



魏橋紡織股份有限公司  
Weiqiao Textile Company Limited

# 2015 Annual Results Presentation

21 March 2016



# 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

Financial Review

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# Agenda

## Financial Review



# Financial Review

(RMB in millions)	2014 As at 31 Dec	2015 As at 31 Dec	Change
Turnover	11,211	9,765	-12.9%
Gross Profit	743	558	-24.9%
Gross Profit Margin %	6.6	5.7	-0.9pp
Operating Profit Margin %	1.6	0.7	-0.9pp
Operating Profit	175	70	-60.0%
Profit Attributable to owners of the parent	308	979	217.9%
Earnings per Share (RMB)	0.26	0.82	215.4%
Net Profit Margin %	2.7	10.0	7.3pp

# Financial Review

(RMB in millions)	2014 As at 31 Dec	2015 As at 31 Dec	Change
<b>Total Assets</b>	28,959	<b>29,081</b>	0.4%
<b>Total Liabilities</b>	12,749	<b>11,986</b>	-6.0%
<b>Net Asset Value</b>	16,210	<b>17,095</b>	5.5%
<b>Inventory</b>	5,457	<b>4,258</b>	-22.0%
<b>Inventory Turnover (days)</b>	190	<b>169</b>	-21
<b>Interest-bearing Bank Borrowing</b>	3,841	<b>3,043</b>	-20.8%
<b>Current Ratio (times)</b>	3.3	<b>3.7</b>	0.4time
<b>Effective Tax Rate</b>	31.3%	<b>26.3%</b>	-5.0pp

# Cost Breakdown

<b>(RMB in millions)</b>	<b>2014 As at 31 Dec</b>	<b>2015 As at 31 Dec</b>	<b>Change</b>
<b>Cost of goods sold</b>	10,468	<b>9,207</b>	-12.0%
<b>SG&amp;A as % of revenue</b>	5.1%	<b>5.0%</b>	-0.1pp
<b>Sales and distribution costs</b>	159	<b>133</b>	-16.4%
<b>Administrative expenses</b>	298	<b>328</b>	10.1%
<b>Other expenses</b>	111	<b>28</b>	-74.8%
<b>Finance costs</b>	638	<b>619</b>	-3.0%

