



# 2015 Interim Results Presentation

24 August 2015



# 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 has 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

## Section 1

Financial Review

1

## Section 2

Business Review

2

## Section 3

Industry and Market Analysis

3

## Section 4

Prospects and Strategies

4

# Agenda

# Financial Review



# Financial Review

<b>(RMB in millions)</b>	<b>2014 As at 30 June</b>	<b>2015 As at 30 June</b>	<b>Change</b>
<b>Turnover</b>	5,973	<b>4,859</b>	-18.7%
<b>Gross Profit</b>	506	<b>205</b>	-59.5%
<b>Gross Profit Margin %</b>	8.5%	<b>4.2%</b>	-4.3pp
<b>Operating Profit Margin %</b>	10.6%	<b>15.2%</b>	4.6pp
<b>Profit before Tax</b>	301	<b>433</b>	43.9%
<b>Profit Attributable to Shareholders</b>	210	<b>314</b>	49.5%
<b>Diluted Earnings per Share (RMB)</b>	0.18	<b>0.26</b>	44.4%
<b>Net Profit Margin %</b>	3.5%	<b>6.5%</b>	3.0pp

# Financial Review

(RMB in millions)	2014 As at 31 Dec	2015 As at 30 June	Change
<b>Total Assets</b>	28,959	<b>28,962</b>	0.01%
<b>Total Liabilities</b>	12,749	<b>12,531</b>	-1.7%
<b>Net Asset Value</b>	16,210	<b>16,430</b>	1.4%
<b>Inventory</b>	5,457	<b>4,663</b>	-14.6%
<b>Inventory Turnover (days)</b>	190	<b>183</b>	-7days
<b>Interest-bearing Bank Borrowing</b>	3,841	<b>3,805</b>	-0.9%
<b>Current Ratio (times)</b>	3.3	<b>3.2</b>	-0.1time
<b>Effective Tax Rate %</b>	31.3%	<b>27.8%</b>	-3.5pp

# Cost Breakdown

<b>(RMB in millions)</b>	<b>2014 As at 30 June</b>	<b>2015 As at 30 June</b>	<b>Change</b>
<b>Cost of goods sold</b>	5,467	<b>4,654</b>	-14.9%
<b>SG&amp;A as % of revenue</b>	4.6%	<b>5.2%</b>	0.6pp
<b>Selling and distribution costs</b>	80	<b>65</b>	-18.8%
<b>Administrative expenses</b>	138	<b>169</b>	22.5%
<b>Other expenses</b>	59	<b>21</b>	-64.4%
<b>Finance costs</b>	332	<b>305</b>	-8.1%



