



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

# 2010 Interim Results Presentation

23 August 2010



# 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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Weiqiao Textile Company Limited

# Financial Review



# Financial review

RMB million	As at 30 June		
	2009	2010	Change (%)
<b>Turnover</b>	6,380	<b>8,304</b>	<b>30.2</b>
<b>Gross profit</b>	485	<b>1,040</b>	<b>114.4</b>
<b>Gross profit margin (%)</b>	7.6	<b>12.5</b>	<b>4.9% point</b>
<b>Operating profit margin (%)</b>	12.7	<b>11.7</b>	<b>-1% point</b>
<b>Profit before tax</b>	532	<b>734</b>	<b>38.0</b>
<b>Profit attributable to shareholders</b>	395	<b>545</b>	<b>38.0</b>
<b>Diluted earnings per share (RMB)</b>	0.33	<b>0.46</b>	<b>39.4</b>
<b>Net profit margin (%)</b>	6.2	<b>6.6</b>	<b>0.4% point</b>



# Financial review

RMB million	As at 31 December 2009	As at 30 June 2010	Change (%)
<b>Total assets</b>	26,755	<b>27,424</b>	<b>2.5</b>
<b>Total liabilities</b>	12,587	<b>12,989</b>	<b>3.2</b>
<b>Net asset value</b>	14,168	<b>14,435</b>	<b>1.9</b>
<b>Current ratio (times)</b>	1.18	<b>1.23</b>	<b>0.05 times</b>
<b>Account receivable turnover (days)</b>	22	<b>23</b>	<b>1 day</b>
<b>Inventory turnover (days)</b>	78	<b>75</b>	<b>-3 days</b>
<b>Account payable turnover (days)</b>	43	<b>43</b>	<b>--</b>
<b>Net debt to equity ratio (%)</b>	38	<b>30</b>	<b>-8% point</b>
<b>Gearing ratio (%)</b>	47	<b>47</b>	<b>--</b>



# Cost analysis

RMB million	As at 30 June		
	2009	2010	Change(%)
<b>COGS</b>	5,894	<b>7,264</b>	<b>23.2</b>
<b>Sales and distribution costs</b>	129	<b>135</b>	<b>4.7</b>
<b>Administrative expenses</b>	94	<b>102</b>	<b>8.5</b>
<b>Other expenses</b>	36	<b>53</b>	<b>47.2</b>
<b>Finance costs</b>	276	<b>240</b>	<b>-13.0</b>





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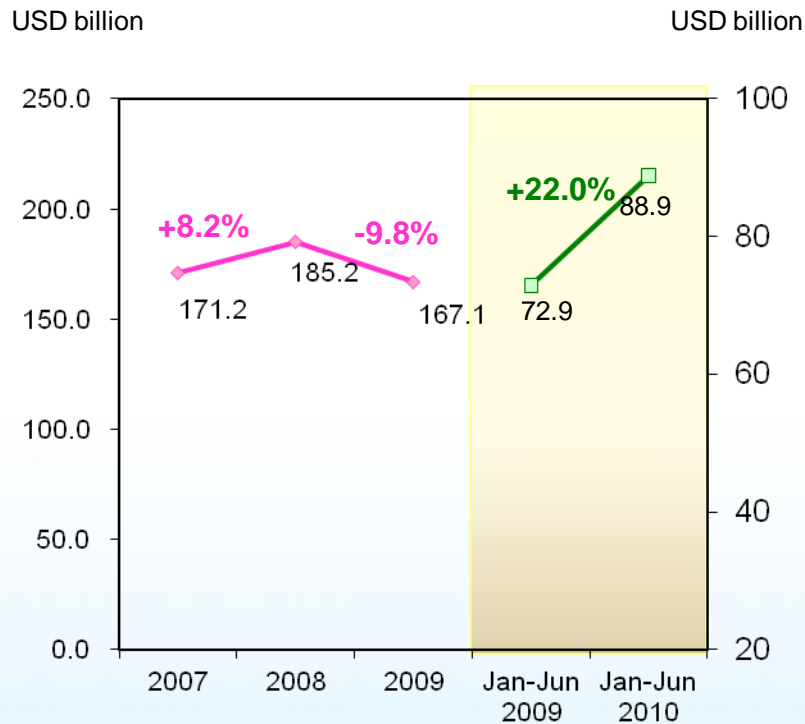
# Industry and Market Analysis