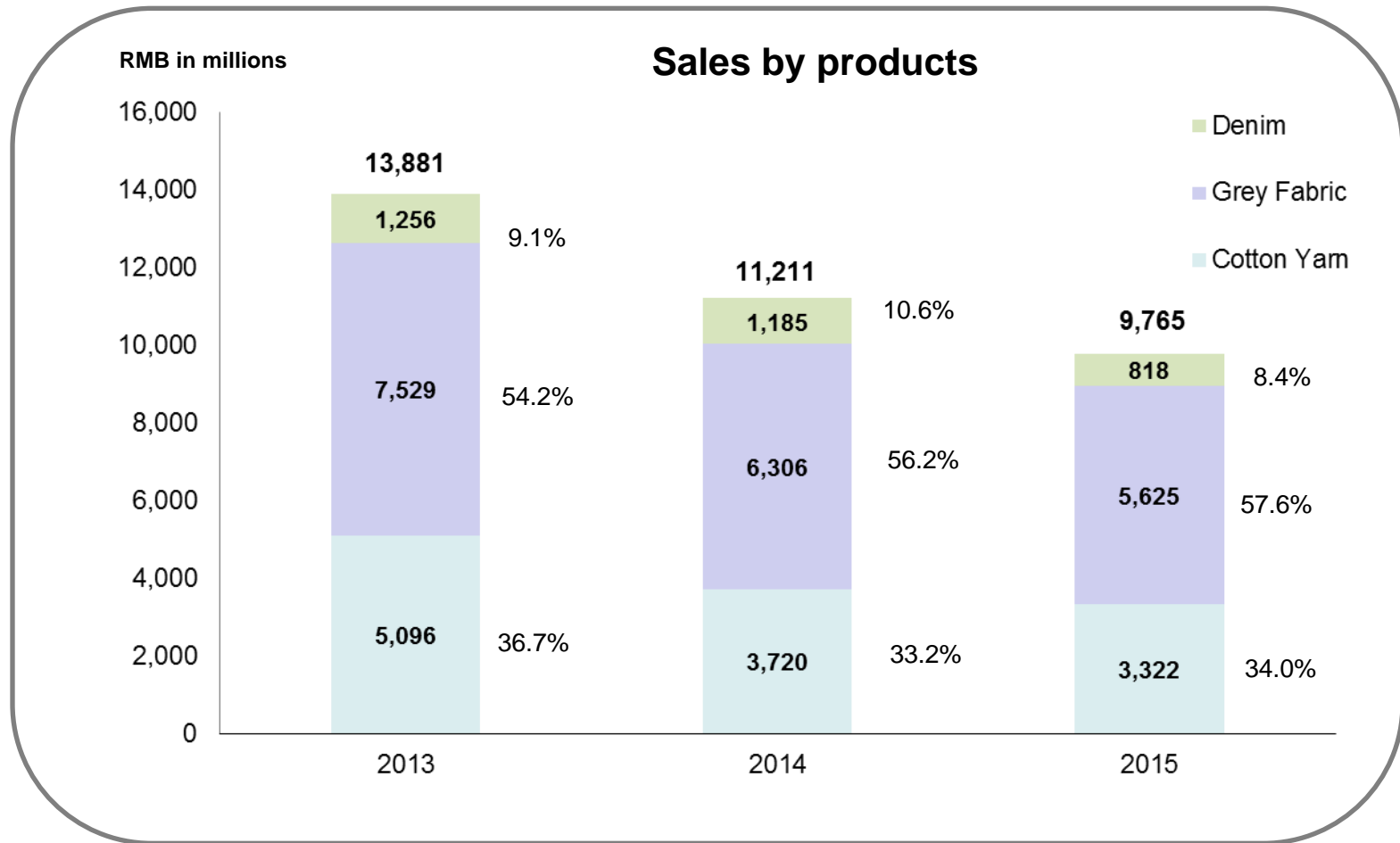
# Agenda

## Business Review



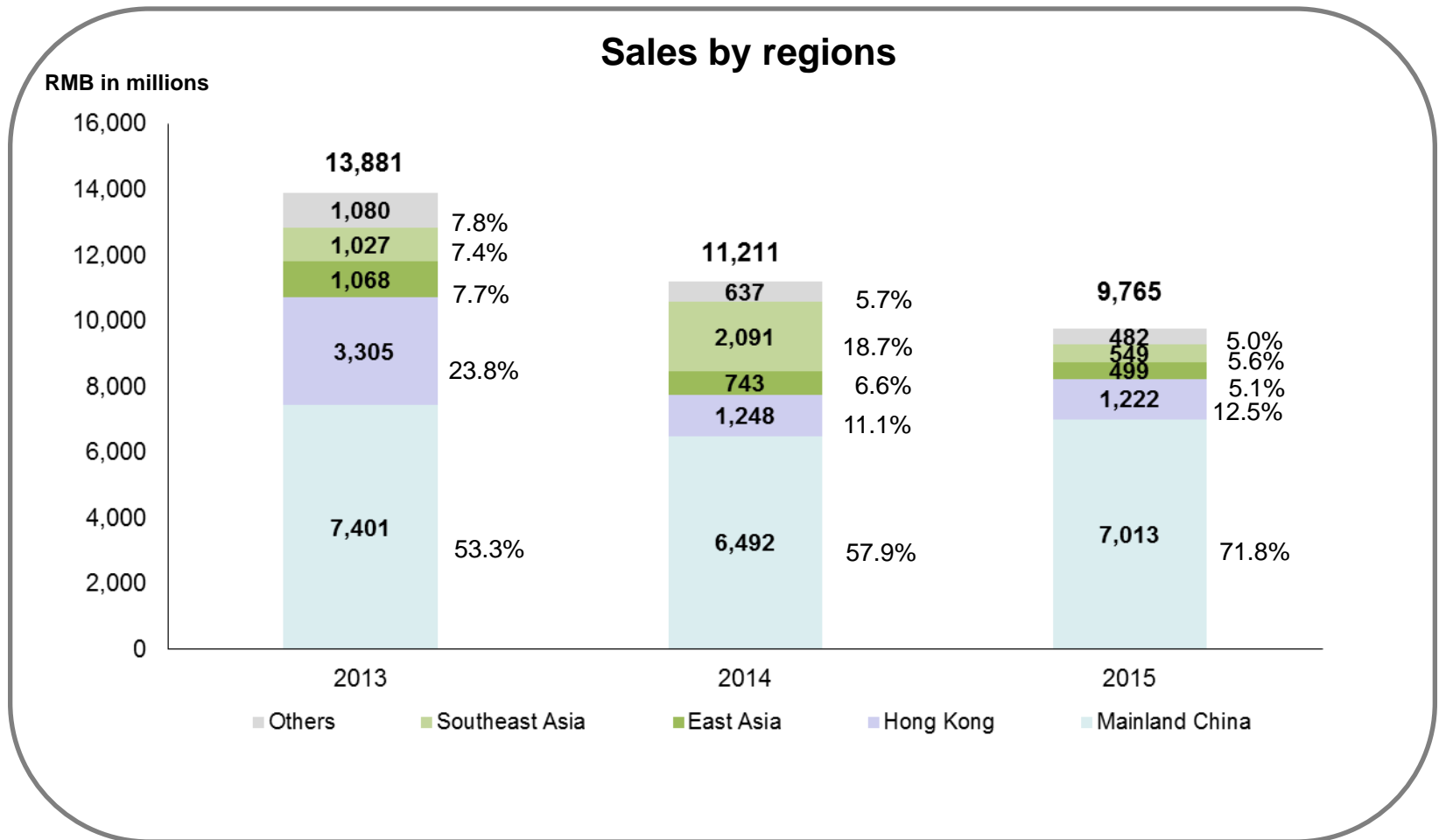


# Sales Analysis (by products)



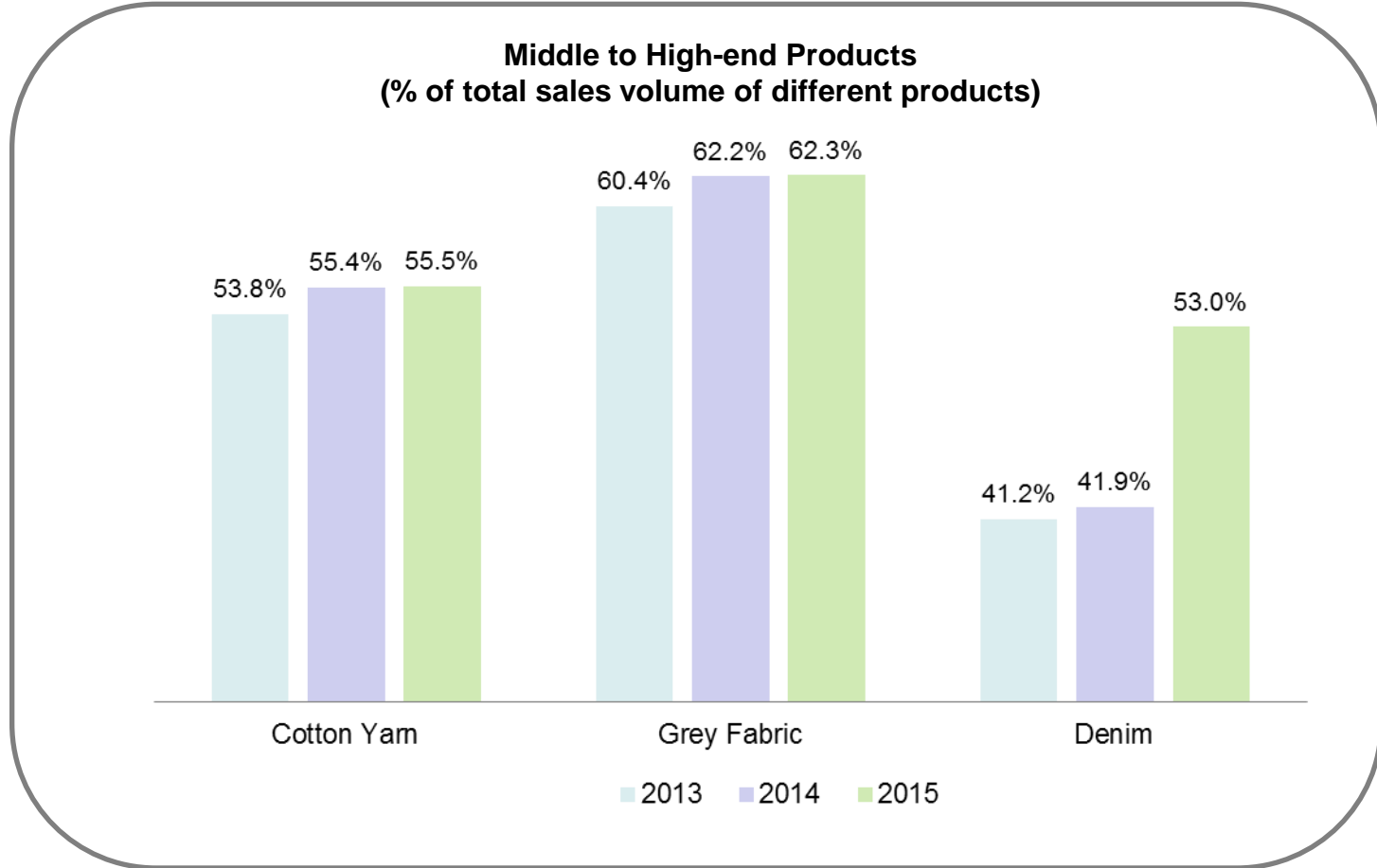
- ✓ Sales of cotton yarn, grey fabric and denim accounted for approximated 34.0%, 57.6% and 8.4% of total sales respectively

