



2016 Interim Results Presentation

22 August 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.

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Financial Review

Financial Review

(RMB in millions)	2015 As at 30 June	2016 As at 30 June	Change
Turnover	4,859	4,380	-9.9%
Gross Profit	205	74	-63.9%
Gross Profit Margin(%)	4.2	1.7	-2.5pp
Operating Profit Margin (%)	15.2	19.9	4.7pp
Operating Profit	433	600	38.6%
Profit Attributable to owners of the parent	314	343	9.2%
Earnings per Share (RMB)	0.26	0.29	11.5%
Net Profit Margin (%)	6.5	7.8	1.3pp

Financial Review

(RMB in millions)	2015 As at 31 December	2016 As at 30 June	Change
Total Asset	29,081	28,804	-1.0%
Total Liabilities	11,986	11,671	-2.6%
Net Asset Value	17,095	17,133	0.2%
Inventory	4,258	3,725	-12.5%
Inventory Turnover (days)	169	158	-11
Interest-bearing Bank Borrowing	3,043	2,828	-7.1%
Current Ratio (times)	3.7	3.3	-0.4

Cost Breakdown

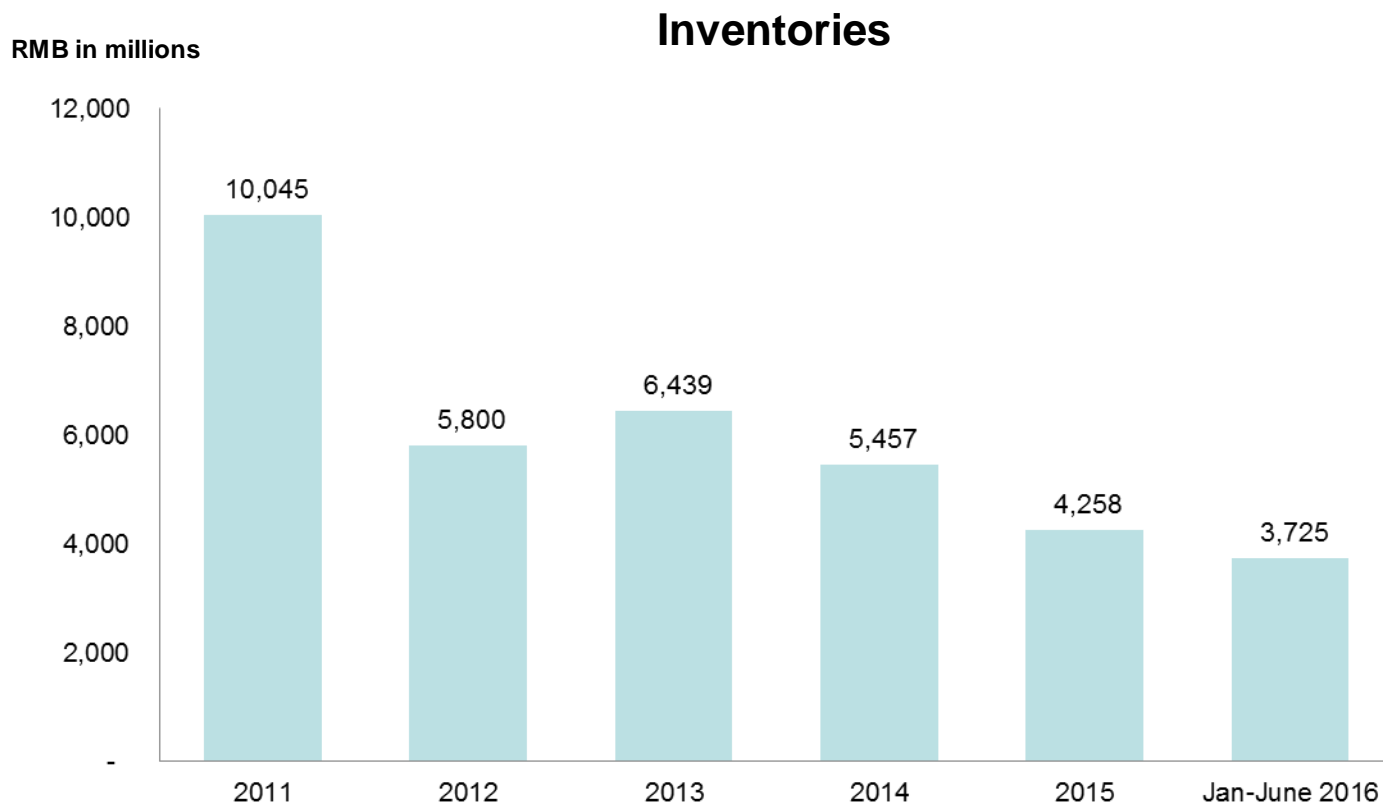
(RMB in millions)	2015 As at 30 June	2016 As at 30 June	Change
Cost of sales	4,654	4,306	-7.5%
SG&A as % of revenue	5.2%	5.9%	0.7pp
Selling and distribution expenses	65	67	3.1%
Administrative expenses	169	183	8.3%
Other expenses	21	6	-71.4%
Finance costs	305	272	-10.8%



