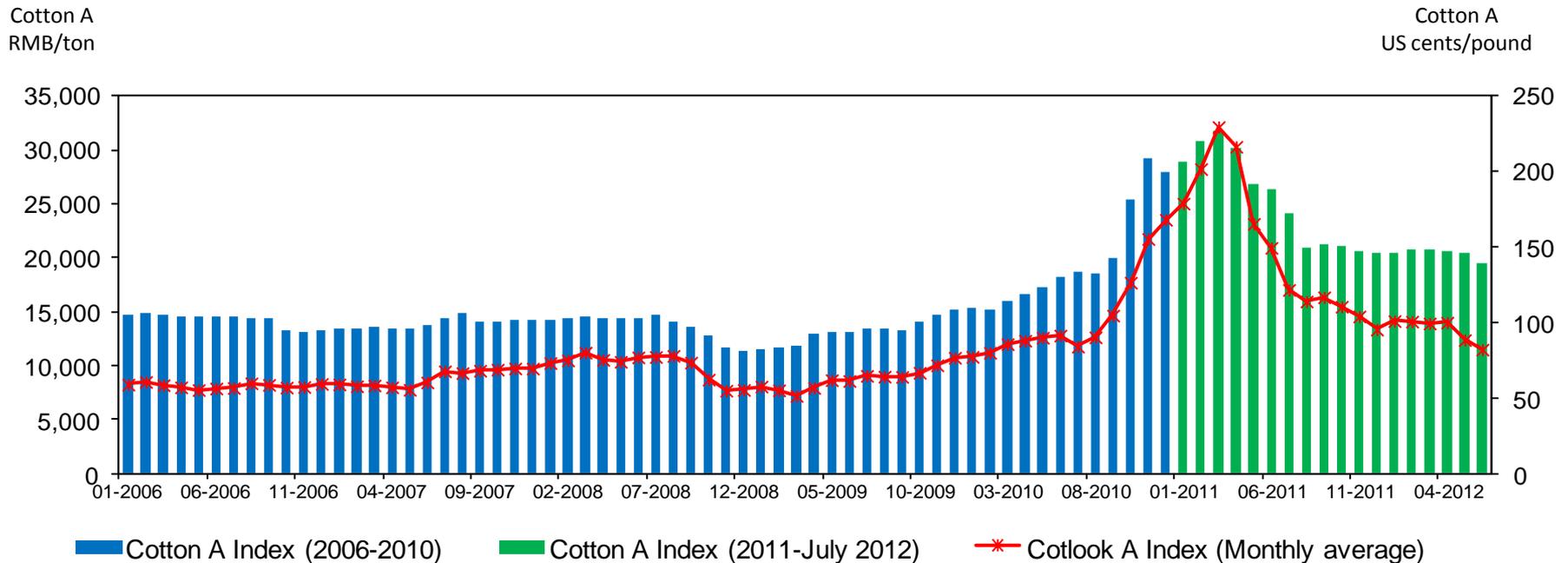


Source: USDA ; released in July



Global Cotton Price Analysis – Price Movement

Cotton price : Cotton A Index and Cotlook A Index from Jan 2006 to July 2012



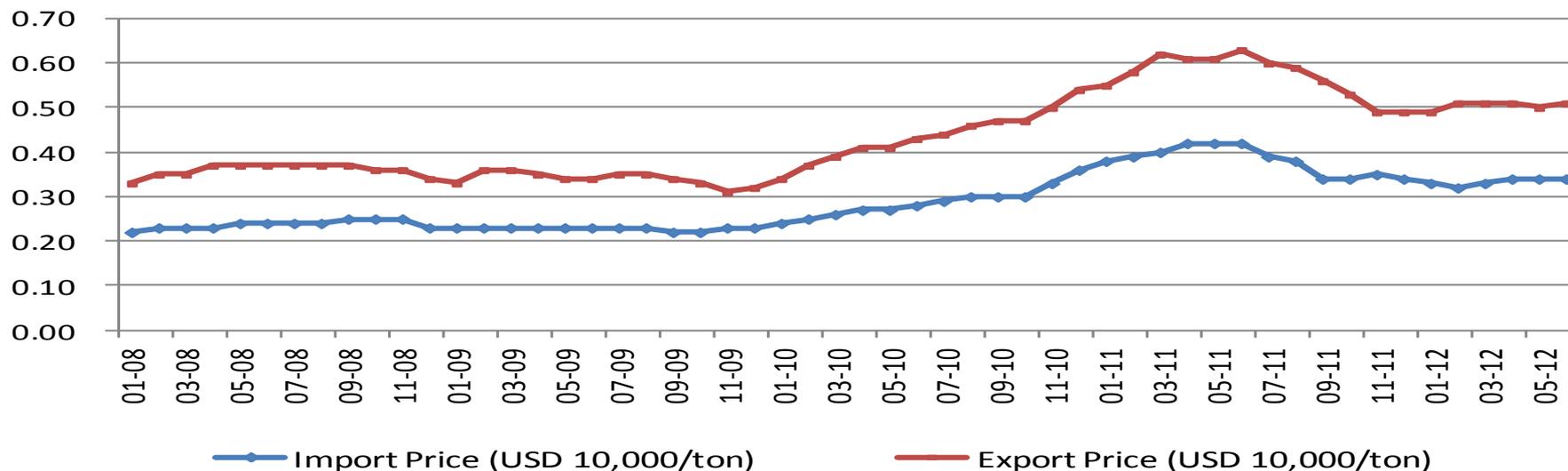
Source: cottonchina.org, cncotton.com



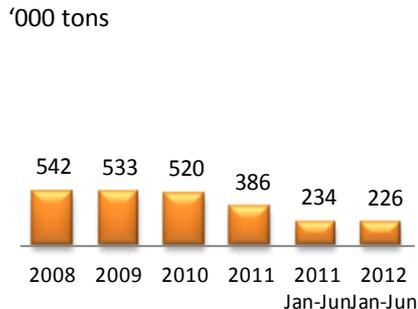
China's Textile and Apparel Exports Analysis – Imports and Exports of Cotton Yarn: Unit Price, Volume, and Value

USD 10,000/ton

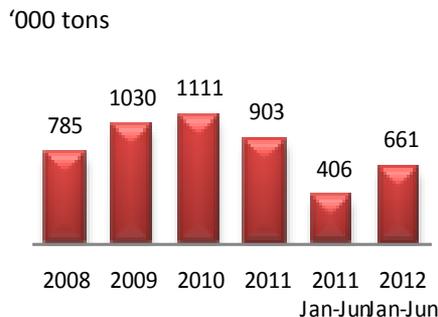
Import and Export Prices from 2008 to 2012.6