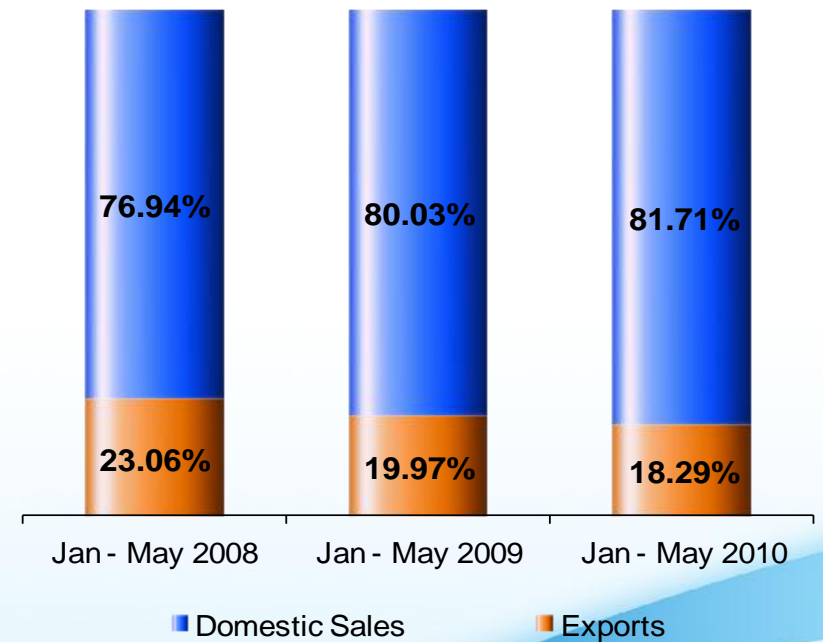


# Global economic recovery – export rises and domestic demand remains growth

## Trend of China textile and apparel exports



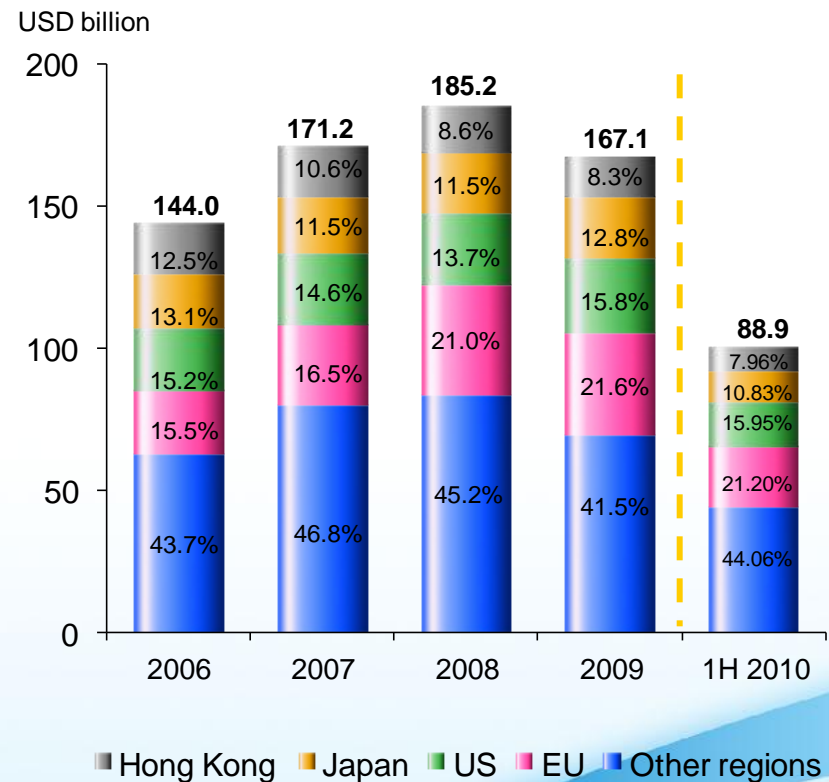
## Proportion of exports and domestic sale for China textile and apparel industry



# Global economic recovery – export rises and domestic demand remains growth (con't)

- In 1H 2010, China's textiles & apparel exports amounted to USD 88.85 billion, representing a yoy increase of 22.0%
- In 1H 2010, China's textile & apparel were exported to :
  - ➔ US: yoy up 28.6%
  - ➔ Japan: yoy up 1.2%
  - ➔ EU: yoy up 18.4%
  - ➔ Hong Kong: yoy up 10.1%
  - ➔ Other regions: yoy up 30.6%

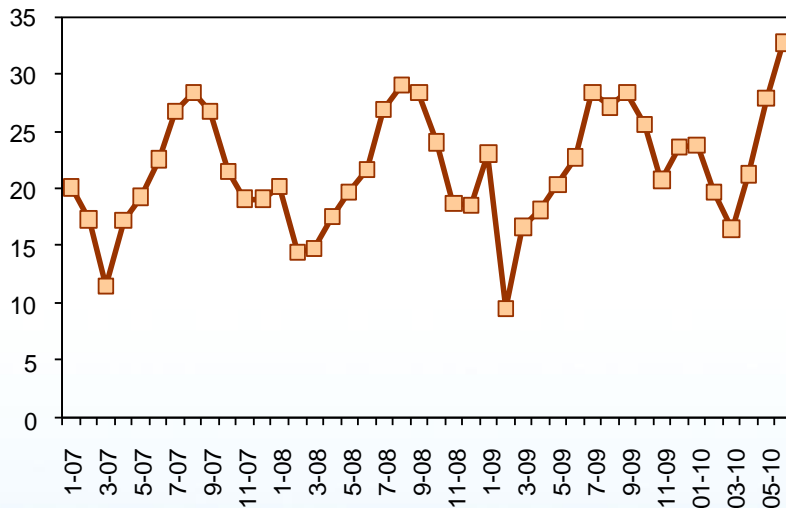
Value of China's textile and apparel exports and proportion in percentage by geography