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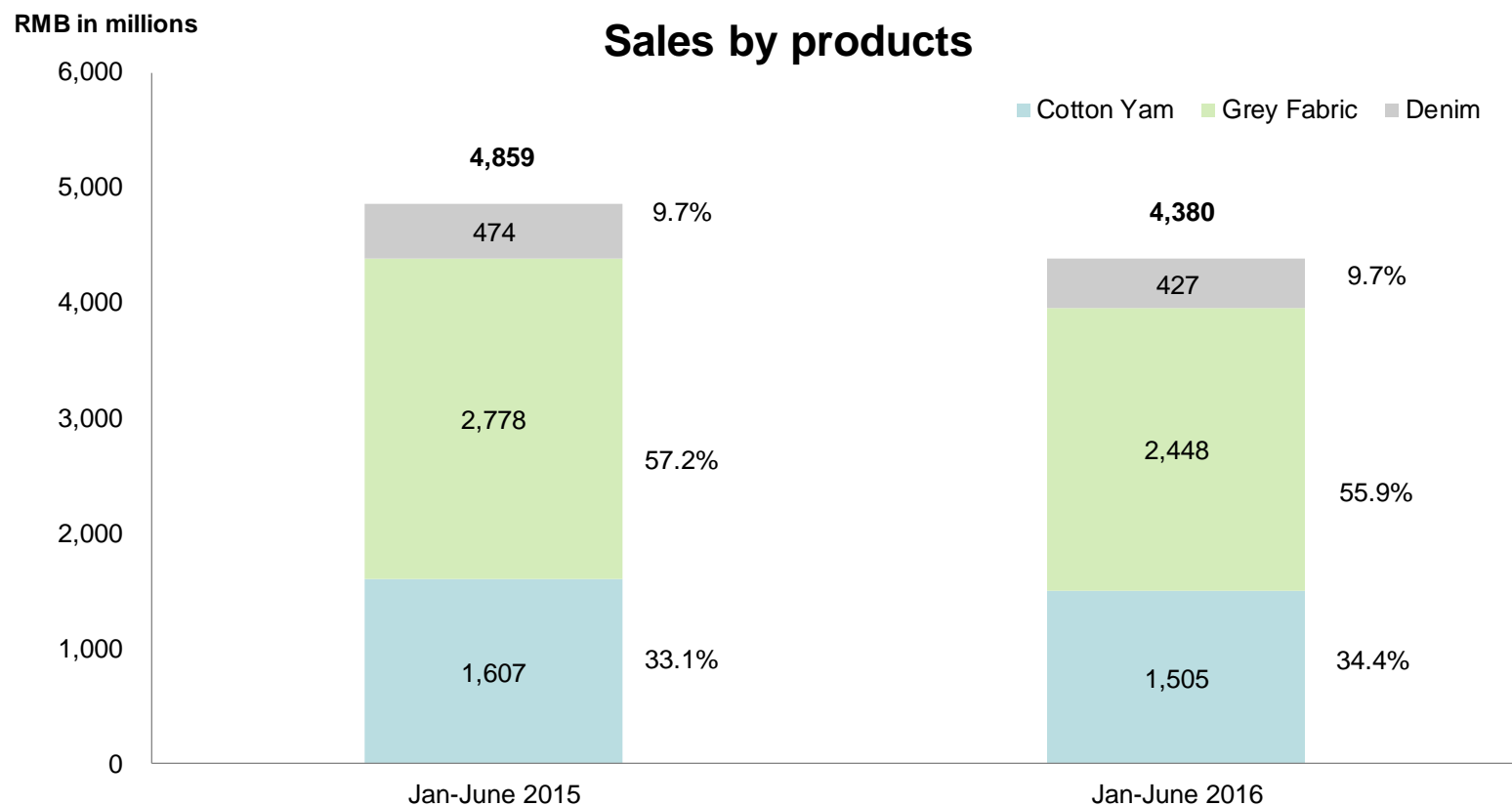
Business Review

Inventory Analysis



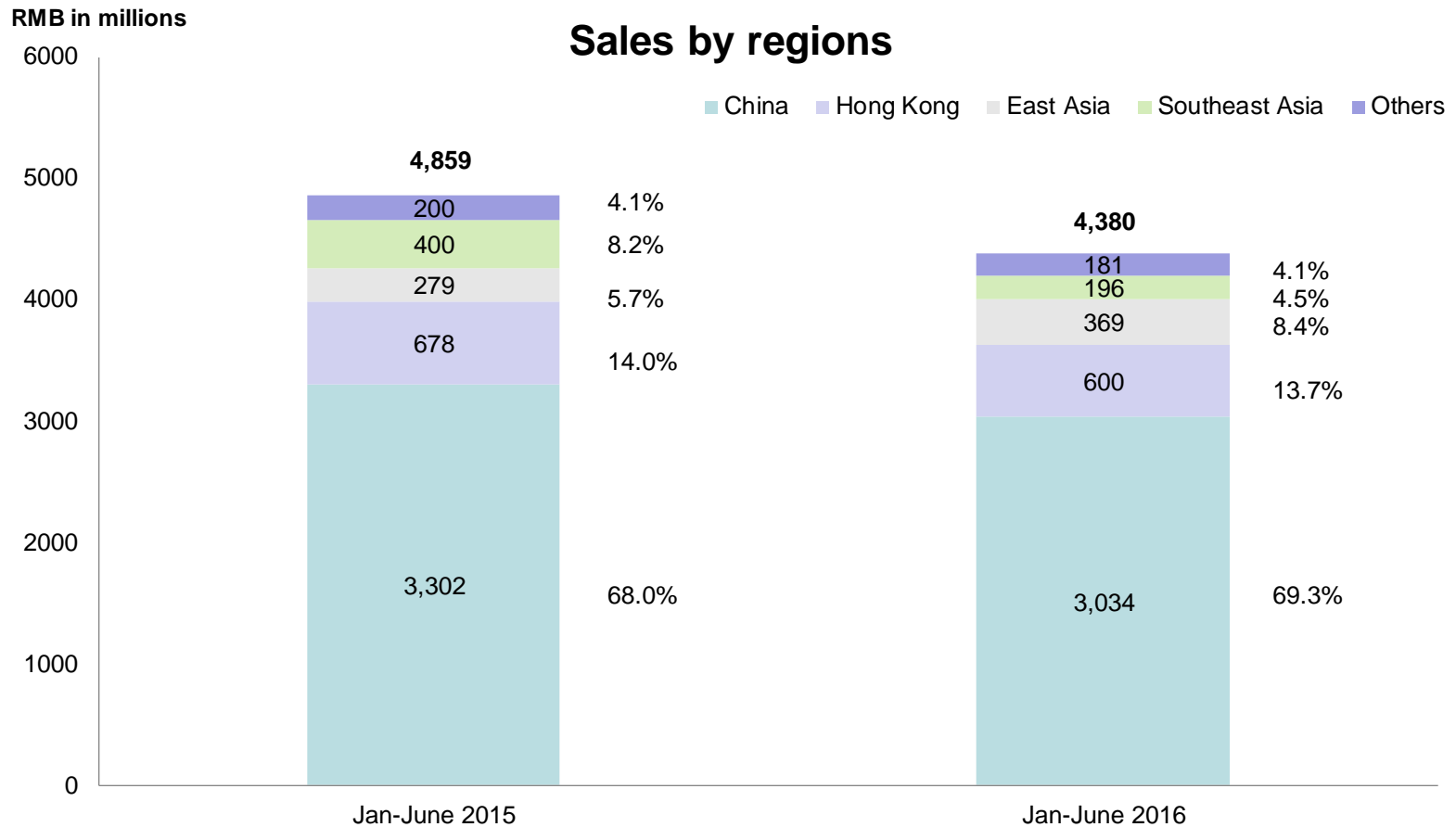
- In the first half of 2016, the Group took timely efforts to adjust its marketing strategy and sell off part of its inventory products and reduced the inventory to RMB3.7 billion