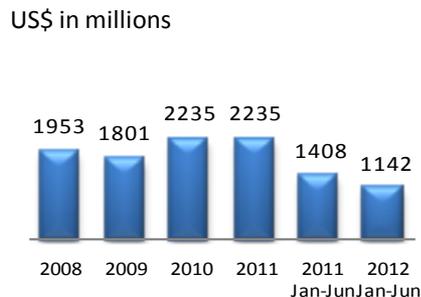
Export Volume



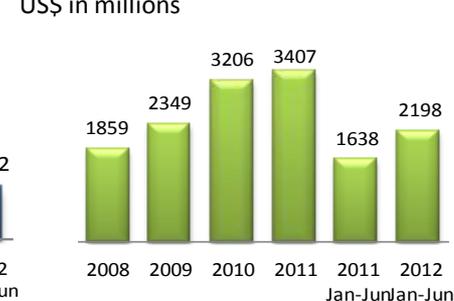
Import Volume



Export Value



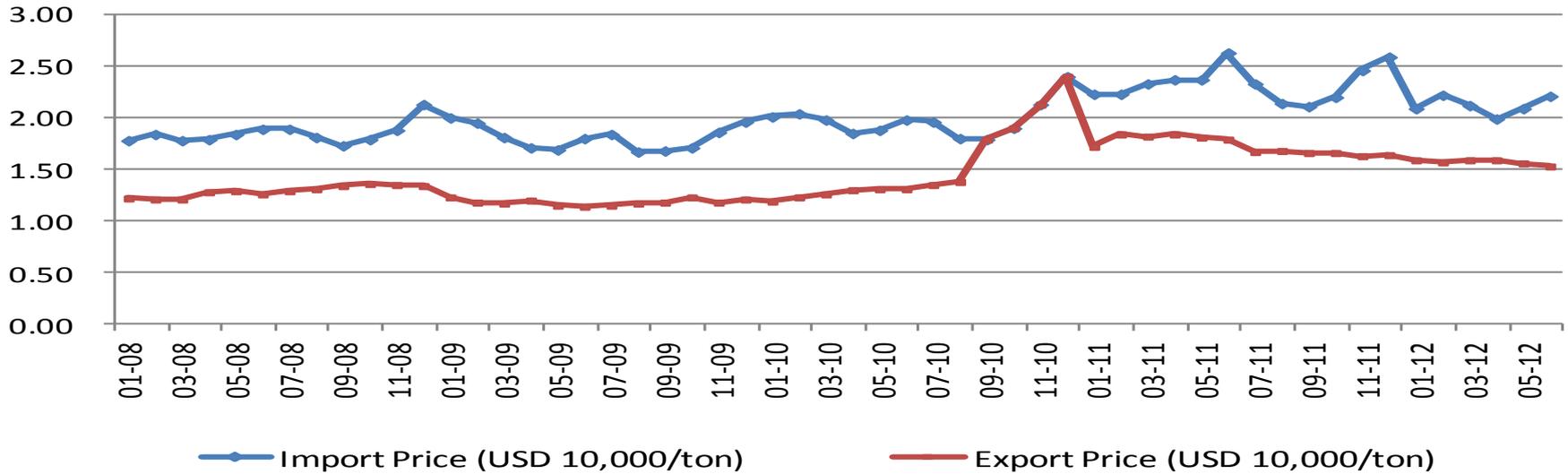
Import Value



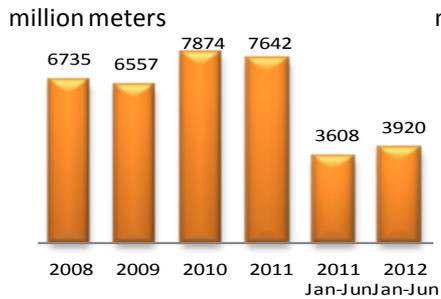
China's Textile and Apparel Exports Analysis – Imports and Exports of Grey Fabrics : Unit Price, Volume, and Value