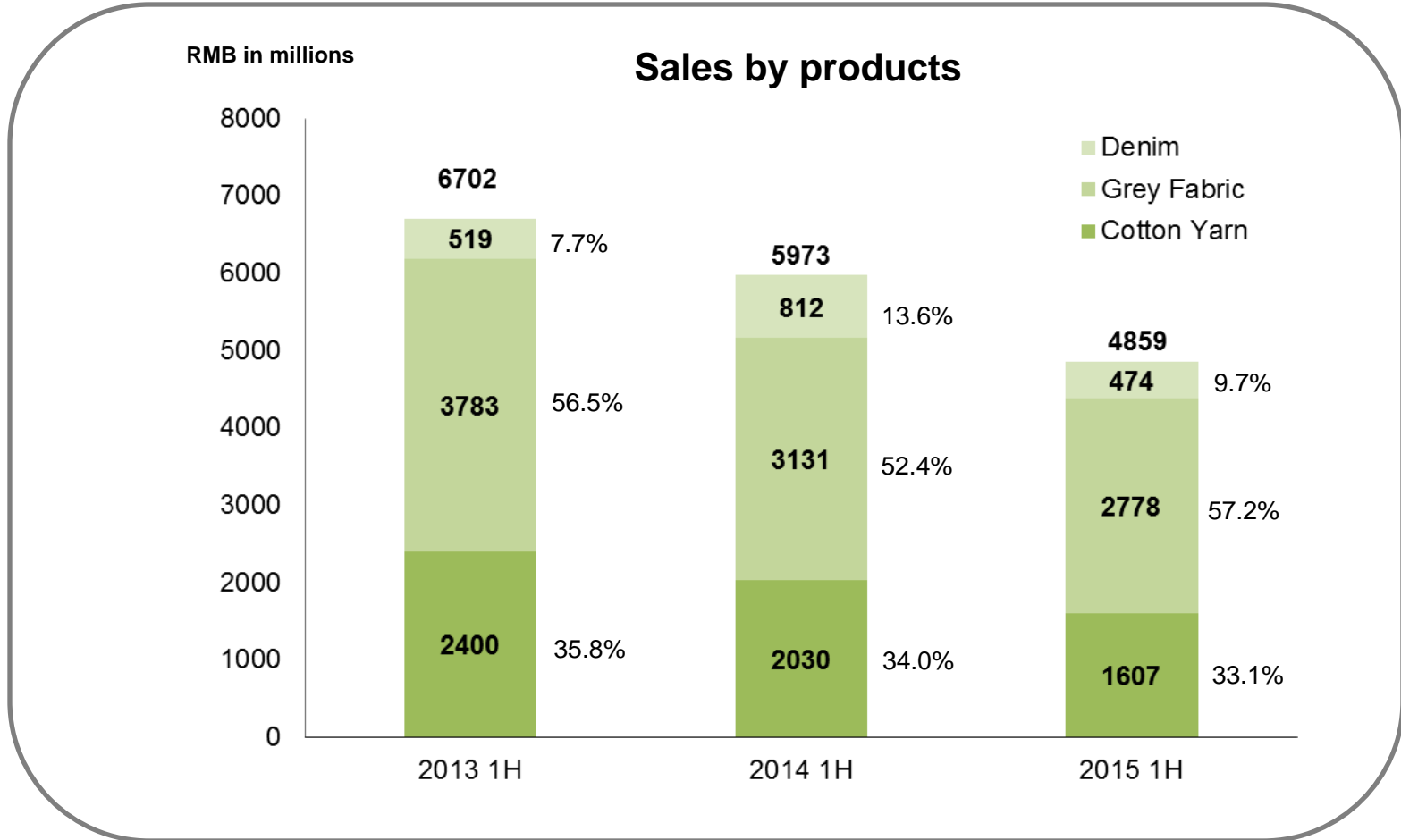
# Agenda

# Business Review



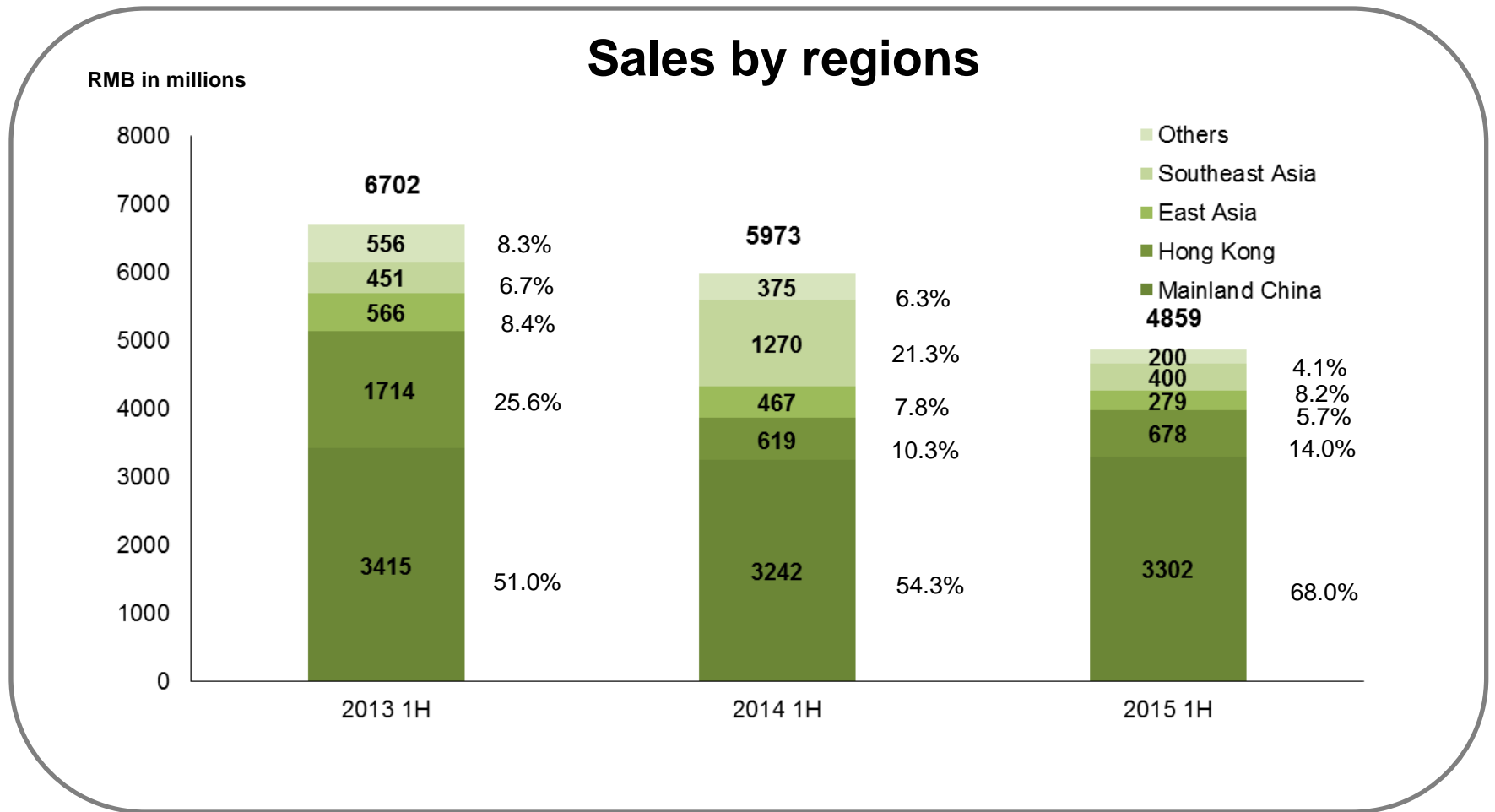


# Sales Analysis (by products)



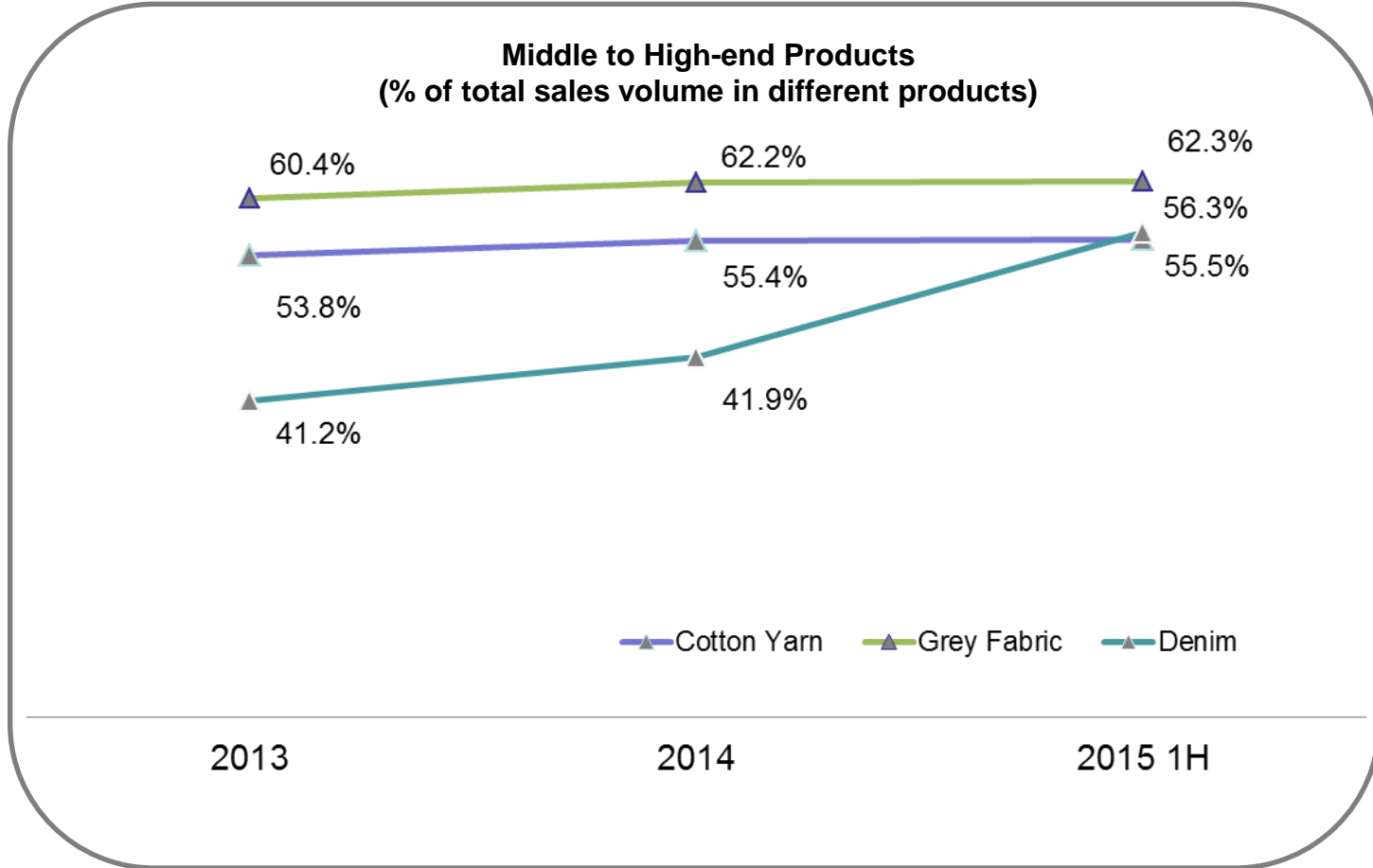
- ✓ Sales of cotton yarn, grey fabric and denim accounted for approximated 33.1%, 57.2% and 9.7% of total sales respectively