Sales Analysis (by products)



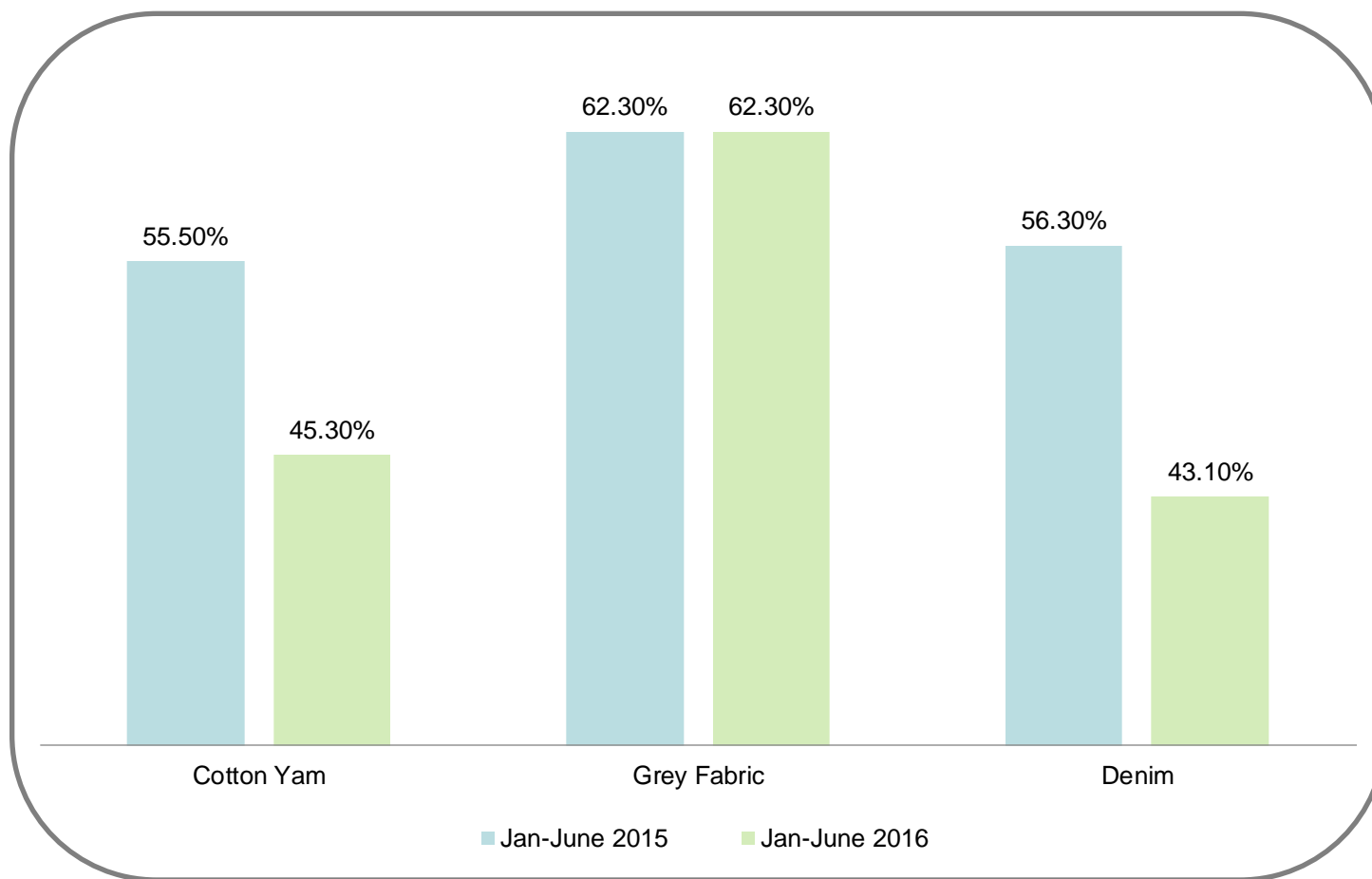
- Sales of cotton yarn, grey fabric and denim accounted for approximately 34.4%, 55.9% and 9.7% of total sales respectively

Sales Analysis (by regions)



- Domestic sales accounted for 69.3%, Hong Kong's sales accounted for 13.7%, East Asia accounted for 8.4%, Southeast Asia accounted for 4.5% and other regions accounted for 4.1%

Middle to High-end Products Analysis



- Sales volume of middle to high-end products accounted for 45.3%, 62.3% and 43.1% in cotton yarn, grey fabric, and denim respectively

Reinforce internal management, improve innovation capability and operation efficiency, and enhance performance assessment



Reinforce internal management



Enhance innovation capability





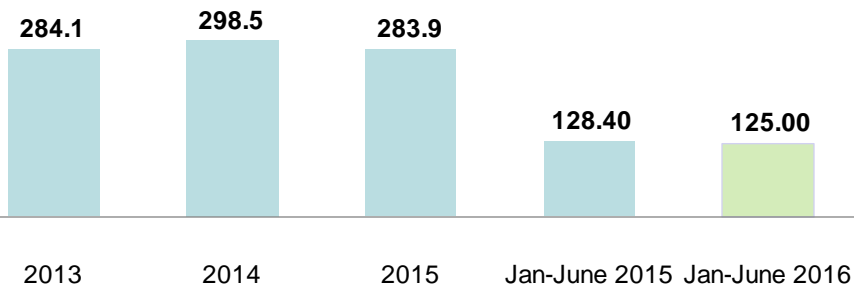
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Industry and Market Analysis

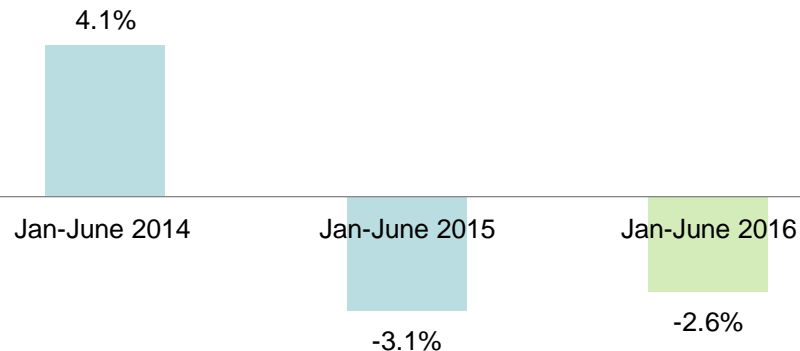
China's Textile and Apparel Industry in 1H2016 — Steady Growth of Domestic Demand and slower falls in exports