# Sales Analysis (by regions)



- ✓ Domestic sales accounted for 71.8%, Hong Kong's sales accounted for 12.5%, East Asia accounted for 5.1%, and Southeast Asia accounted for 5.6%

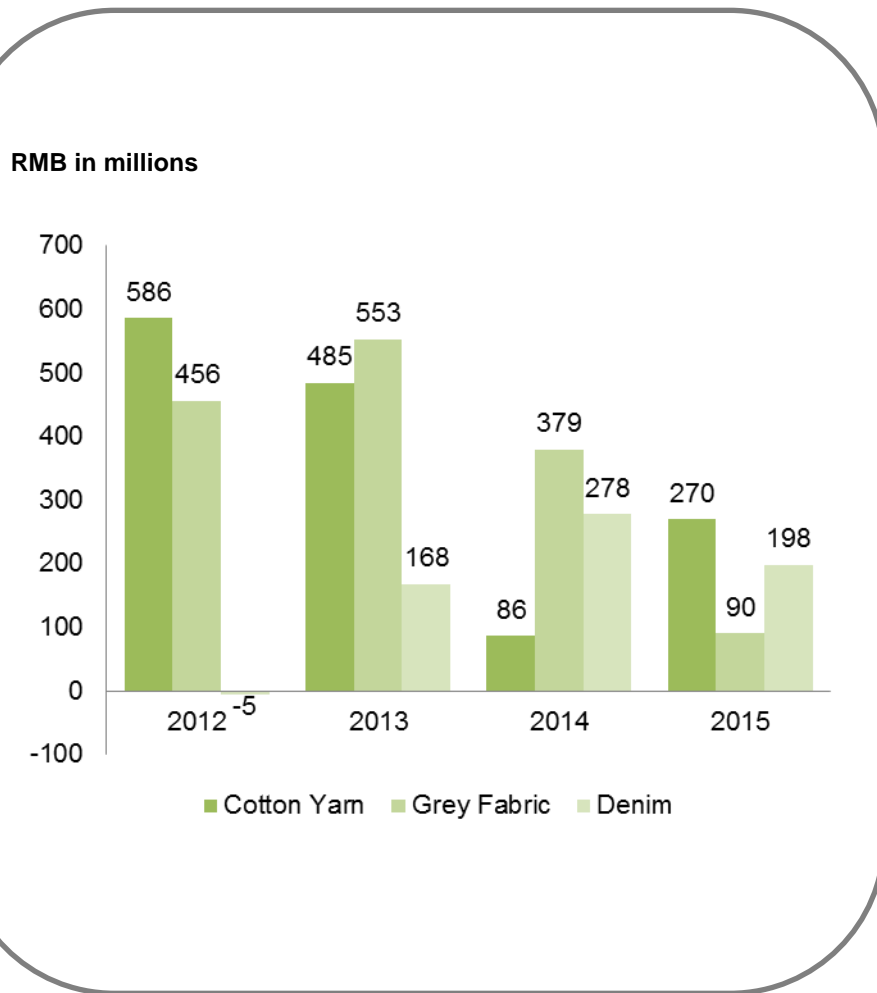
# Middle to High-end Products Analysis



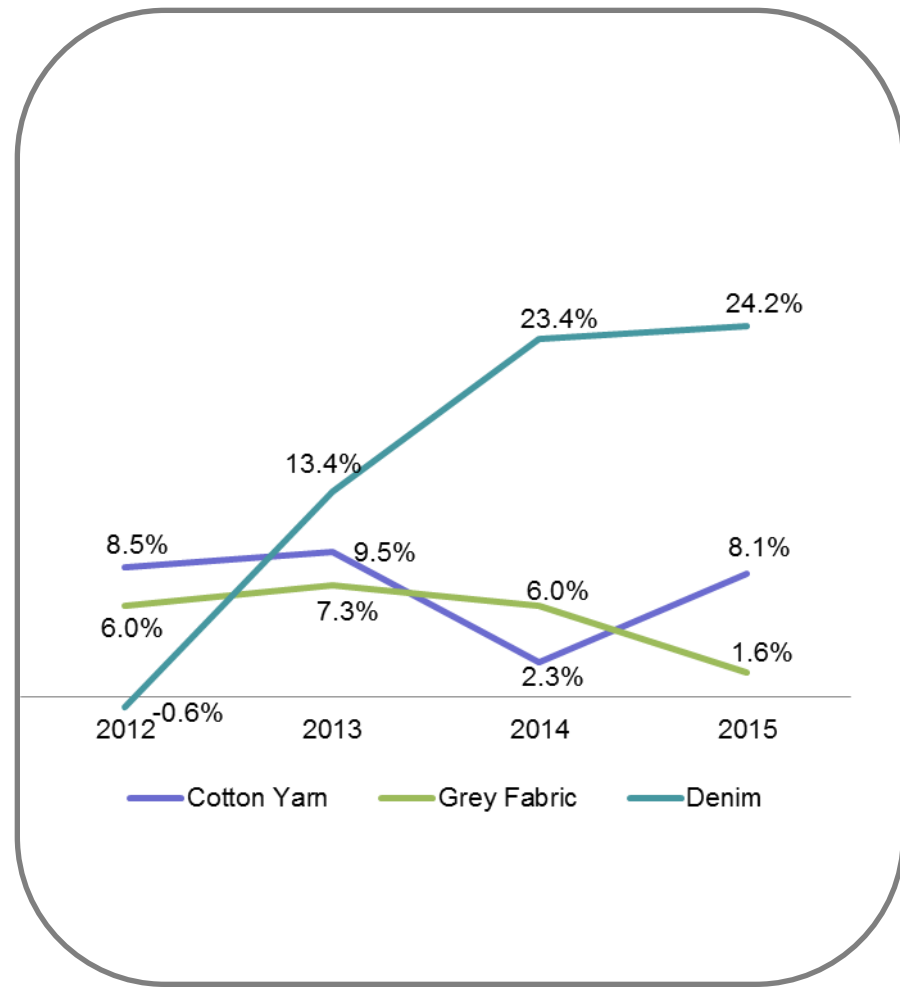
- ✓ Sales volume of middle to high-end products accounted for 55.5%, 62.3% and 53.0% in cotton yarn, grey fabric, and denim respectively