Import and Export Prices from 2008 to 2012.6

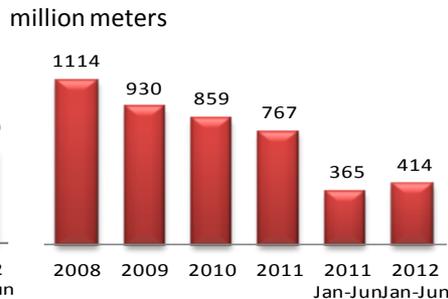
USD 10,000/ton



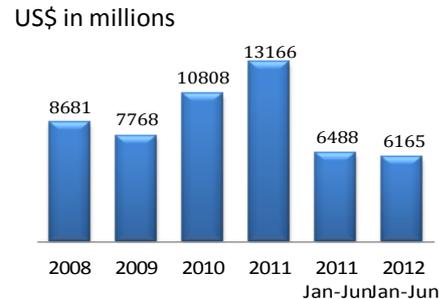
Export Volume



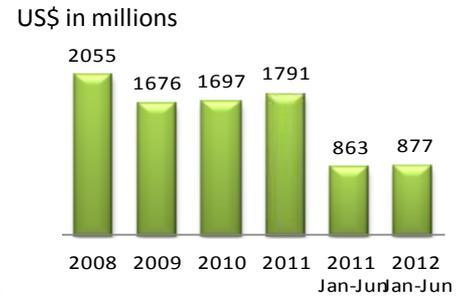
Import Volume



Export Value



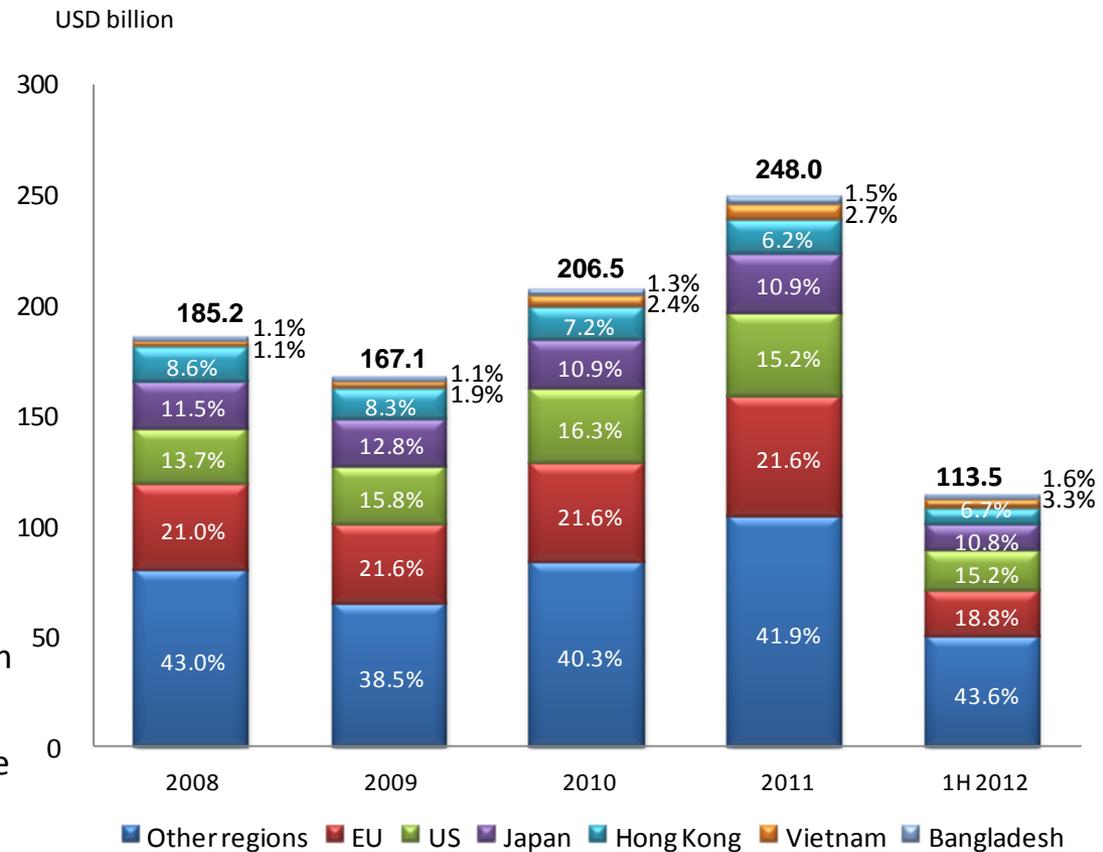
Import Value



China's Textile and Apparel Exports Analysis – Growth Slowed Down in Domestic Market; Increasing Export Downward Pressure

- In 1H2012, China's textiles and apparel exports amounted to USD 113.5 billion, representing a yoy increase of 1.6%, growth rate decreased by 24.2% point
- In 1H2012, China's textile and apparel were exported to:
 - US : yoy up 6.9%, growth rate down 7.3 pp
 - Japan: yoy up 3.1%, growth rate down 20.1 pp
 - EU: yoy down 12.2%, growth rate down 41.1 pp
 - HK : yoy up 1.3%, growth rate down 4.9 pp
 - Vietnam: yoy up 25.5%, growth rate down 37.5 pp
 - Bangladesh: yoy down 10.2%, growth rate down 70.7 pp
 - Other regions: yoy up 5.6%, growth rate down 24.5 pp

Value of China's Textile and Apparel Exports and Geographical Breakdown



Source: China Customs, National Bureau of Statistics of China, China Chamber of Commerce for Import & Export of Textiles



China's Textile and Apparel Exports Analysis – Challenges in the Exports Market

Lack of Global Demand

- Global demand declined due to the impact of European crisis
- Uncertainties remain in the recovery of Europe and the U.S, led to trade protectionism, which also depressed China's exports