China's Textile and Apparel Exports' Value

USD in billion

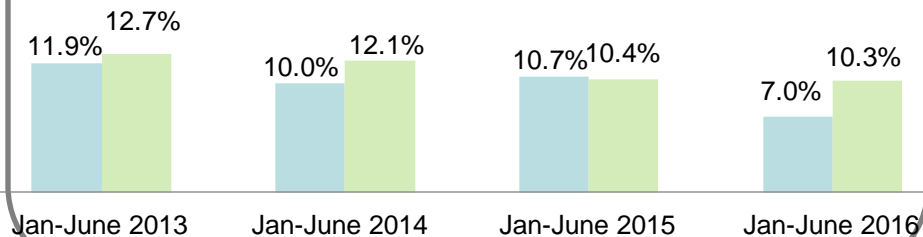


Growth Rate of China's Textile and Apparel Exports



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

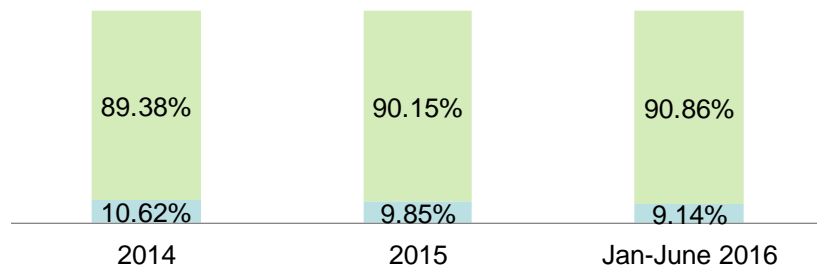
■ Growth of retail sales of apparel, footwear and textile products
 ■ Growth of retail sales of consumer goods



Source: China Customs, cottonchina.org

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

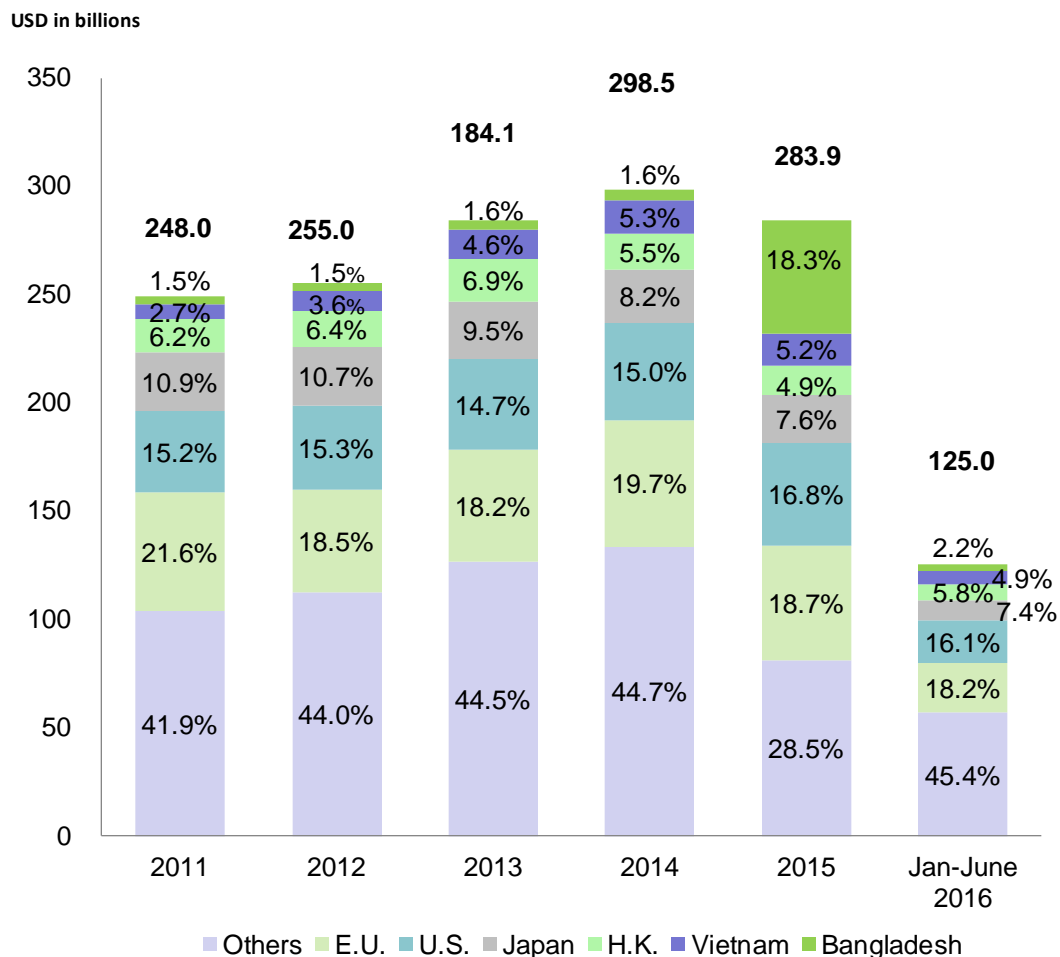
■ Overseas ■ Domestic



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

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

- In 1H2016, China's textile and apparel exports were 125 billion, down 2.6% YoY
- In 1H2016, China's textile and apparel were exported to:
 - U.S.: YoY down 5.0%
 - Japan: YoY down 5.1%
 - E.U.: YoY down 4.4%
 - Hong Kong: YoY up 15.1%
 - Vietnam: YoY down 9.1%
 - Bangladesh: YoY up 7.8%, growth rate down 4.2pp
 - Other regions: YoY down 2.3%