# Sales Analysis (Sales Performance)

## Sales Analysis: Gross Profit



## Sales Analysis: Gross Profit Margin



# Agenda

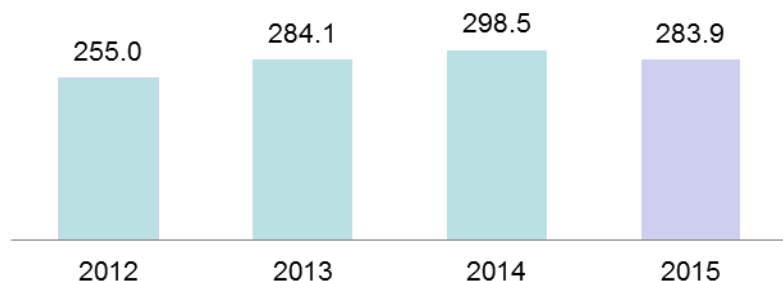
## Industry and Market Analysis



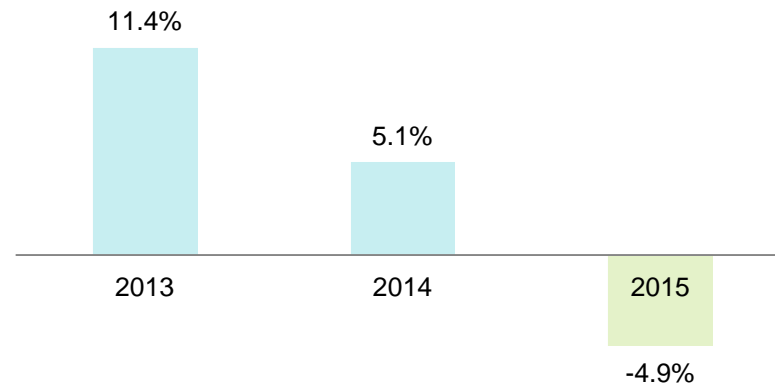
# China's Textile and Apparel Industry in 2015 — Steady Growth of Domestic Demand but Severe Export Situation

China's Textile and Apparel Exports' Value

USD in billions

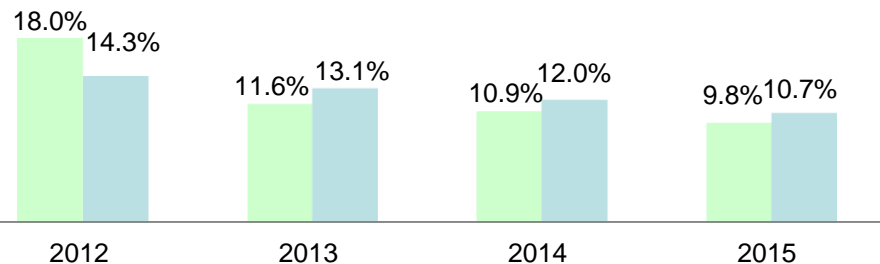


Growth Rate of China's Textile and Apparel Exports



Growth Rate of Retail Sales of consumer goods v.s. Growth Rate of retail sales of apparel, footwear, and textile products

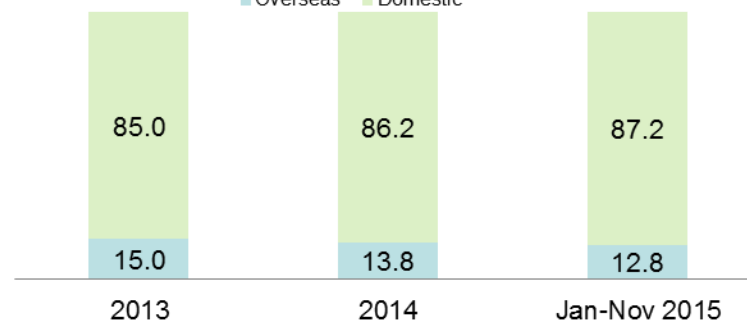
■ Growth of retail sales of apparel, footwear and textile products  
■ Growth of retail sales of consumer goods



Source: China Customs, cottonchina.org

% of Domestic Sales v.s. Exports Textile Companies in China (over designated size companies)

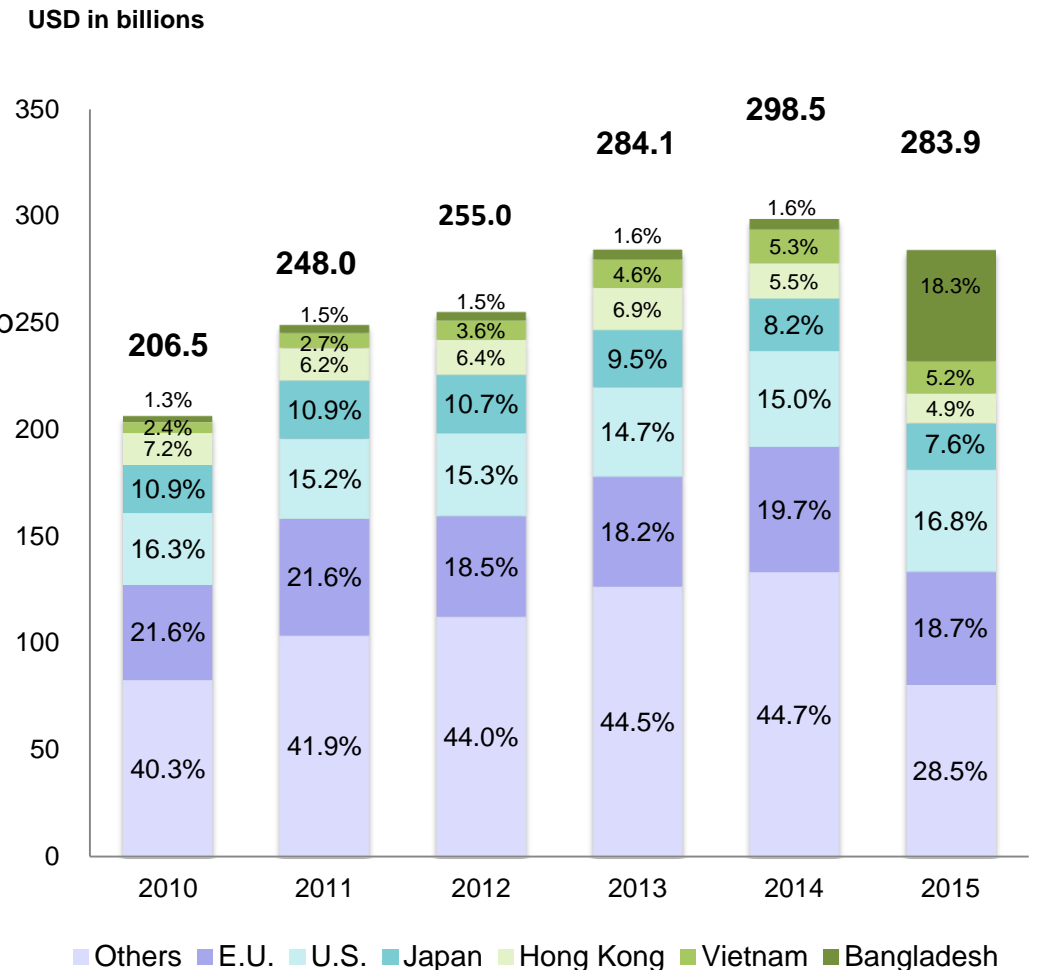
■ Overseas ■ Domestic



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

- In 2015, China's textile and apparel exports were 283.9 billion, down 4.9% YoY, growth rate down 10.0 pp
- In 2015, China's textile and apparel were exported to:
  - U.S.: YoY up 6.7%, growth rate down 0.8pp
  - Japan: YoY down 11.7%
  - E.U.: YoY down 9.4%
  - Hong Kong: YoY down 15.9%
  - Vietnam: YoY down 5.8%
  - Bangladesh: YoY up 10.7%, growth rate up 5.8pp
  - Other regions: YoY down 39.4%