# China's textile and apparel exports to US and EU increased substantially

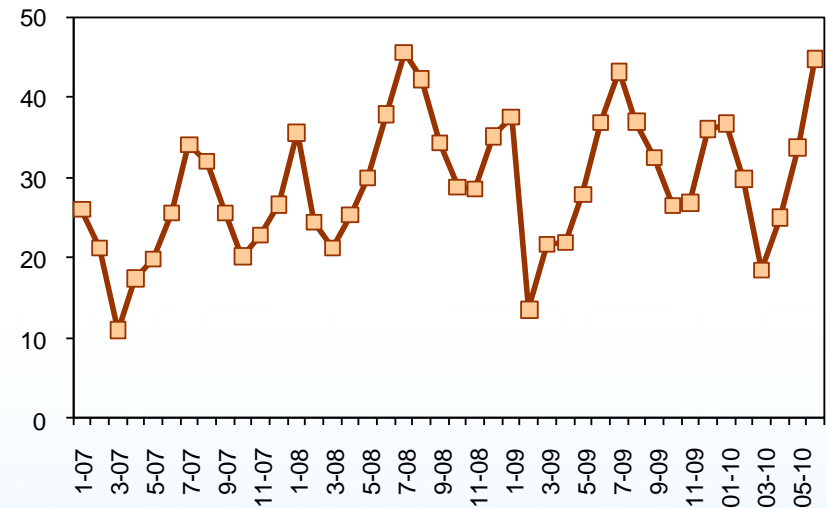
Trend of China's textile and apparel exports to US

USD 100 million



Trend of China's textile and apparel exports to EU

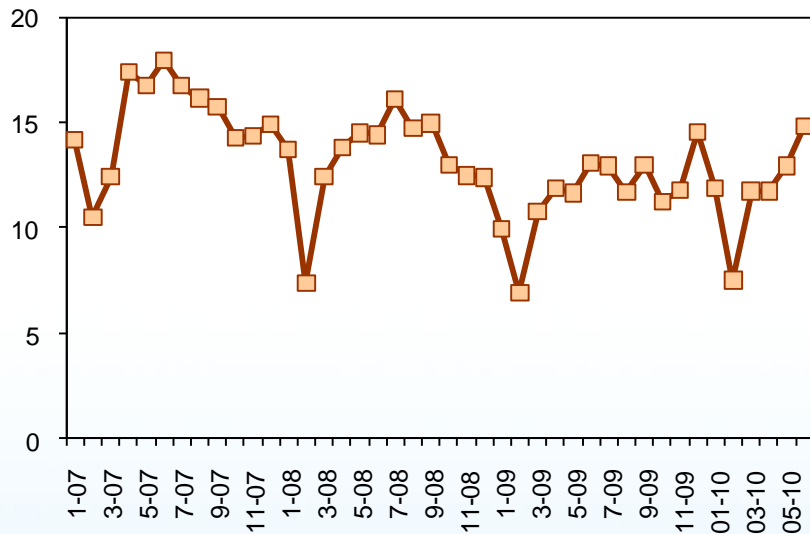
USD 100 million



# China's textile and apparel exports to Hong Kong and Japan grew gradually

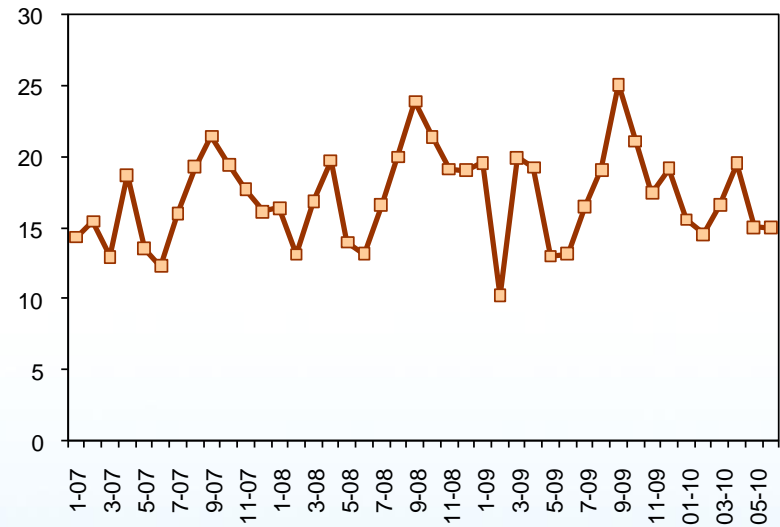
Trend of China's textile and Apparel exports to Hong Kong

USD 100 million



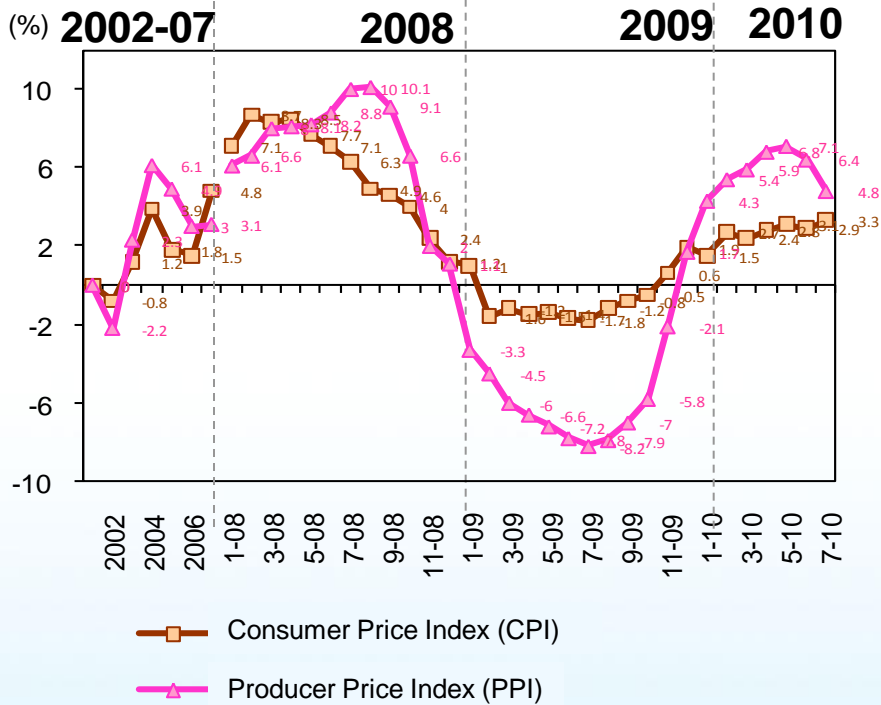
Trend of China's textile and Apparel exports to Japan