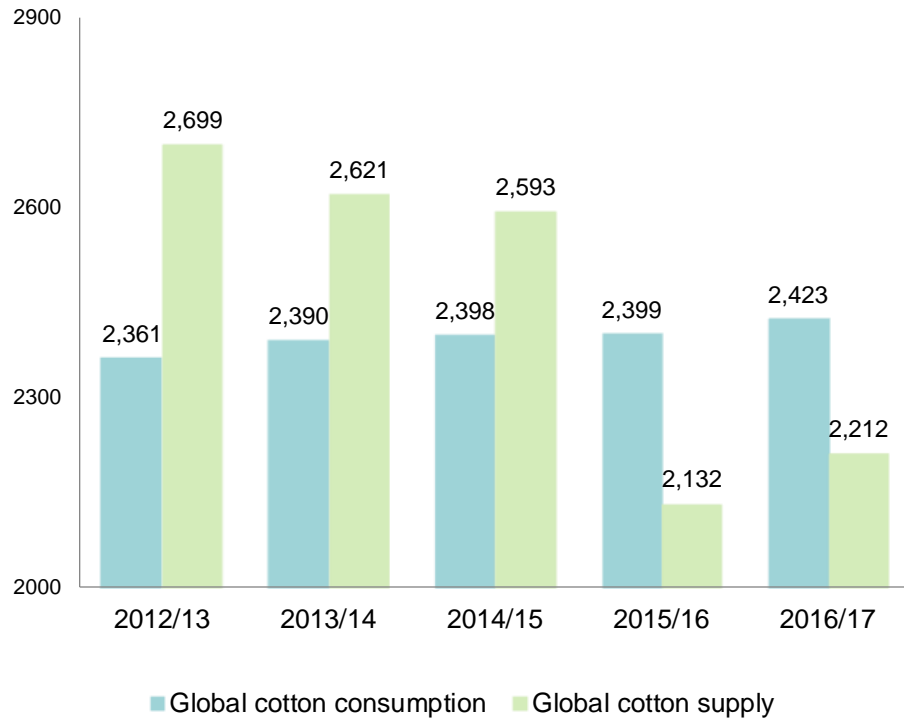


Source: China Customs, National Bureau of Statistics of China, China Chamber of Commerce for Import & Export of Textiles

Global Cotton Market – Supply and Demand

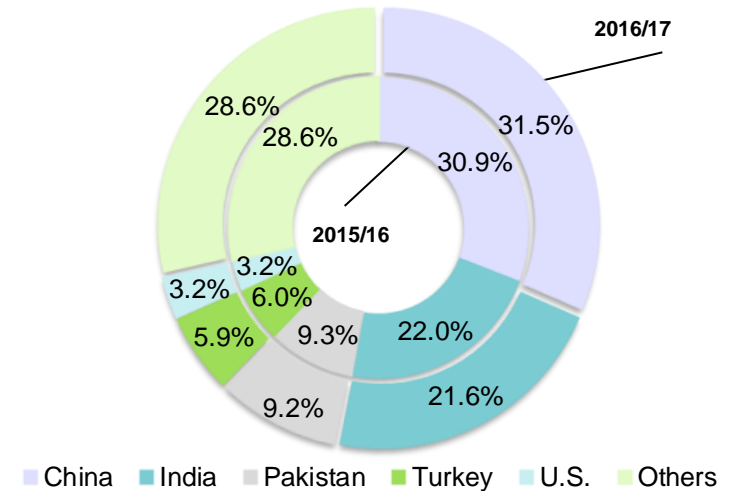
Global Cotton Output and Consumption Forecast by USDA in August

In ten thousand tons

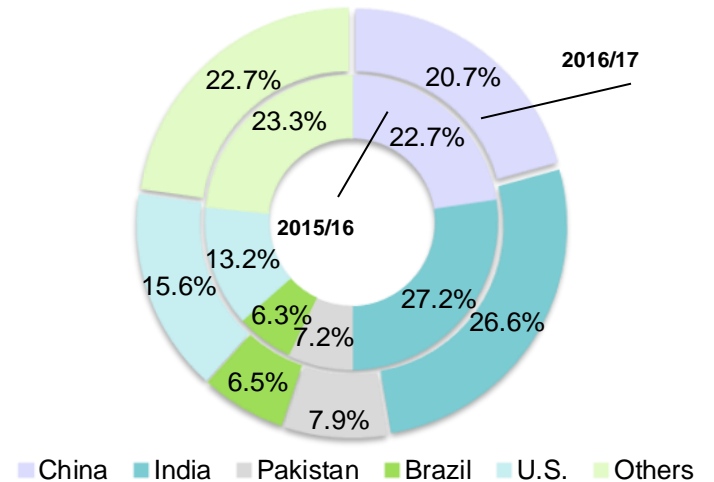


Source: USDA

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



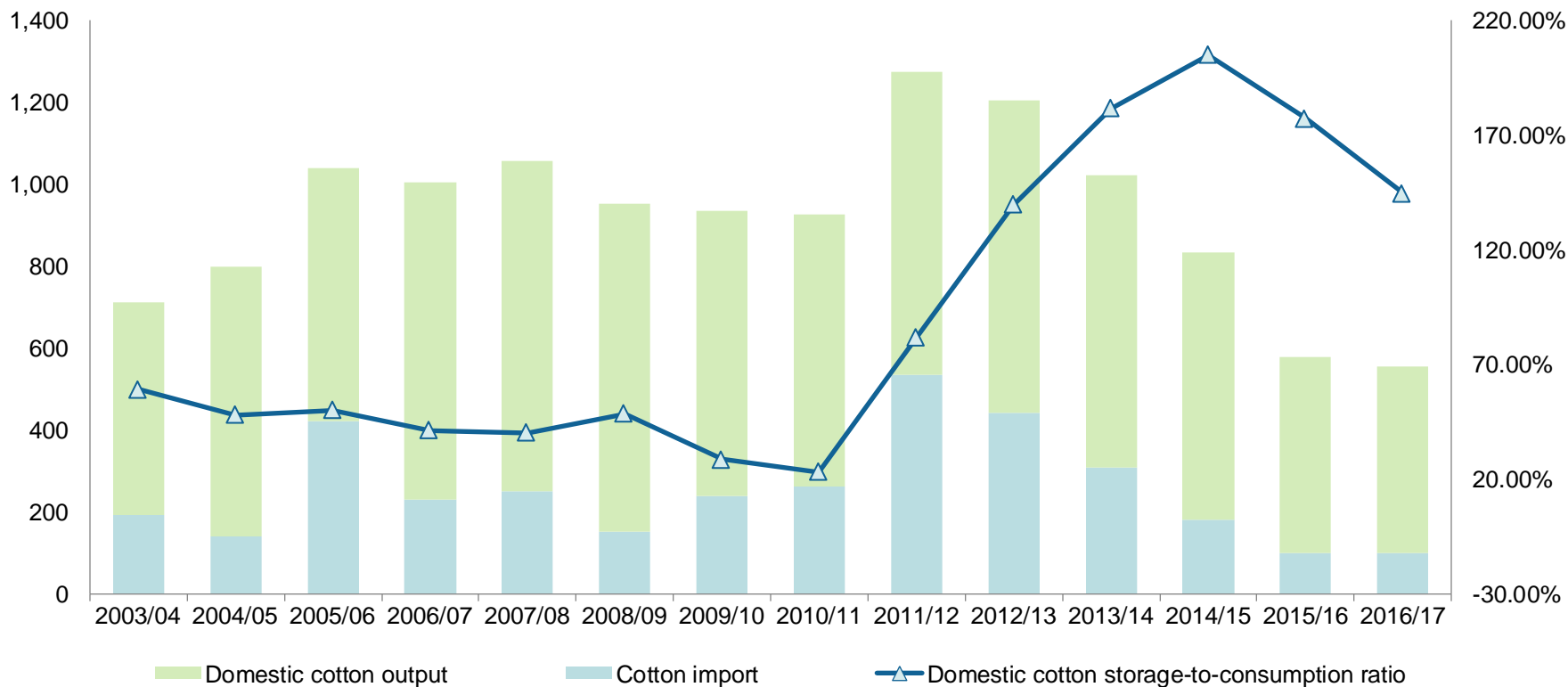
Global Cotton Supply Forecast (by regions) by USDA in August