# Sales Analysis (by regions)



- ✓ Domestic sales accounted for 68.0%, Hong Kong's sales accounted for 14.0%, East Asia accounted for 5.7%, and Southeast Asia accounted for 8.2%

# Middle to High-end Products Analysis

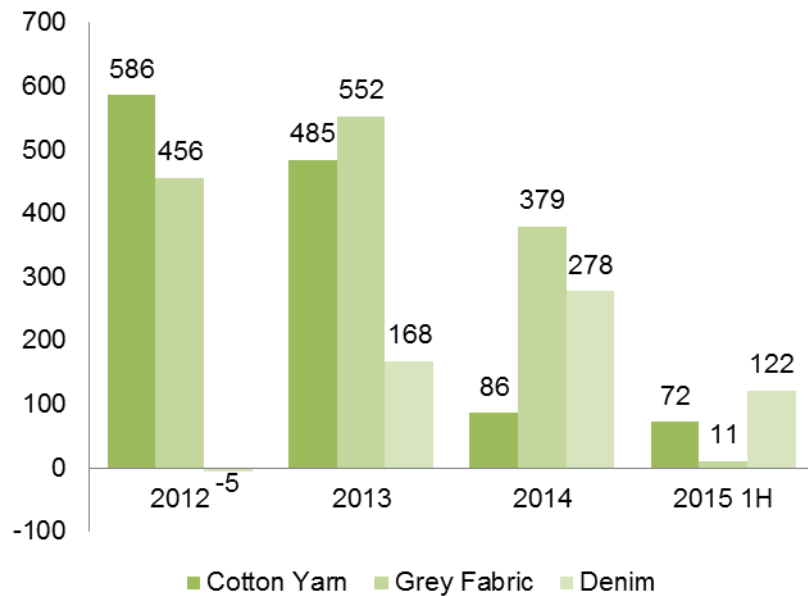


- ✓ Sales volume of middle to high-end products accounted for 55.5%, 62.3% and 56.3% in cotton yarn, grey fabric, and denim respectively

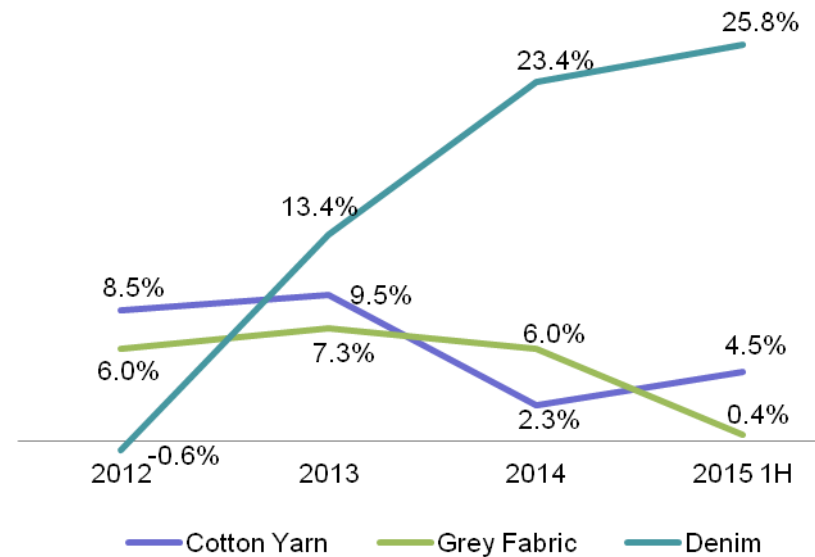
# Sales Analysis (Sales Performance)

## Sales Analysis: Gross Profit

RMB in millions



## Sales Analysis: Gross Profit Margin

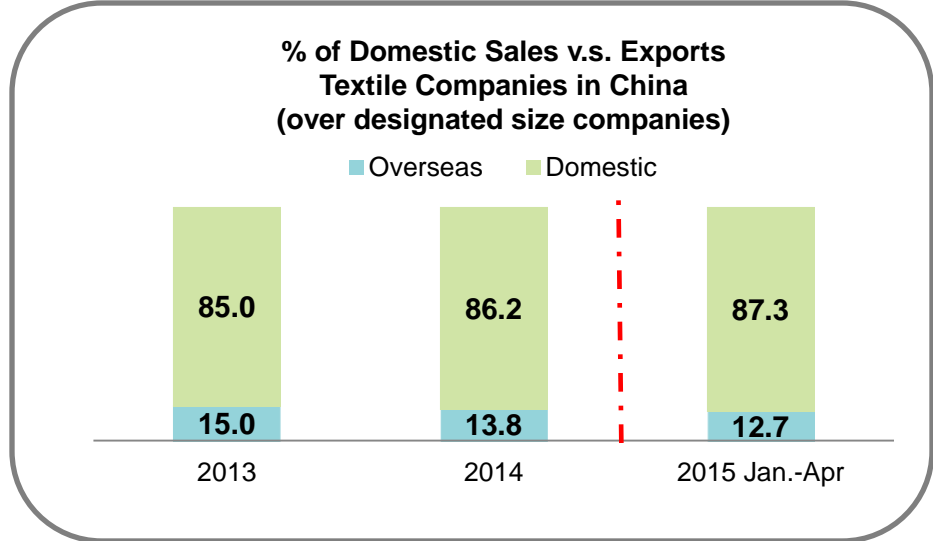
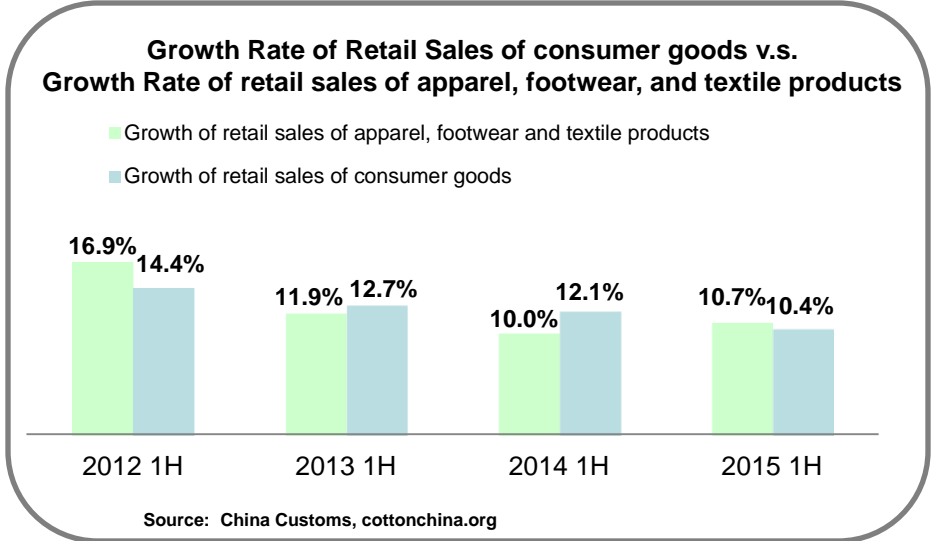
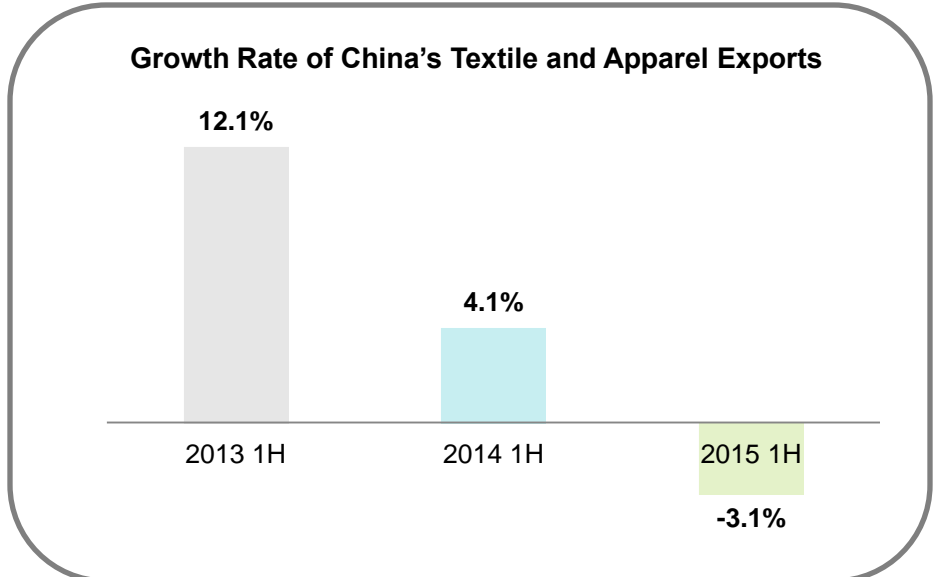
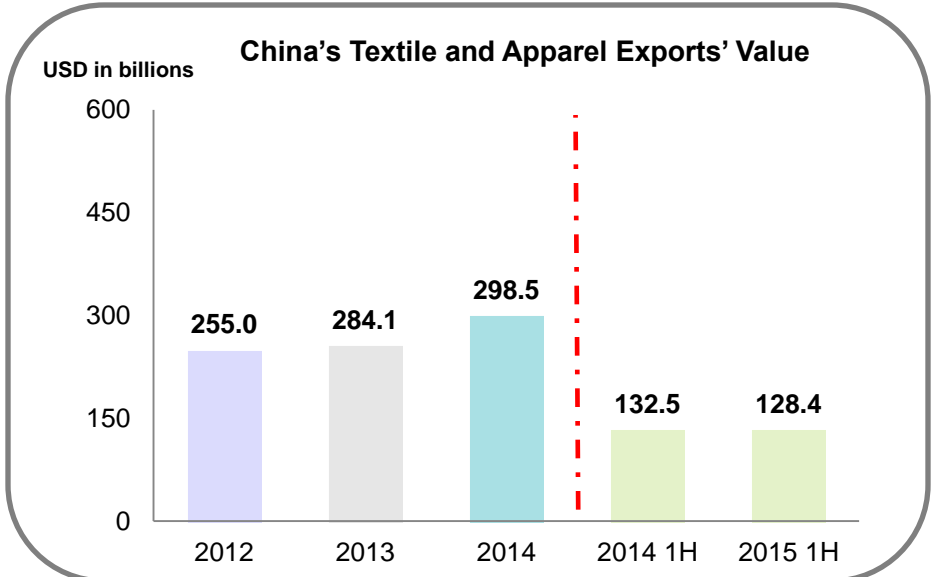