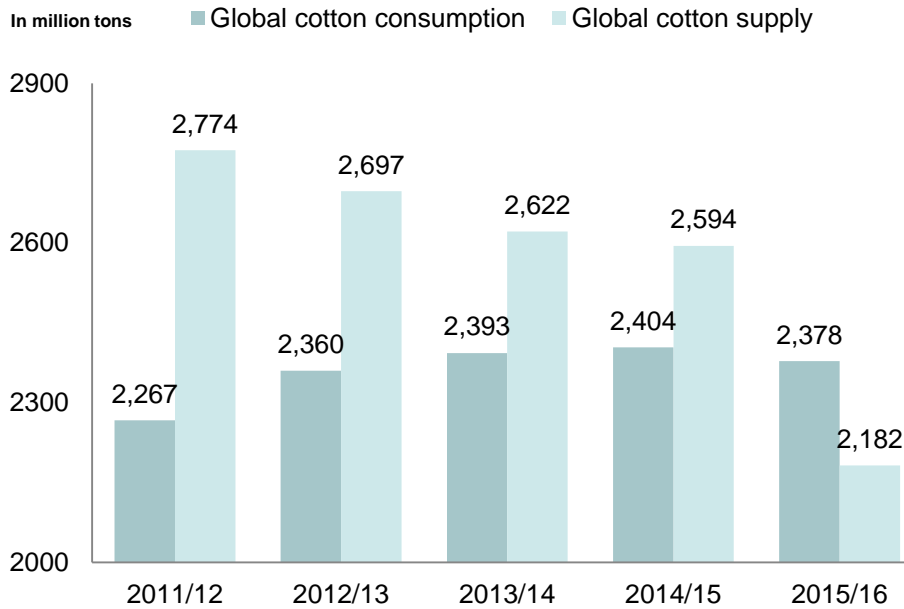
Value of China's Textile and Apparel Exports (by regions)



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

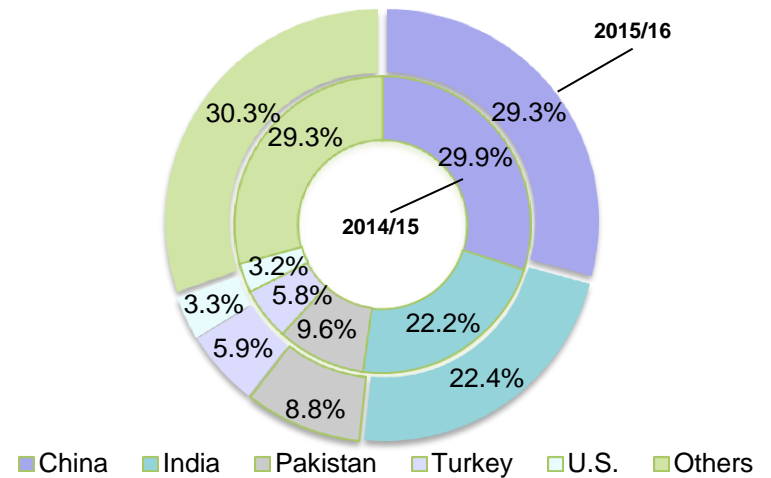
# Global Cotton Market – Supply and Demand