Cotton Storage, Sales and Direct Subsidies in China

In ten thousand tons

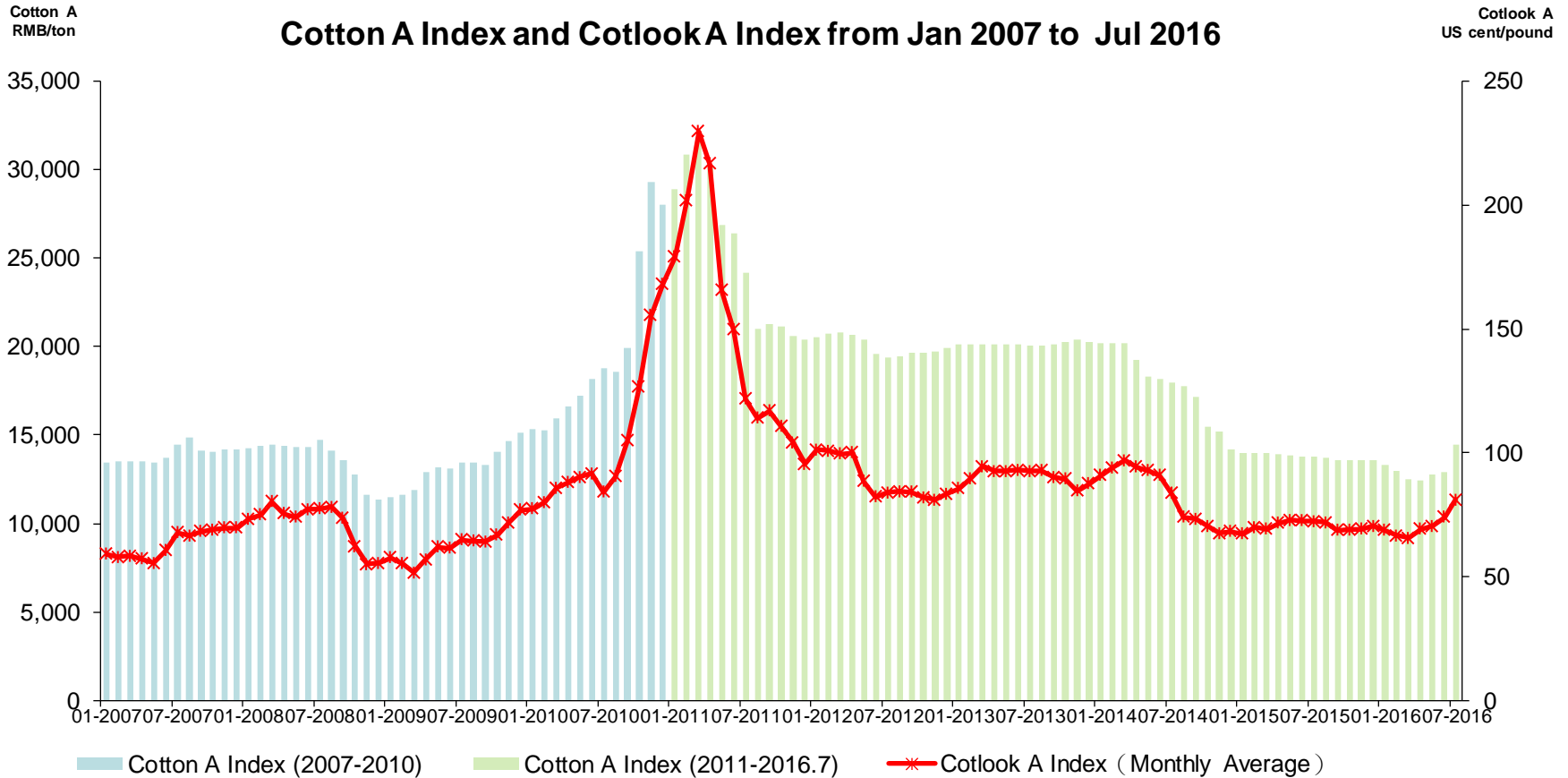
Domestic Cotton Supply and Demand Forecast by USDA in August 2016



- Output of the national cotton reserve for the year 2015/16 was not limited to 2 million tons, with output time extended to September 30, 2016. As at 15 August 2016, China has put a total of 1,983.0 thousand tons of cotton on the market, with a total transaction of 1,821.3 thousand tons (transaction percentage was 91.85%)