USD 100 million

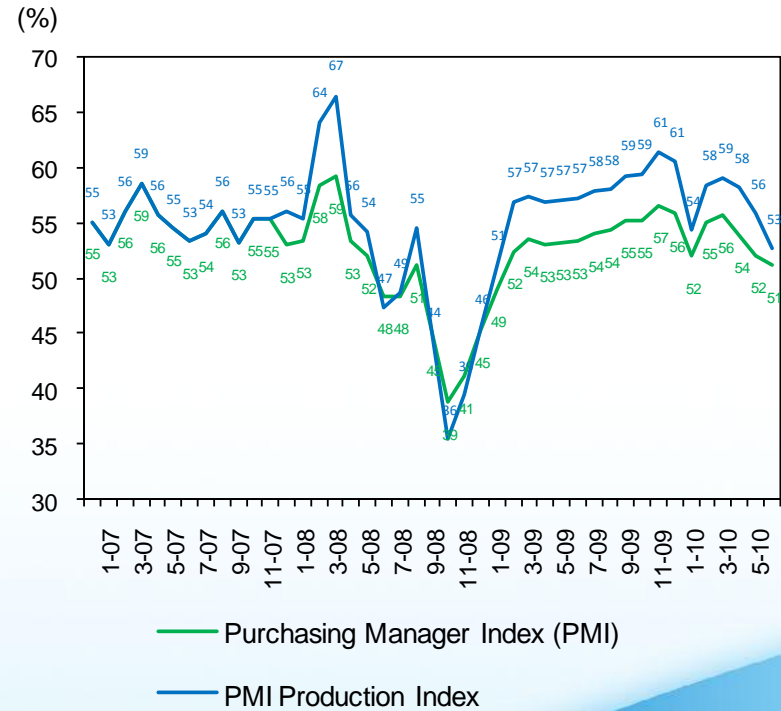


# PPI trend versus CPI

Consumer Price Index (CPI)  
and Producer Price Index (PPI)