## Agenda

# Industry and Market Analysis



# China's Textile and Apparel Industry was stable in 1H 2015 — Steady Growth of Domestic Demand but Severe Export Situation





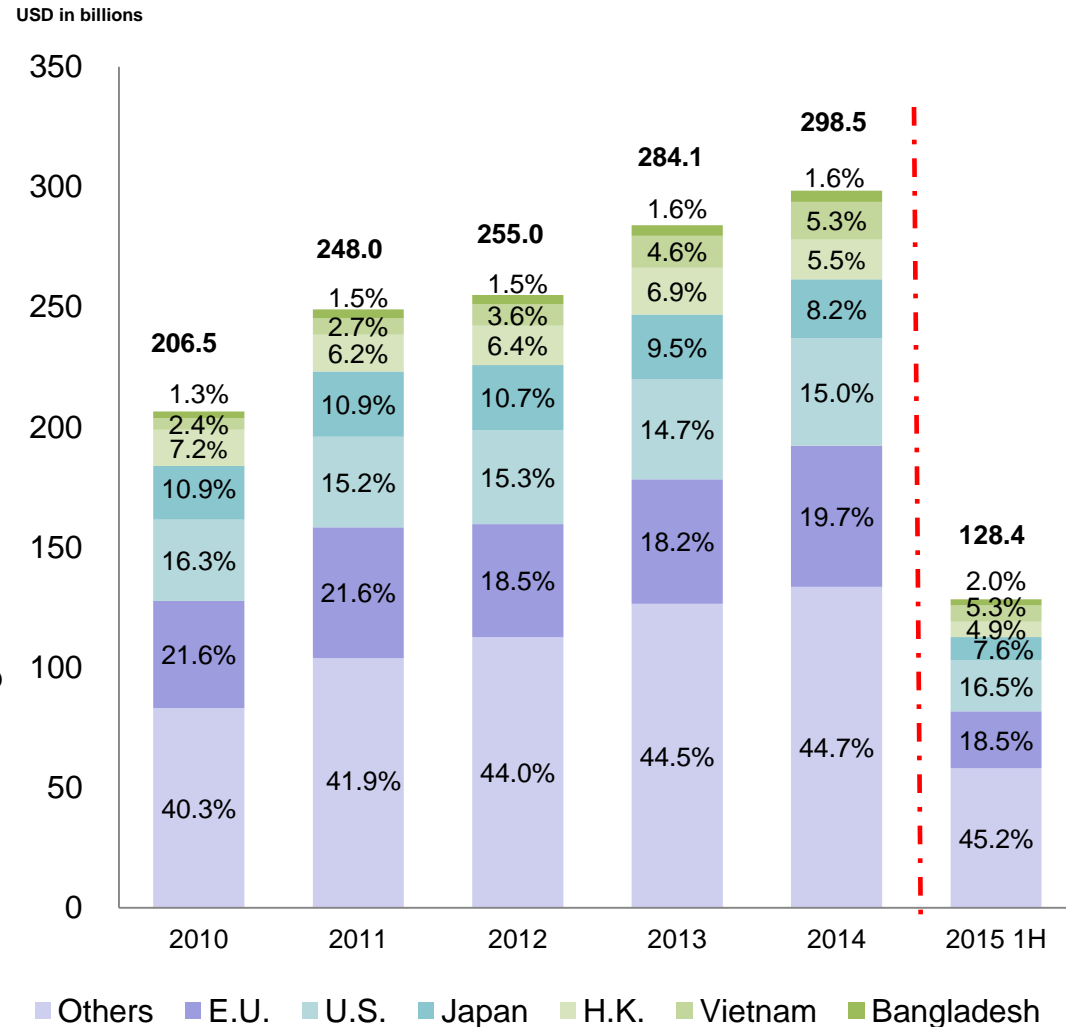
# China's Textile and Apparel Exports Analysis (by regions)