Lower Production Cost in Emerging Markets

- Textile and apparel industry develops rapidly in emerging markets such as India, Pakistan and Bangladesh for lower production cost. These countries' market share in low-end market increased, which affected the growth of China's exports
- However, this market trend will not have severe impact on China's exports since the emerging markets' products are remain in the lower end of the technology hierarchy and mainly for low-end markets

Higher Production Cost in Domestic Market

- The cotton price gap between domestic and overseas market led to production costs increase, orders and profitability declined
- The significant increases in labor cost and transportation cost in China
- Financing cost remained high
- The overall operating cost of cotton textile enterprises increased, China's competitiveness in global market diminishes, leading to less market share





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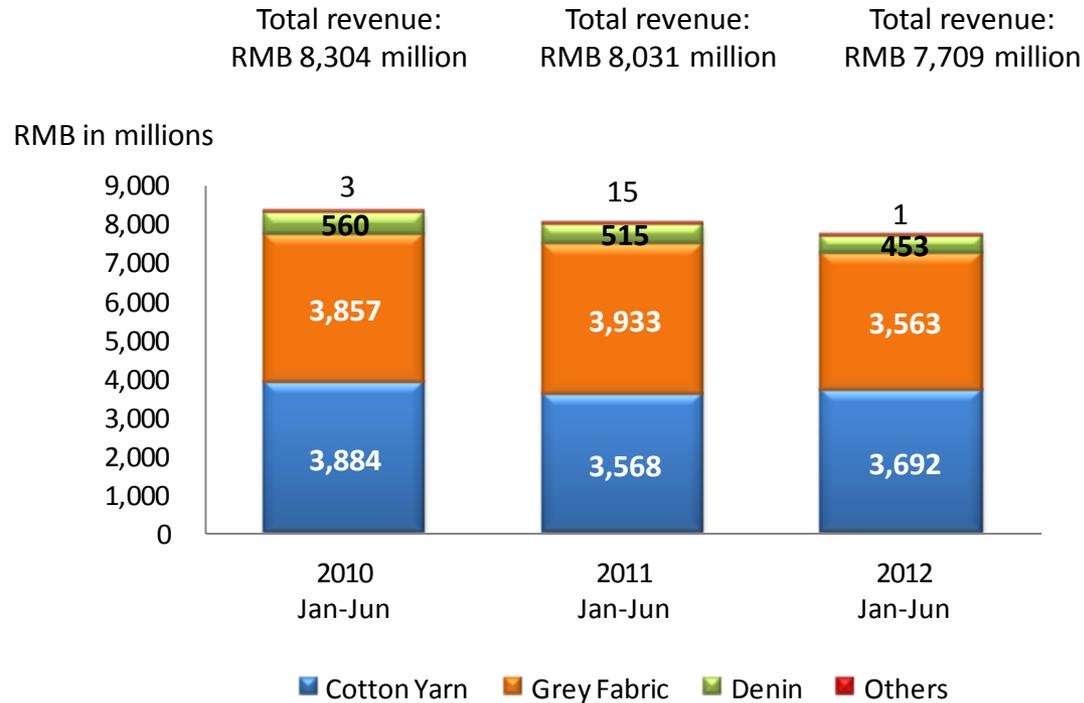
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Business Review