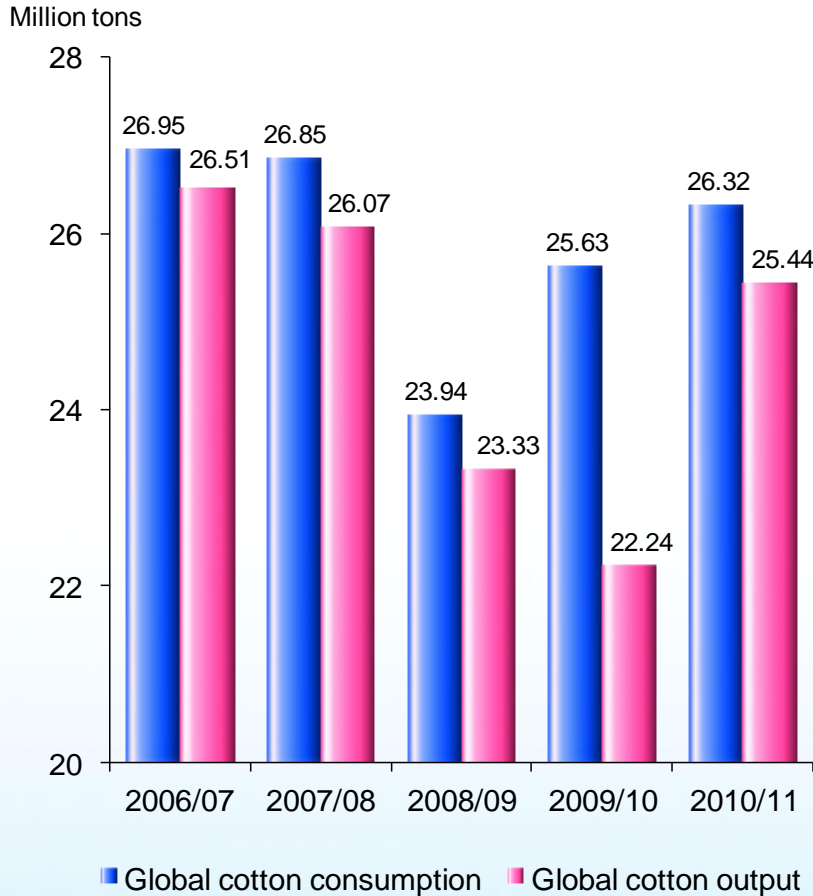


Purchasing Manager Index (PMI)  
and PMI Production Index

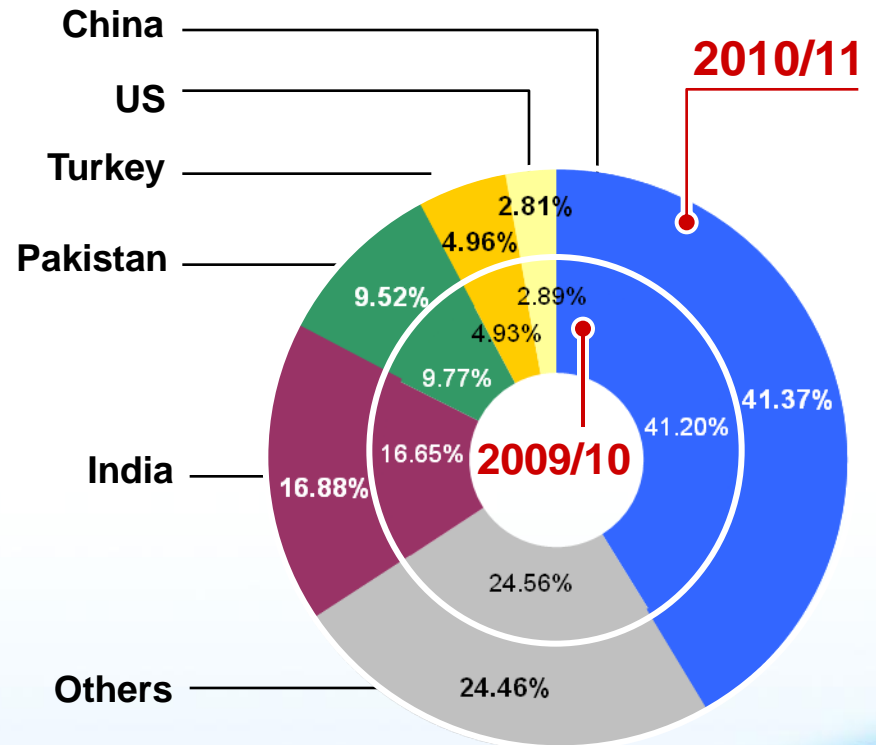


# Global cotton demand analysis

Expected global cotton output and consumption in August from USDA

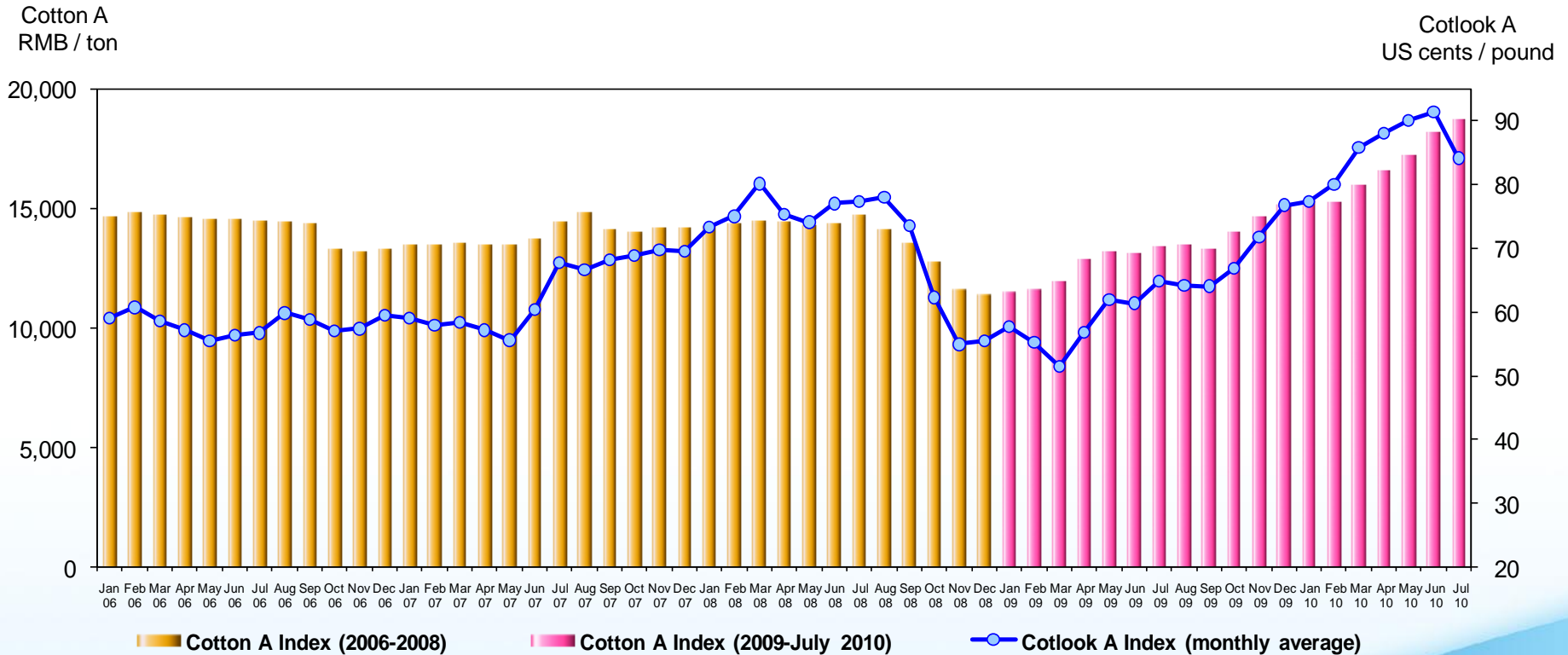


Breakdown of the expected global cotton consumption in August from USDA



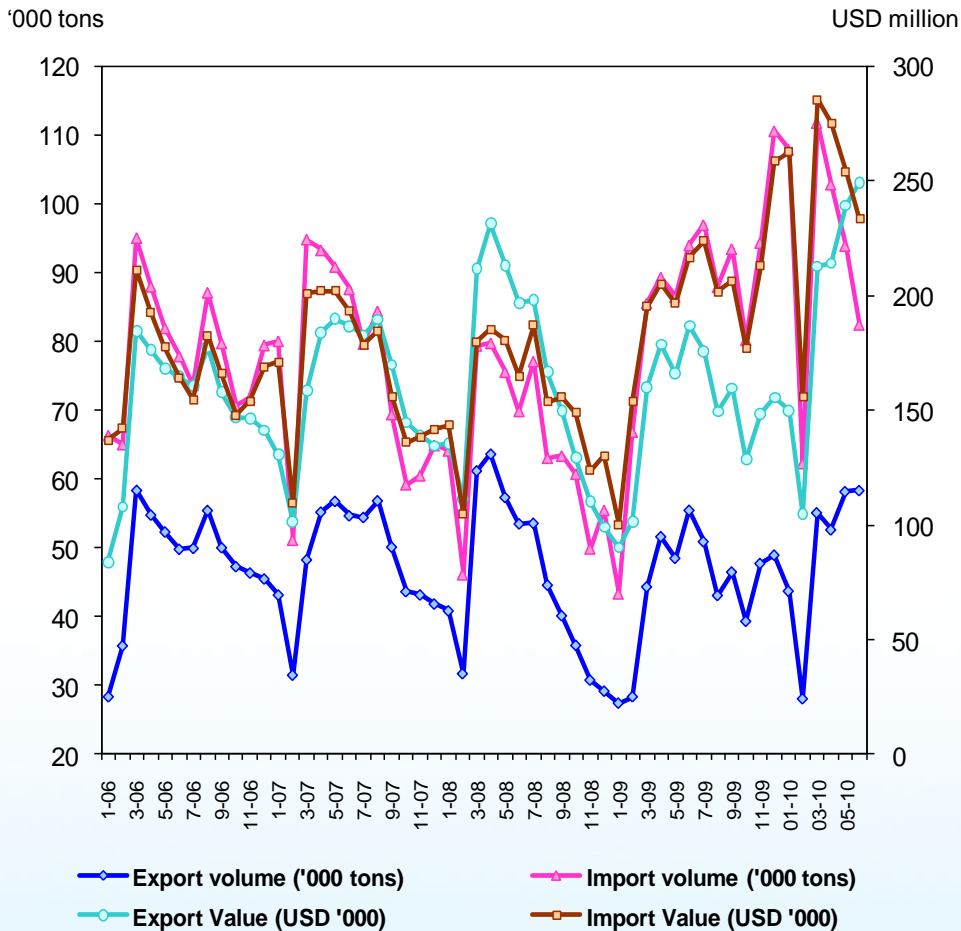