Global Cotton Output and Consumption Forecast by USDA in March

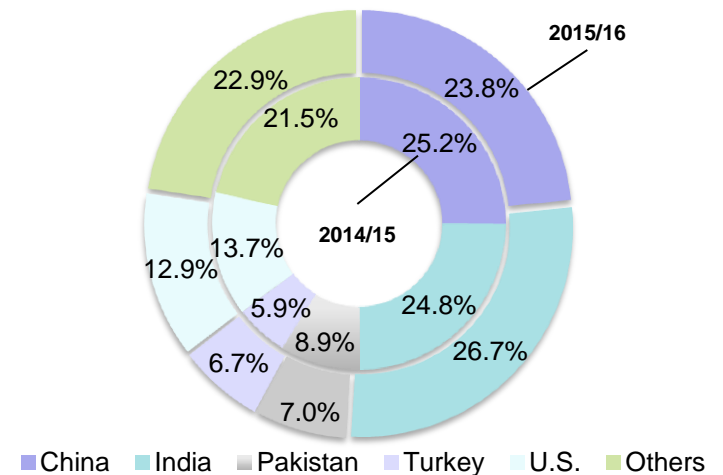


Source: USDA

Global Cotton Consumption Forecast (by regions) by USDA in March

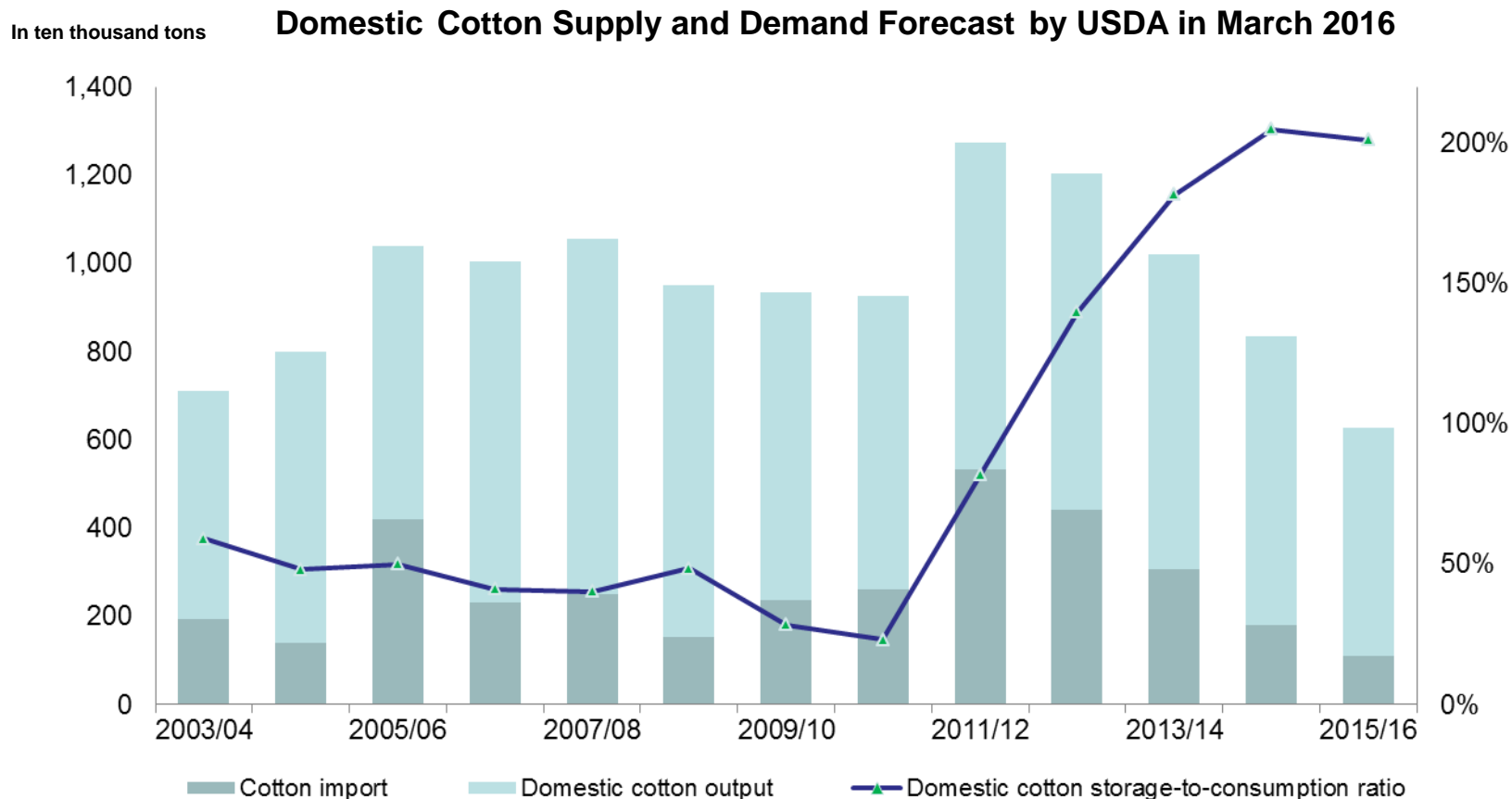


Global Cotton Supply Forecast (by regions) by USDA in March





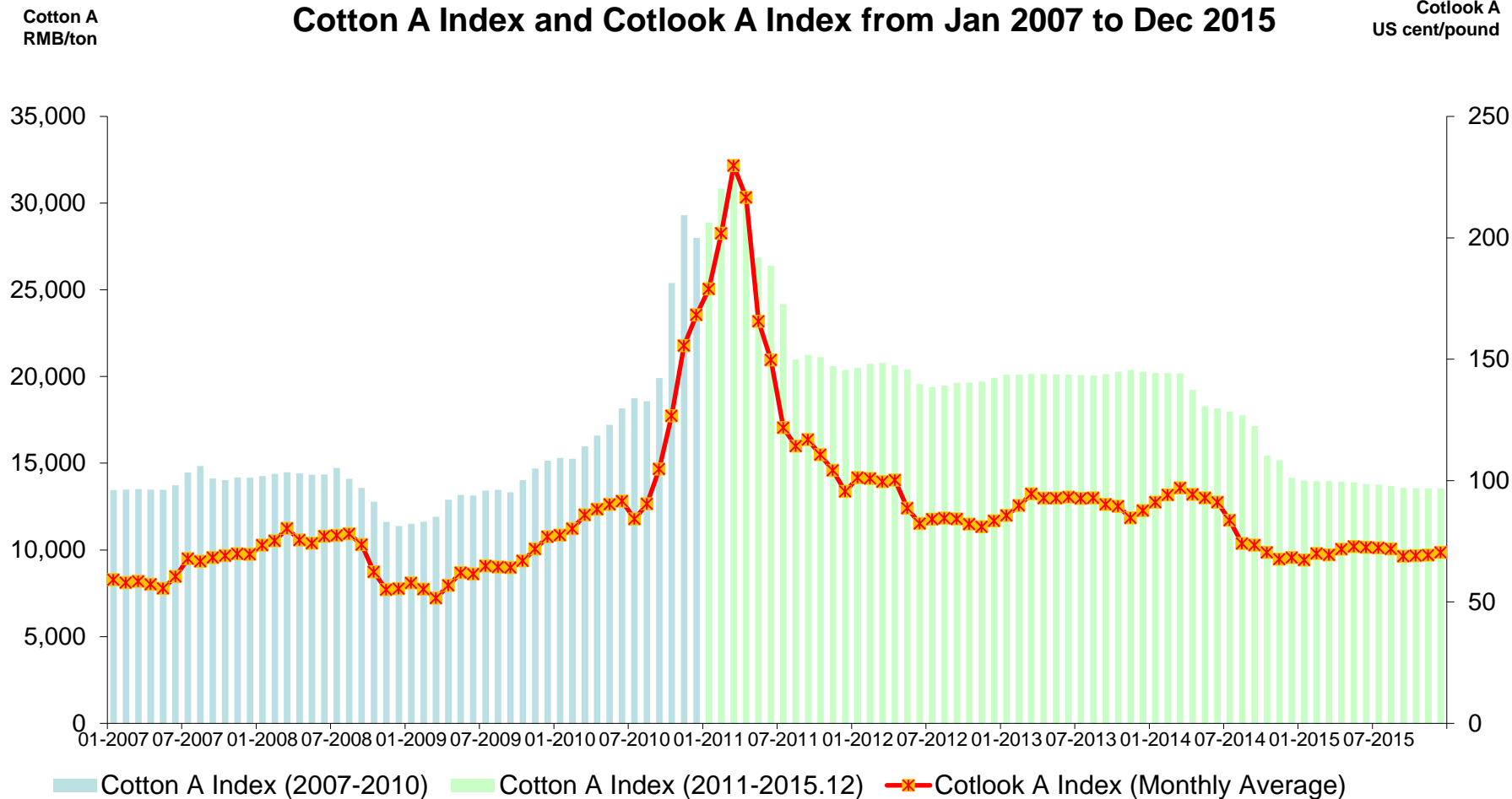
# Cotton Storage, Sales and Direct Subsidies in China



- ✓ As of 31 August 2015, China has put a total of 1 million tons of cotton on the market, with a total transaction of 0.063 million tons (transaction percentage was 6.34%)