Source: cottonchina.org

Global Cotton Market Analysis – Price Trend

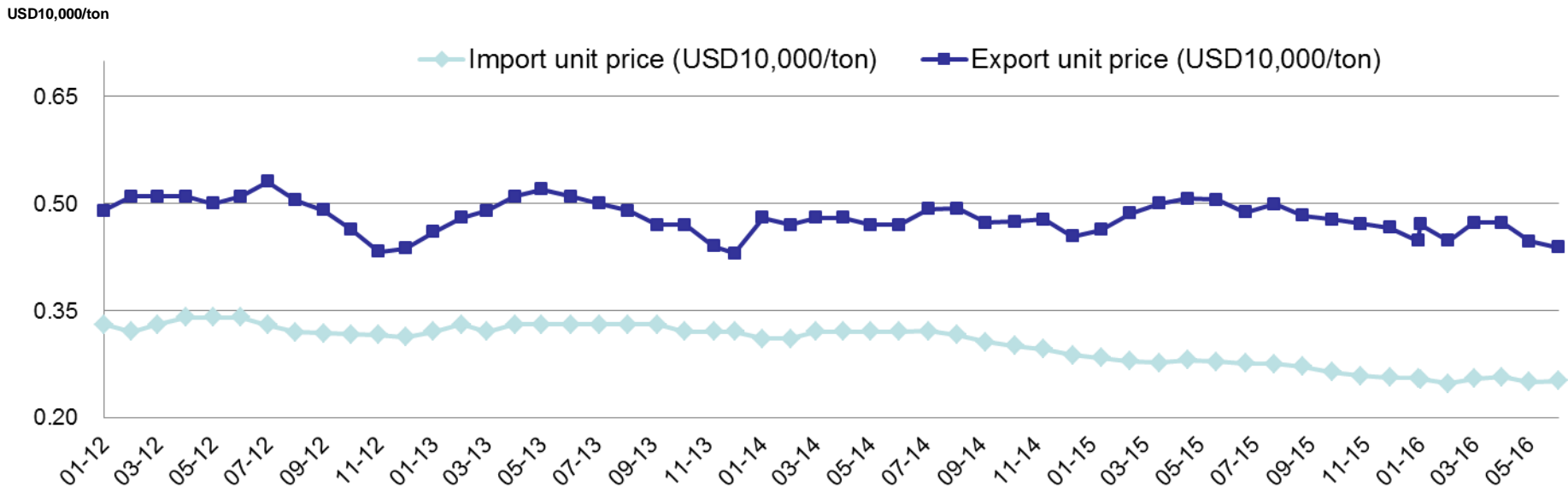


- USDA forecasted China's cotton output in the 2016/17 cotton crop year would be 4,572 thousand tons, and cotton consumption would be 7,620 thousand tons

Source: cottonchina.org, cncotton.com

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

Import and Export Price (2012 – June 2016)

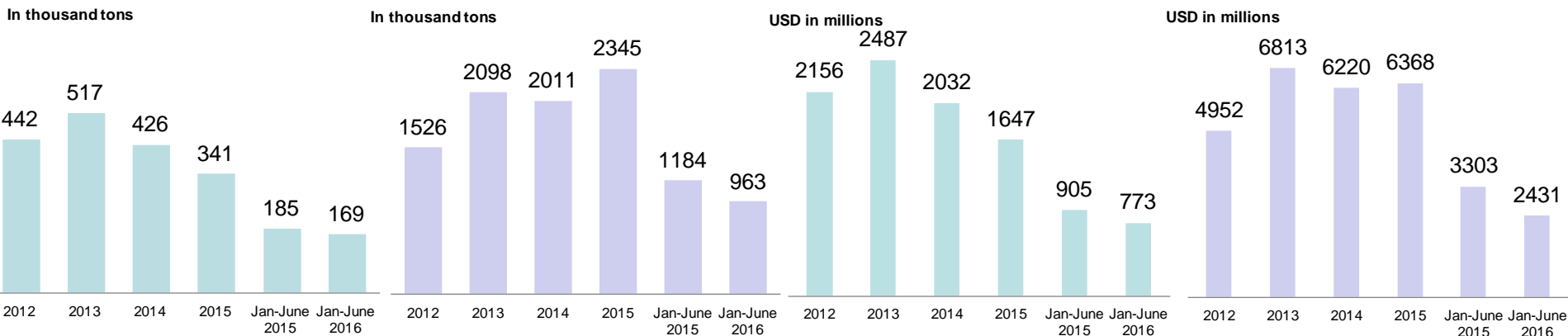


Export Volume

Import Volume

Export Value

Import Value

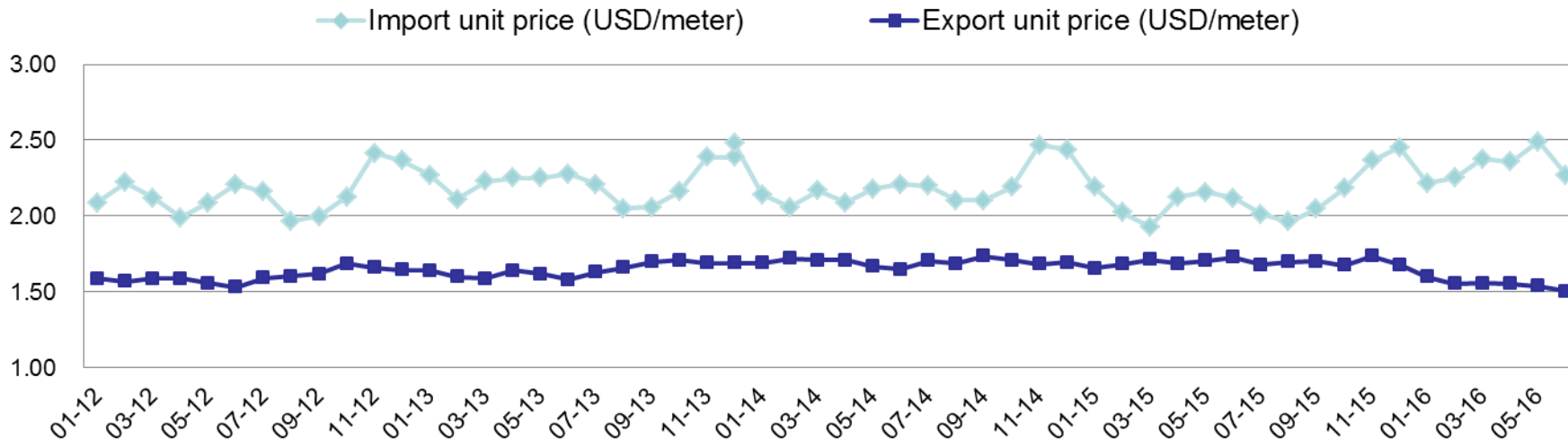


Source: cottonchina.org

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

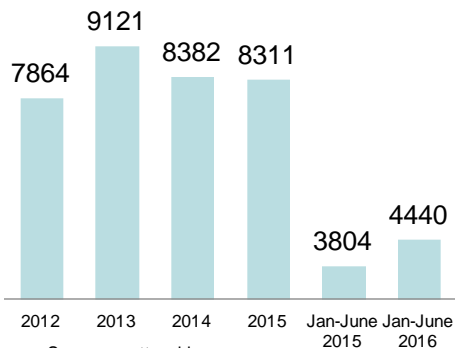
Import and Export Price (2012 – June 2016)