# Cotton price trend analysis

## Cotton Price : Cotton A Index and Cotlook A Index from 2006 to July 2010

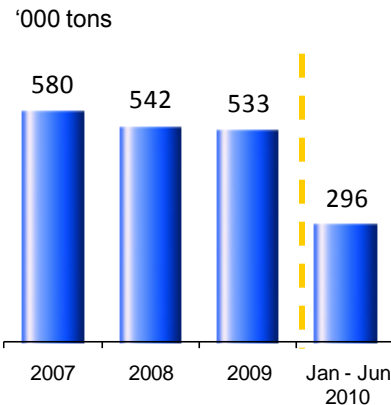


# Import and export of cotton yarn: volume and value

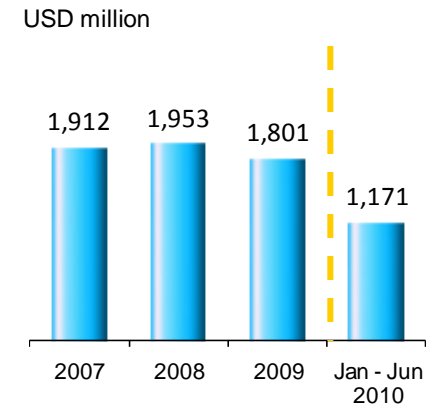
2006 to June 2010



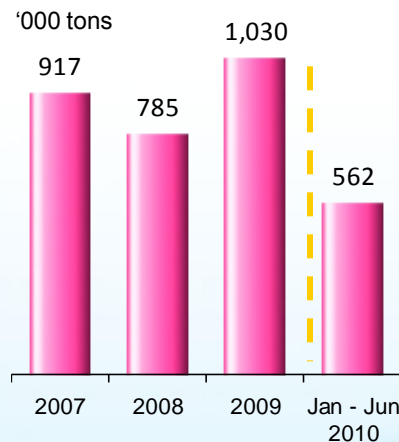
Export Volume



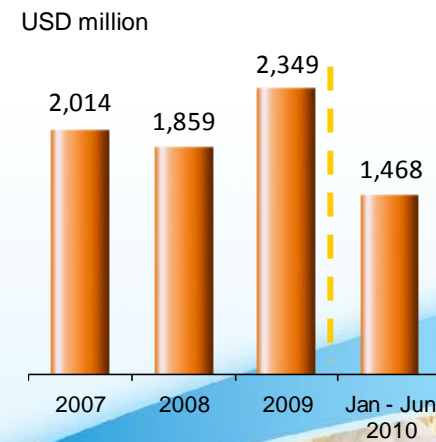
Export Value



Import Volume



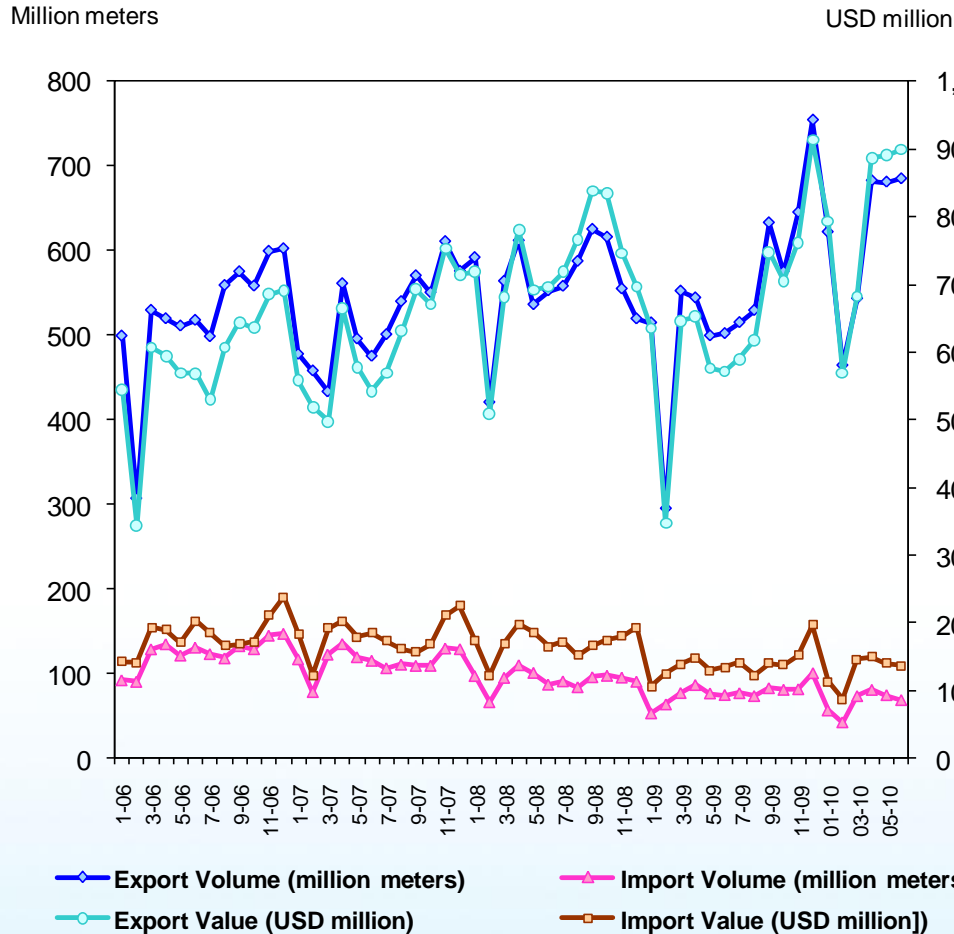
Import Value