Sales Breakdown by Products

Sales Breakdown by Products

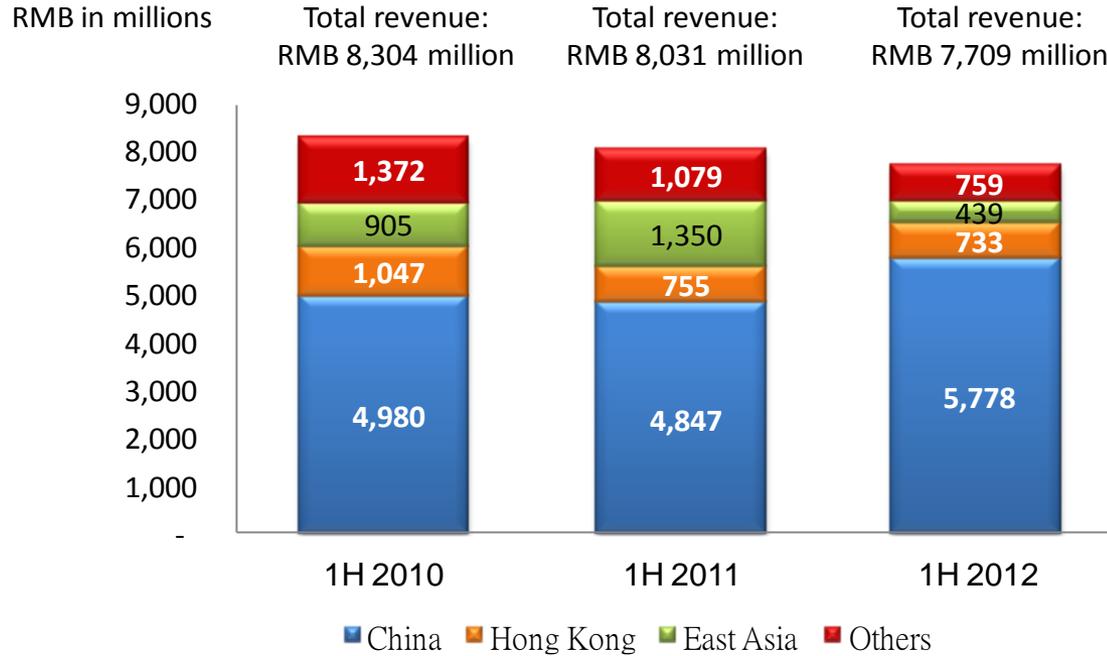


- During the period under review, sales of cotton yarn, grey fabric, and denim accounted for approximately 47.9%, 46.2% and 5.9% of total sales respectively



Sales Breakdown by Regions

Sales Breakdown by Regions



- Stable sales in overseas markets, representing approximately 25.1% of total sales
- Sales from EU and US accounted for approximately 2.0% of total revenue in 1H 2012



Business Development Highlights

Balance between domestic and overseas markets;
Reinforce foothold in China, increase sales force in overseas market by opening sales offices in emerging markets, further reduce inventory level

Increase customer satisfaction level to cope with competition from emerging markets;
Optimize product mix and boost sales of high count and high density cotton fabric with dynamic sales strategy to increase the contribution of middle to high-end products

Improve production workflow, automation and quality standards to increase workforce efficiency

Further enhance core competitiveness by accelerating research and development of new products and encouraging innovation, including innovation in managing the company





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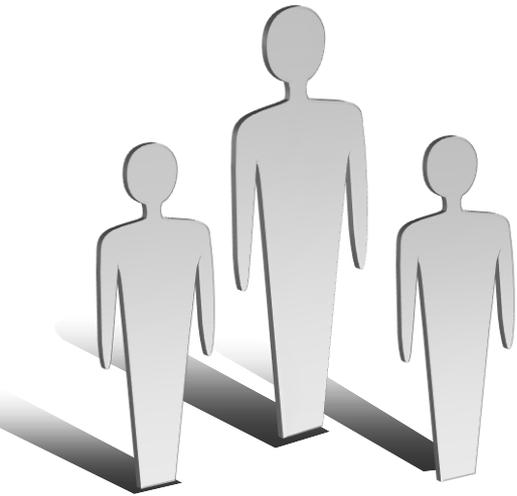
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Prospects and Strategies



Opportunities



Steady domestic economy growth becomes the supporting pillar and the growth driver of China's textile industry. Domestic market is expected to continue to grow.

China is taking its opportunities to build an industrialized, globalized and well-off Society.

Overseas market demand is expected to gradually pick up on the back of recovering global economy.

The launch of China-ASEAN free trade area will further increase China's textile and apparel product exports to ASEAN.

Government policy calling for migration to high-end technology should speed up industry consolidation.



Objectives and Strategies

Accelerate research and development of new products and encourage innovations

Accelerate technological upgrades of production equipment

Seize opportunities in both local and overseas markets; further optimize our global market mix

Upgrade workforce skills and accelerate talents squad construction



To be the largest and strongest cotton textile manufacturer in the world





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Thank you!
Open Forum