Source: cottonchina.org

# Global Cotton Market Analysis – Price Trend

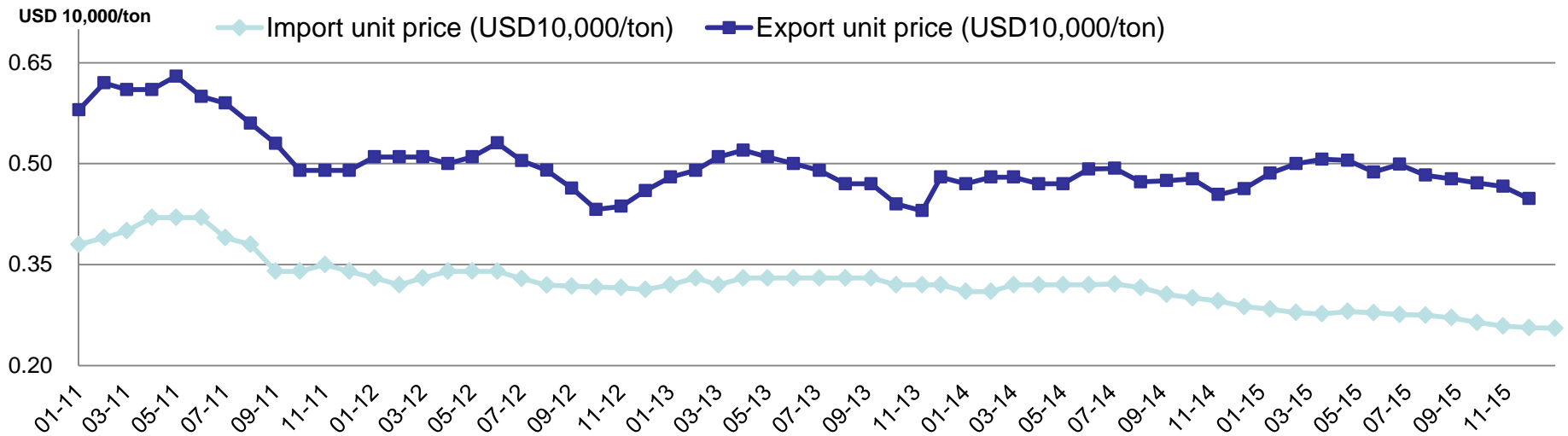


✓ USDA forecasted China's cotton output in the 2015/16 cotton crop year would be 5.182 million tons, and cotton consumption would be 6.967 million tons

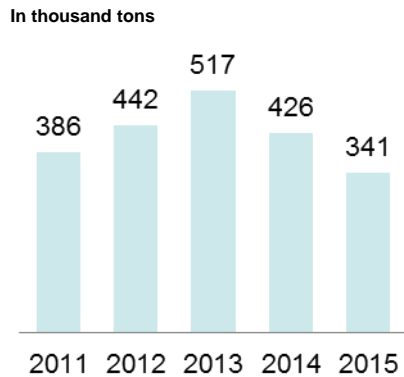
Source: cottonchina.org, cncotton.com

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

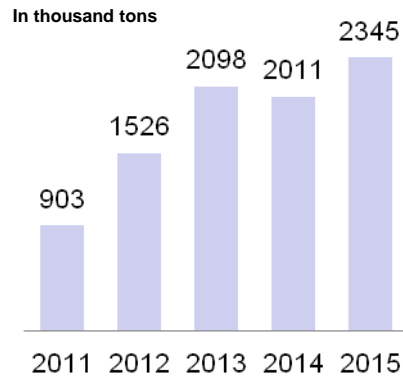
## Import and Export Price (2011 – Dec 2015)