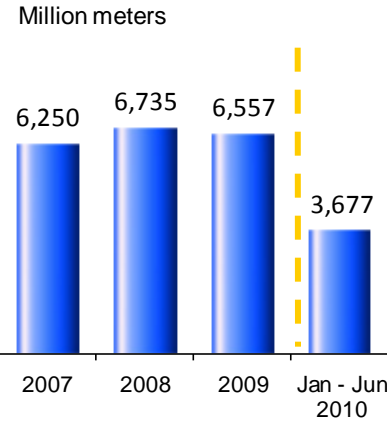


# Import and export of grey fabric: volume and value

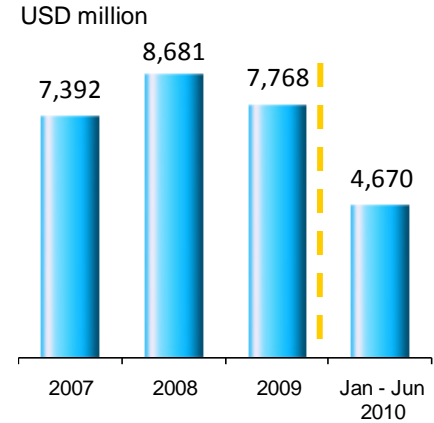
2006 to June 2010



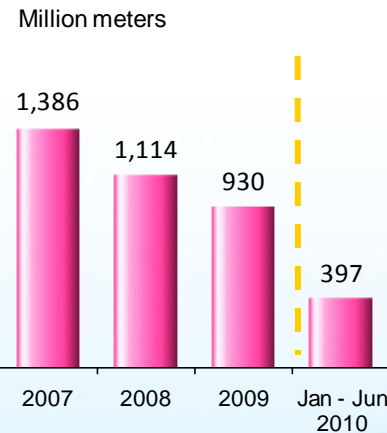
Export Volume



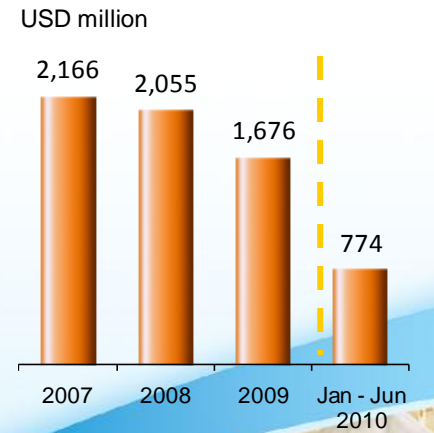
Export Value



Import Volume



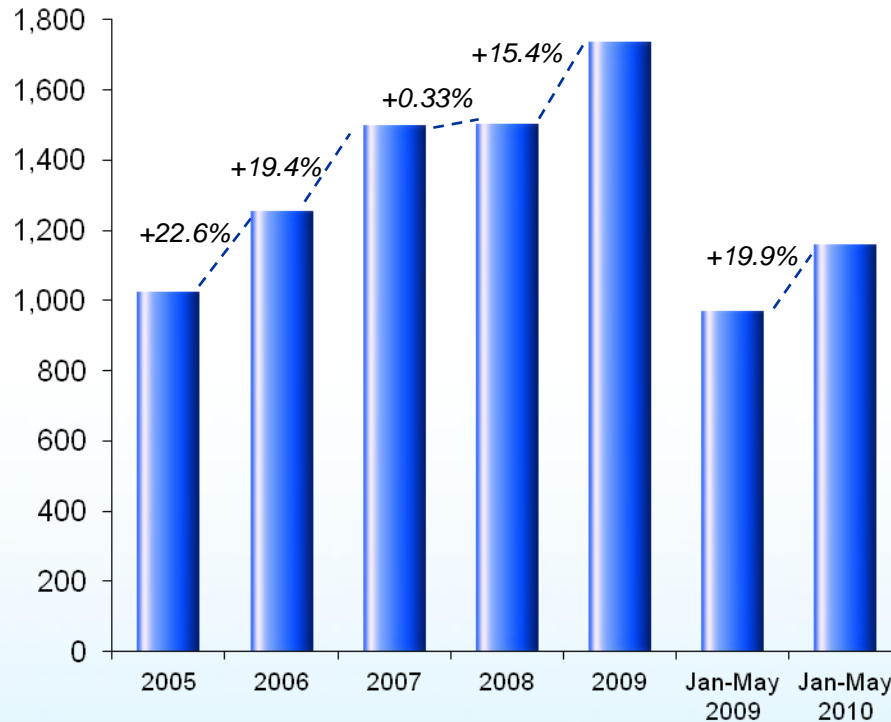
Import Value



# Fixed asset investment and proportion of loss-making enterprises in textile industry

Fixed asset investment of textile industry from 2005 to May 2010