• 2015 1H, China's textile and apparel exports were 128.4 billion, down 3.1% YoY, growth rate down 7.2 pp

• 2015 1H, China's textile and apparel were exported to:

- U.S.: YoY up 8.8%, growth rate up 1.9 pp
- Japan: YoY down 12.5%
- E.U.: YoY down 8.9%
- Hong Kong: YoY down 18.0%
- Vietnam: YoY down 1.6%
- Bangladesh: YoY up 12.0%, growth rate up 13.3 pp
- Other regions: YoY down 1.6%

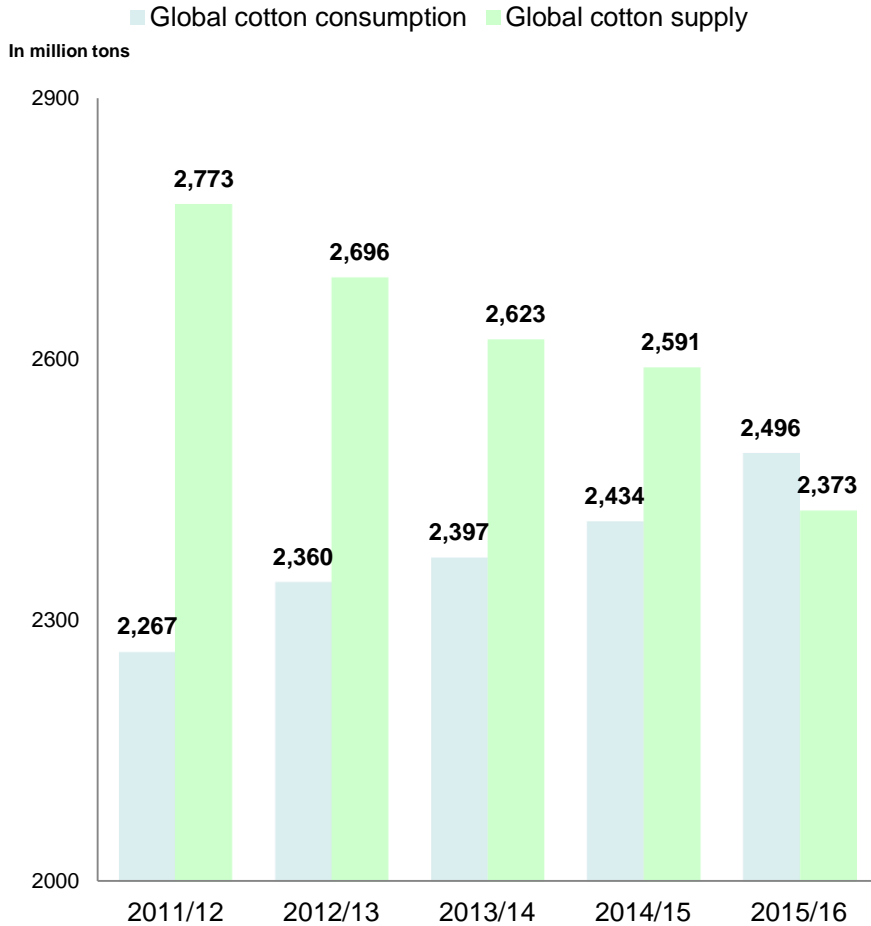
## Value of China's Textile and Apparel Exports (by regions)



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

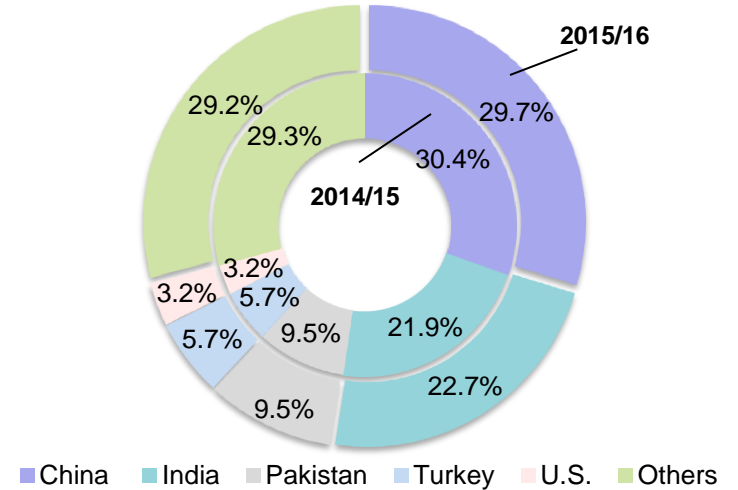
# Global Cotton Market – Supply and Demand