USD10,000/meter



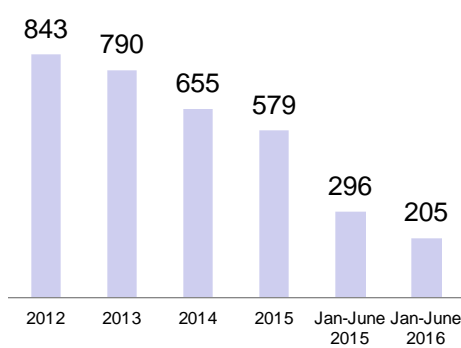
Export Volume

In million meters



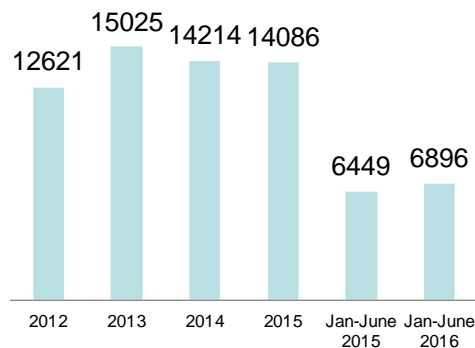
Import Volume

In million meters



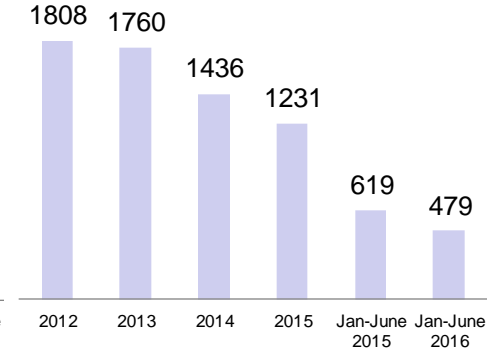
Export Value

USD in million



Import Value

USD in million



Source: cottonchina.org



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

Agenda

Prospects and Strategies

Challenges and Opportunities

Opportunities

- Macro economy at home and abroad maintains basically stable, and PRC economy will maintain a rapid growth within an appropriate range, especially with the advancement of supply-side structural reforms;
- The ongoing depreciation of RMB against the US Dollar and the implementation of measures to stabilize foreign trades
- Destocking of the real estate industry, implementation of the “comprehensive two-child policy”, accelerated urbanization and rising incomes will increase the consumer demand of the textile products and apparel;
- The strategies (enriching product varieties, improving product quality and enhancing its brand name) will move forward the upgrades and transformation of the textile industry;
- The national cotton reserve auction will objectively increase the effective supply of cotton raw materials, significantly narrowing the gap between domestic and overseas cotton prices as compared to the previous years.



Challenges



- PRC economy tends toward L-shaped growth with a relatively sluggish demand;
- The competition from neighboring low-cost countries exists;
- The price of raw material remains volatile due to the impact of government policy.

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

Optimization of business model

- ✓ Enhancement of intelligence and digitalization to improve corporate innovation capacity
- ✓ Adherence to middle to high-end product strategy to enhance added value of products and improve gross margin
- ✓ Focus on domestic and export markets, improve product mix, satisfy domestic demand for middle to high-end textile products
- ✓ Keep focus on R&D capability and enhance production automation

Improvement of Operational Strategy

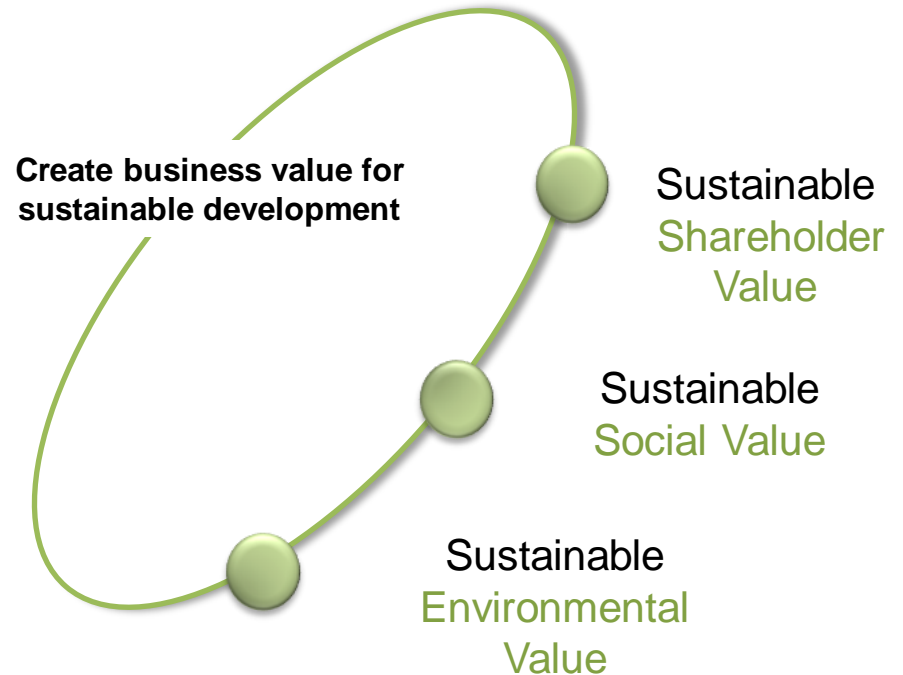
- ✓ Reinforce internal management and innovate management approaches
- ✓ Upgrade equipment and technologies, improve levels of intelligence, digitalization, business management and efficiency of labor
- ✓ R&D new products, promote new technologies, techniques and equipment
- ✓ Strictly fulfill energy saving and environment protection requirements to practice "green manufacturing"
- ✓ Fully utilize the Group's thermal power assets to further ensure stable energy supply and the Group's profit
- ✓ strengthen cost control through energy saving and consumption reduction

Corporate Vision Towards The Future

Long-Term Blueprint

- Keep pace with the changes in market demand and macroeconomic environment, and improve operating business management
- Enhance independent innovation capability and promote the Group's core competitiveness
- Amass superior assets and create sustainable business value, while contributing to the healthy development of society

Sustainable Business Value



THANKS



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