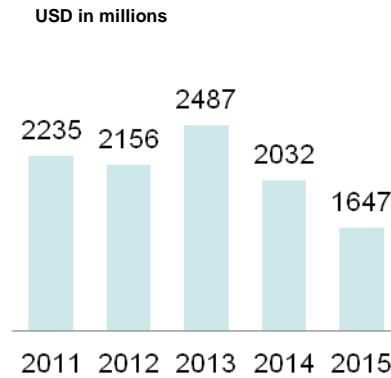
### Export Volume



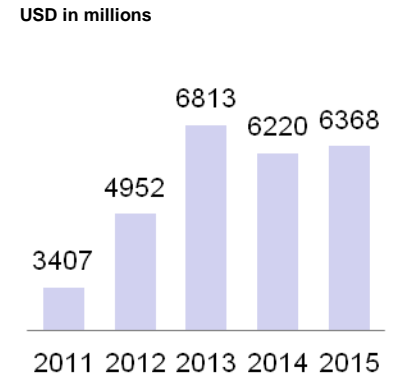
### Import Volume



### Export Value



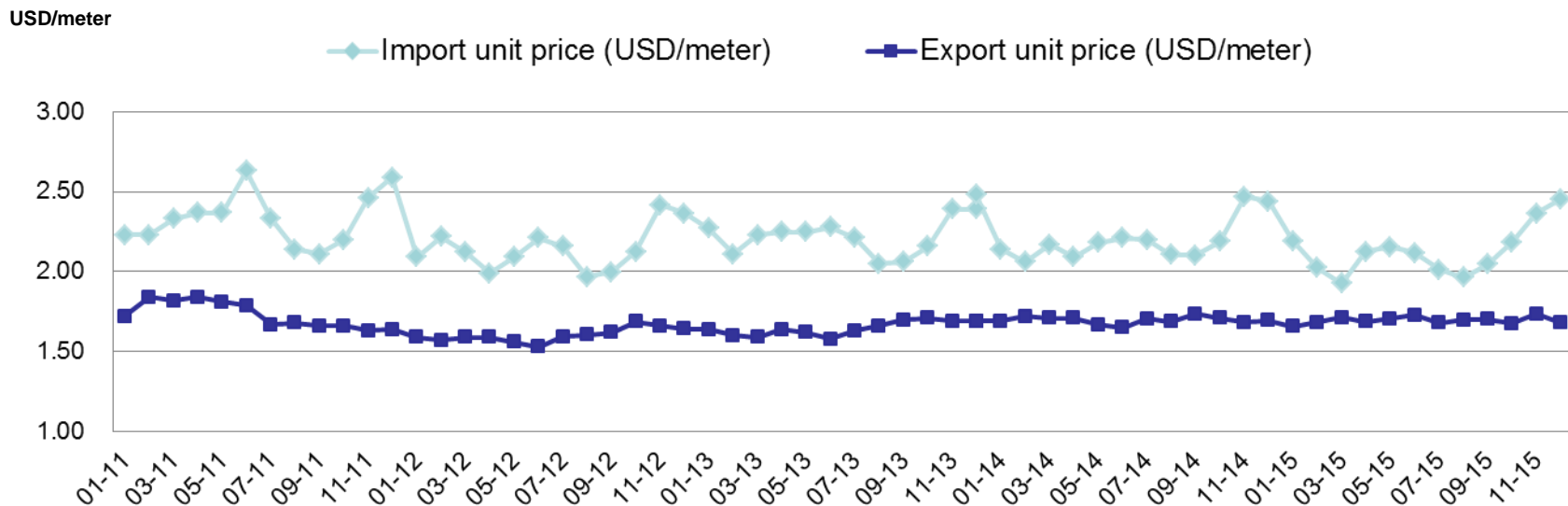
### Import Value



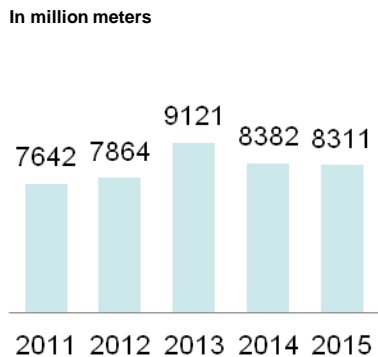
Source: cottonchina.org

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

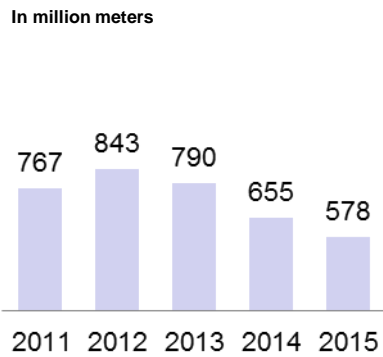
## Import and Export Price (2011 – Dec 2015)



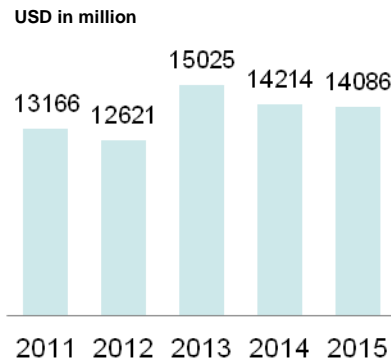
### Export Volume



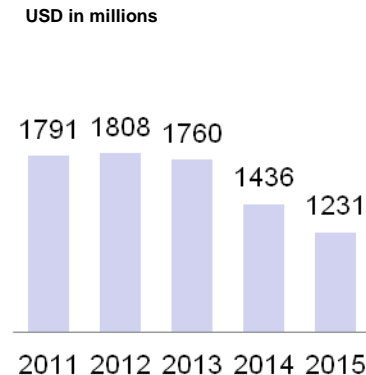
### Import Volume



### Export Value



### Import Value



Source: cottonchina.org

# Agenda

## Prospects and Strategies



# Challenges and Opportunities

## Challenges

- Under the “new normal”, China’s economy continues to be in a complicated and severe situation. In 2016, China’s economy will experience further downward pressure with a possible slowdown in economic growth.
- With the implementation of the TPP protocol and the Belt and Road Initiative, China textile enterprises will strengthen their overseas layout.
- China continued to improve its textile industrial infrastructure in Xinjiang, and mainland textile manufacturers are facing challenges from the new Xinjiang capacity.



## Opportunities

- Despite the downward pressure, China’s economy can maintain a medium-to-high speed growth in 2016.
- In the long run, the influence of TPP protocol will reduce as China quickens its steps to construct a network of quality FTA globally and increase pilot FTA domestically.
- With the implementation of a market-oriented cotton price adjustment mechanism, the narrowing gap between domestic and overseas cotton prices will help improve the overall export competitiveness of China’s textile manufacturing industry.
- Driven by various factors such as destocking of the real estate industry, implementation of the “comprehensive two-child policy”, accelerated urbanization and rising incomes, consumption of textile and apparel will be continuously boosted.



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

## Optimization of business model

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- ✓ Enhancement of intelligence and digitalization to improve corporate innovation capacity
- ✓ Adherence to middle to high-end product strategy to enhance industrial added value
- ✓ Focus on domestic and export markets, further explore domestic demand, and improve product structure with market-oriented

## Improvement of Operational Strategy

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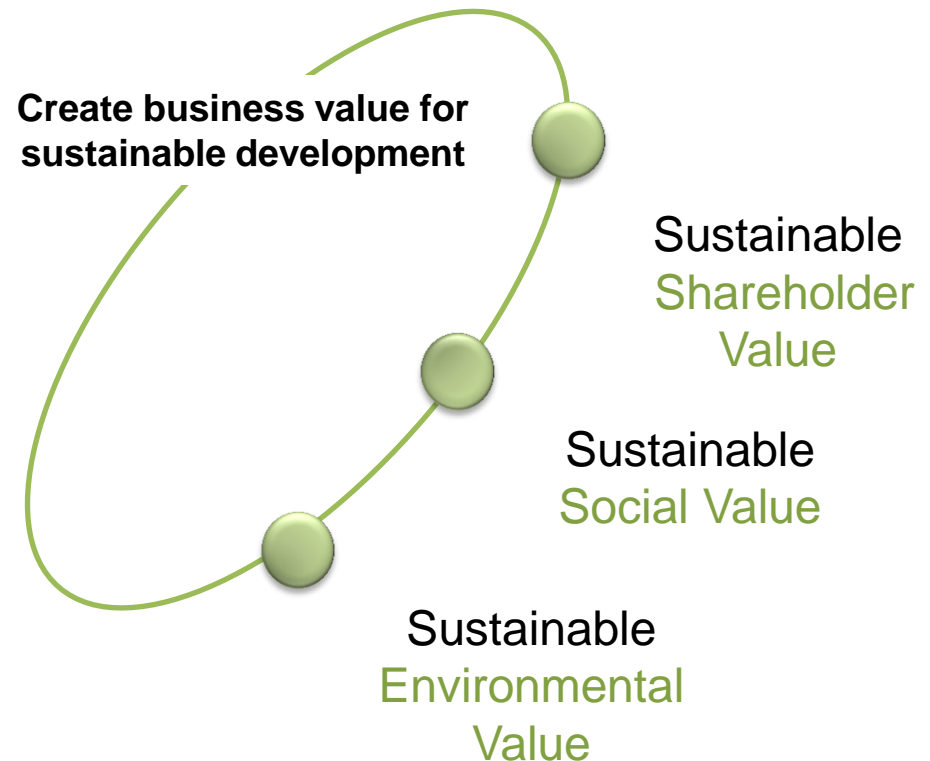
- ✓ Enhance inventory management to reduce inventory
- ✓ Upgrade equipment and technologies, improve levels of intelligence, digitalization, business management and efficiency of labor
- ✓ R&D new products, promote new technologies, techniques and equipment
- ✓ Maximize the ability to deliver orders and increase manufacturing flexibility to quickly respond to changing market demands
- ✓ Strictly fulfill energy saving and environment protection requirements to practice green manufacturing

# 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 society

## Sustainable Business Value







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**THANK YOU**