**Global Cotton Output and Consumption Forecast  
USDA in August**

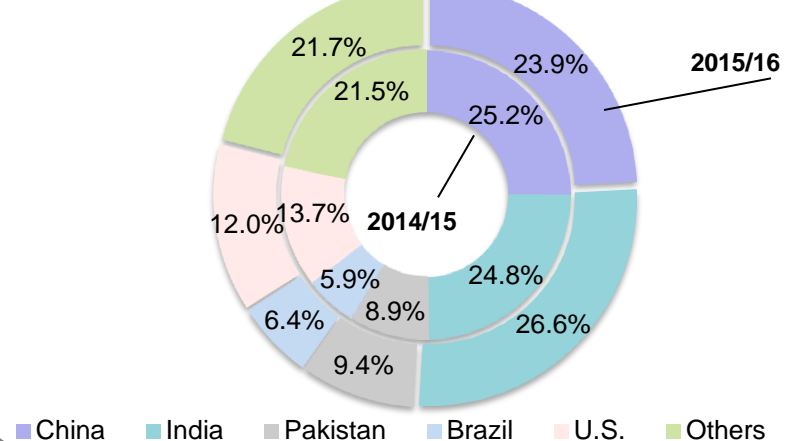


Source: USDA released in August

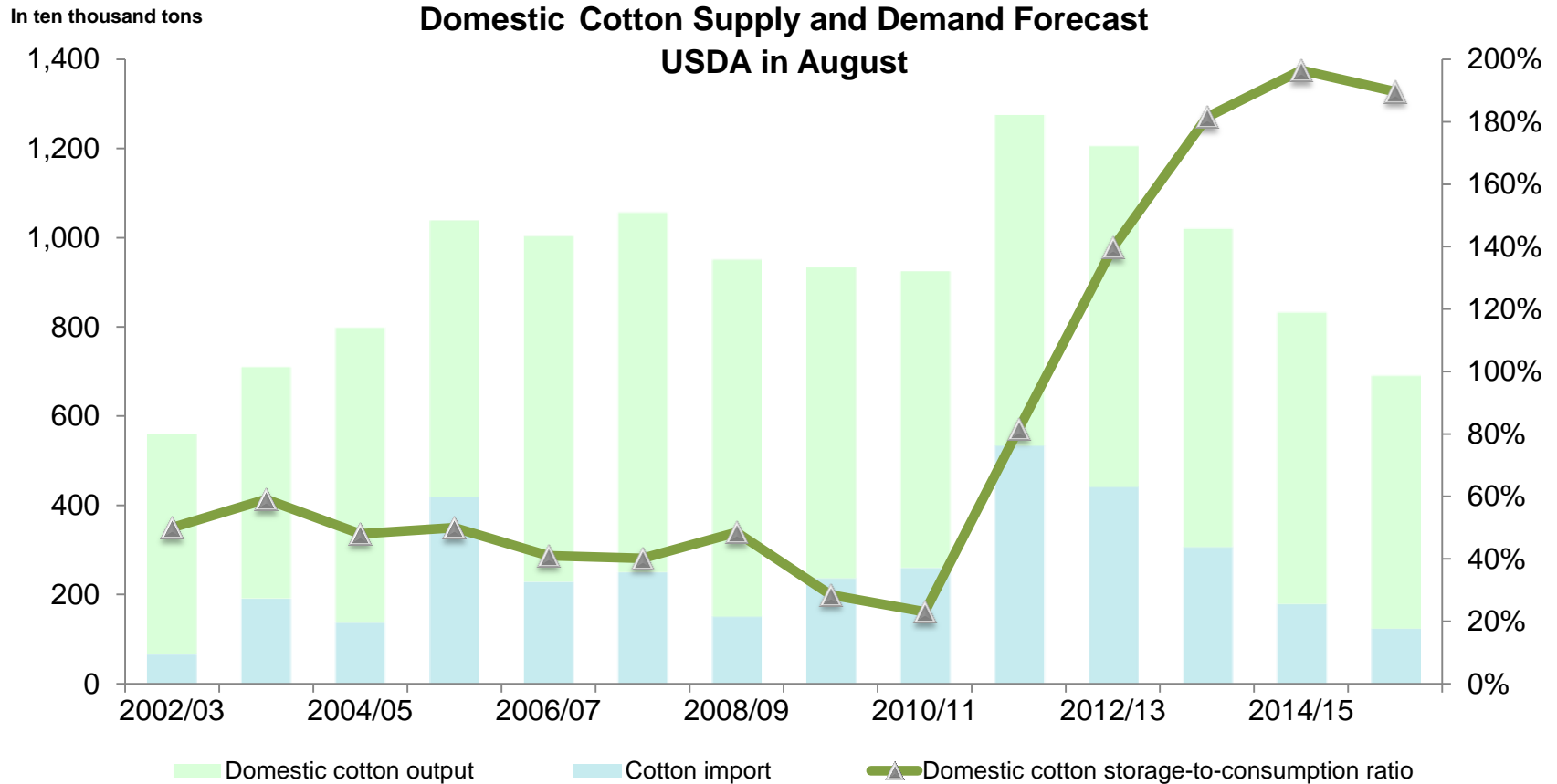
**Global Cotton Consumption Forecast (by regions)  
USDA in August**



**Global Cotton Supply Forecast (by regions)  
USDA in August**



# Cotton Sales and Direct Subsidies in China

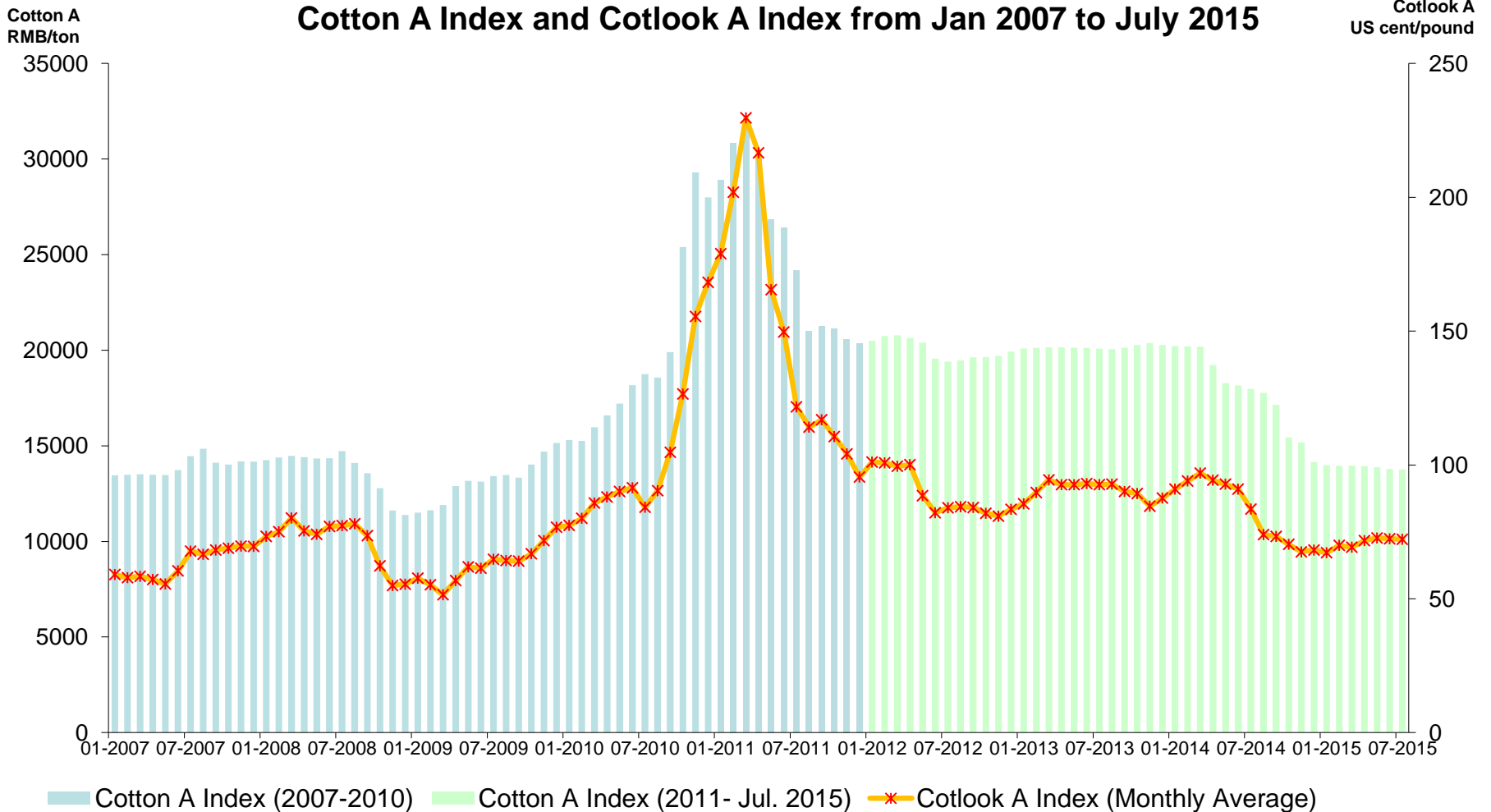


- ✓ As at 21 August 2015, deployed a total of 1 million tons of cotton, with a total transaction of 0.055 million tons (transaction percentage was 3.61%)

Source: cottonchina.org

# Global Cotton Market Analysis – Price Trend

## Cotton A Index and Cotlook A Index from Jan 2007 to July 2015

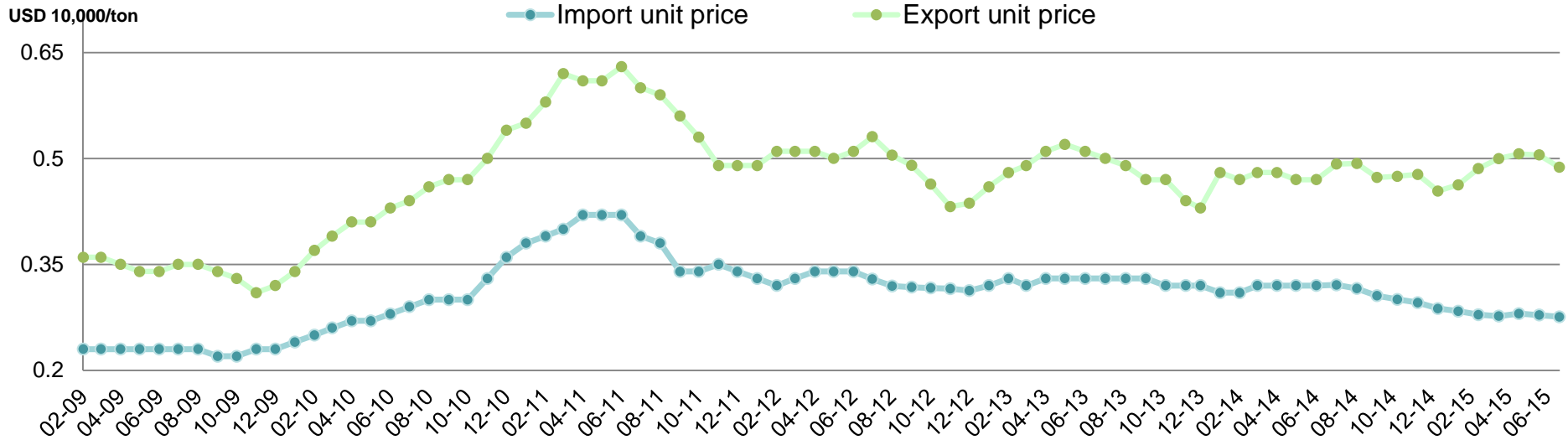


✓ USDA forecasted China's cotton output in the 2015/16 cotton crop year would be 5.661 million tons, and cotton consumption would be 7.403 million tons

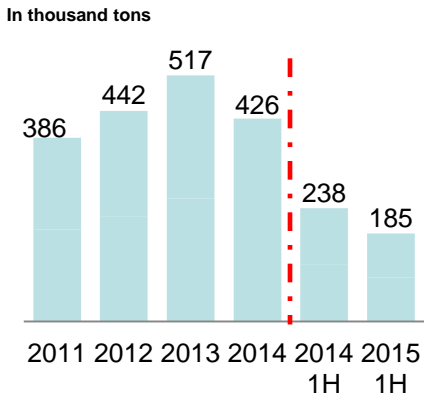
Source: cottonchina.org, cncotton.com

# Cotton Yarn Imports & Exports - Unit Price, Volume, and Value

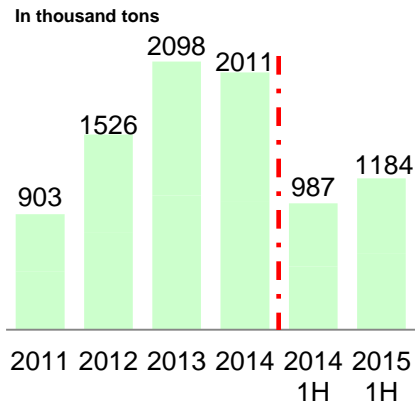
## Import and Export Price (2009 – Jun. 2015)



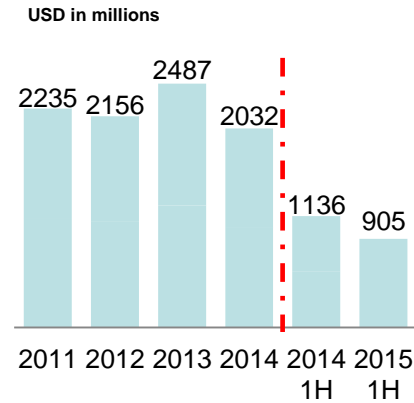
## Export Volume



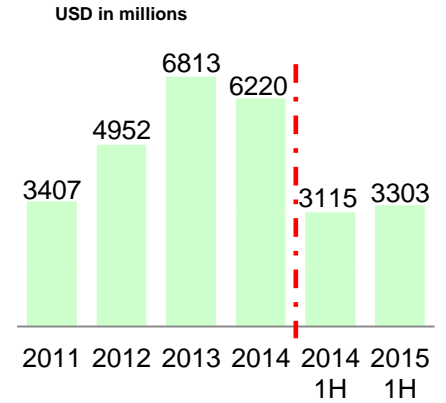
## Import Volume



## Export Value



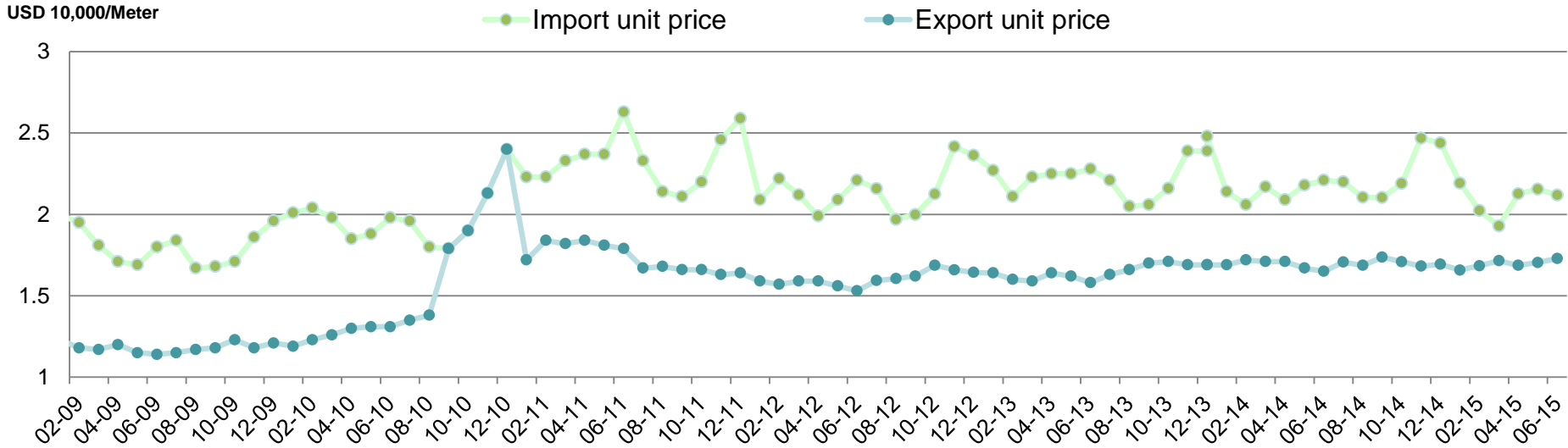
## Import Value



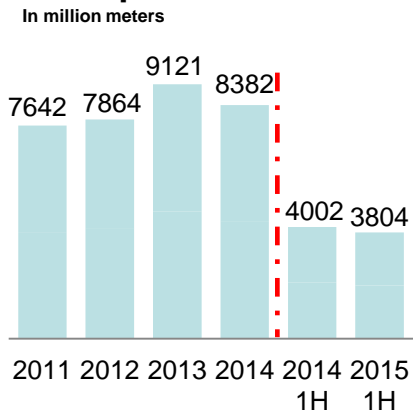
Source: cottonchina.org

# Grey Fabrics Imports and Exports - Unit Price, Volume, and Value

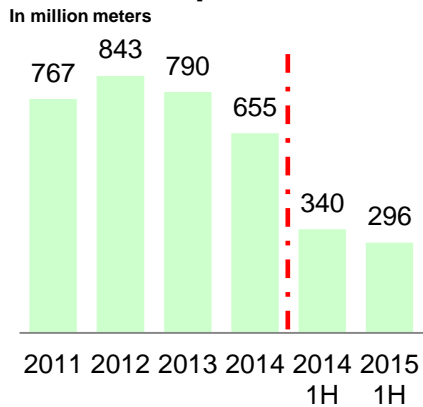
## Import and Export Price (2009 – Jun. 2015)



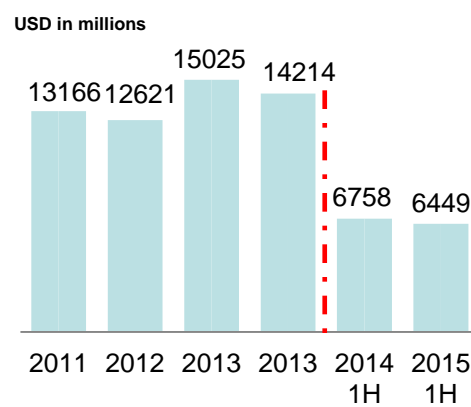
### Export Volume



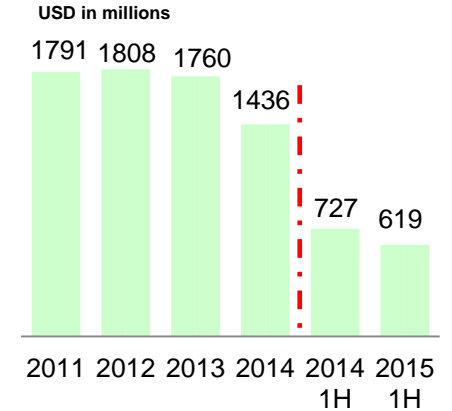
### Import Volume



### Export Value



### Import Value



Source: cottonchina.org



# Agenda

# Prospects and Strategies



# Macro Environment Analysis and Key Issues

Global uncertainty persists but China remains to be the growth driver

## 01/ Analysis of macroeconomic and market environment

- Slow global economic growth: steady recovery of U.S. economy; signs of slow improvement in Japan and the Eurozone; slowdown in economic growth in emerging markets
- Continued volatility to be encountered by the financial market and real economy
- Under the 'new normal' in China, the economic situation is complicated and severe; improvement will be seen to certain extent thanks to the cuts in interest rates and RRR by the Central bank; however, there are still a lot of uncertainties in future

## 02/ Key issues

- Fluctuations in foreign currency exchange rate and interest rate, volatility in commodity prices and sluggish demand internationally are common problems faced by many enterprises
- For our company, the uncertain external environment is both a risk factor and a new opportunity
- Based on the long-term development of the company's operational strategy, returns to shareholders and the whole society become increasingly important. We will proactively explore additional growth opportunities while performing existing business well

# Solid steps to lay the foundation for the Company's long-term development

With the changes in the business operating environment, we will adopt an advanced business model as a guide to drive our business development. We enhance our industrial added value, enter into the medium to high-end market, achieve new growth targets and integrate our industrial chain (vertical integration). We will consistently make every effort to respond to the ever-changing market environment.

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## Optimization of business model

Enhancement of industrial added value

Achievement of new growth targets

Integration of industrial chain

# Operational Strategies

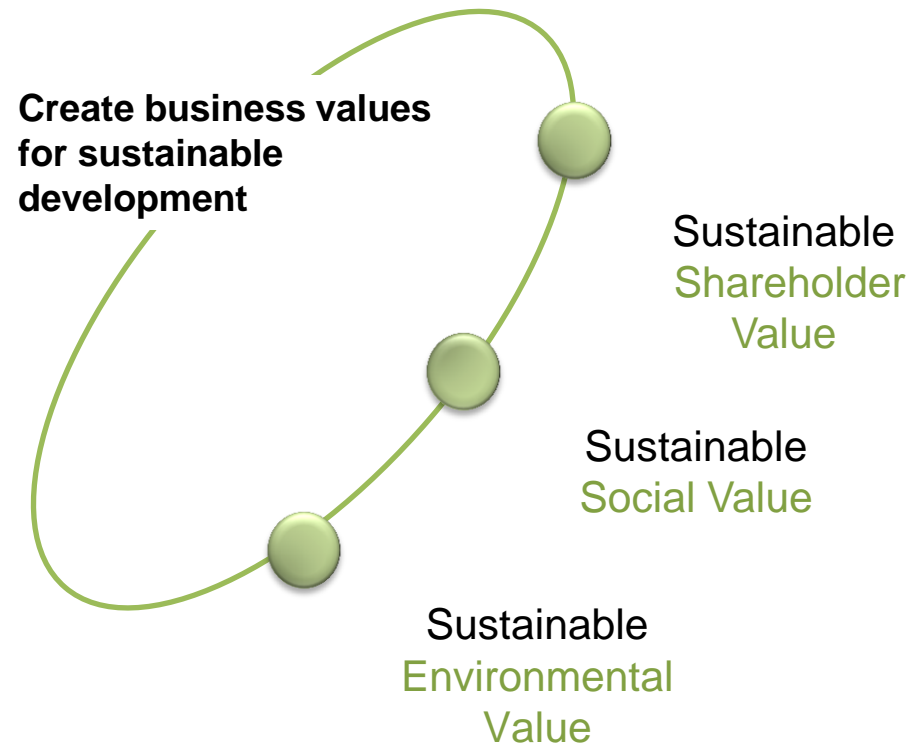
- ✓ Enhance inventory management to ensure a reasonable inventory level
- ✓ Upgrade equipment and technologies, improve machinery automation, business management and efficiency of labor
- ✓ R&D new products, promote new technologies, techniques and equipment
- ✓ Implement technical upgrades to improve capacity utilization and increase shareholder's return on equity
- ✓ Enhance customer satisfaction
- ✓ Further lower production costs
- ✓ Maximize the ability to deliver orders and increase manufacturing flexibility to quickly respond to changing market demands
- ✓ Follow its prudent financial policy

# Corporate Vision Towards The Future

## Long-Term Blueprint

- To keep pace with the changes in market demand and the macroeconomic environment; improve operating business management through a more long-term vision
- To enhance independent innovation capability; further propel business development
- To create sustainable business value and strive for the impartiality and transparency of business activities. Constantly increase business value while contributing to sustainable development of the society

## Sustainable Business Value



# THANK YOU

## Q&A