RMB 100 million



Proportion of loss-making textile enterprises from 2005 to May 2010

%





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# Business Review

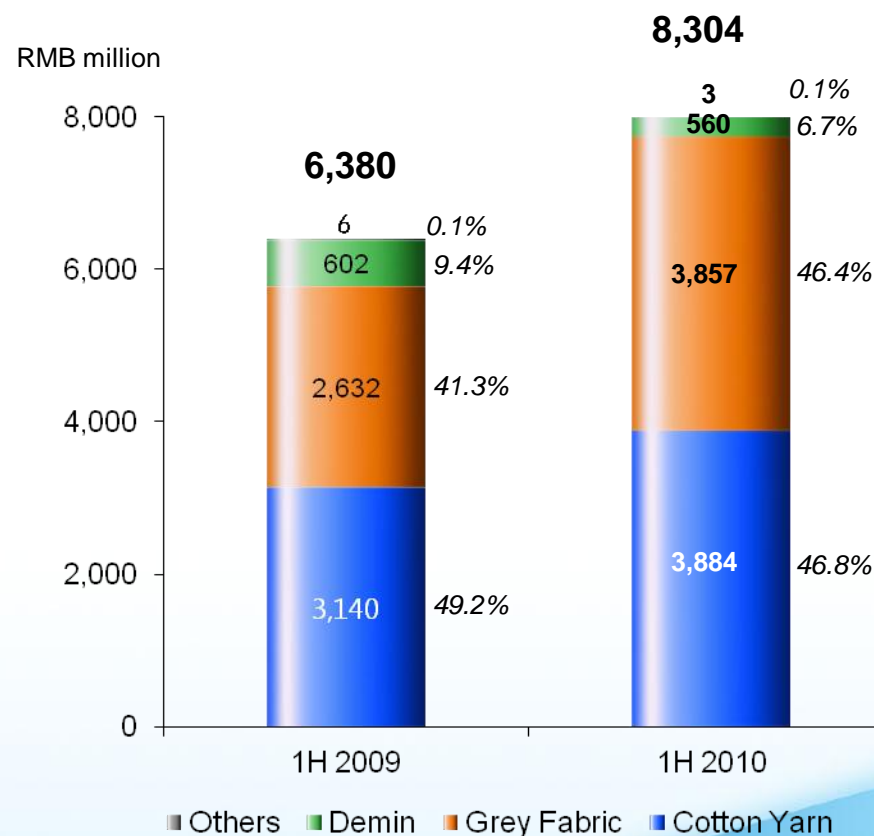


# Revenue analysis by product category

- During the review period, the sales of cotton yarn, grey fabric and denim accounted for 46.8%, 46.4% and 6.7% of total sales respectively

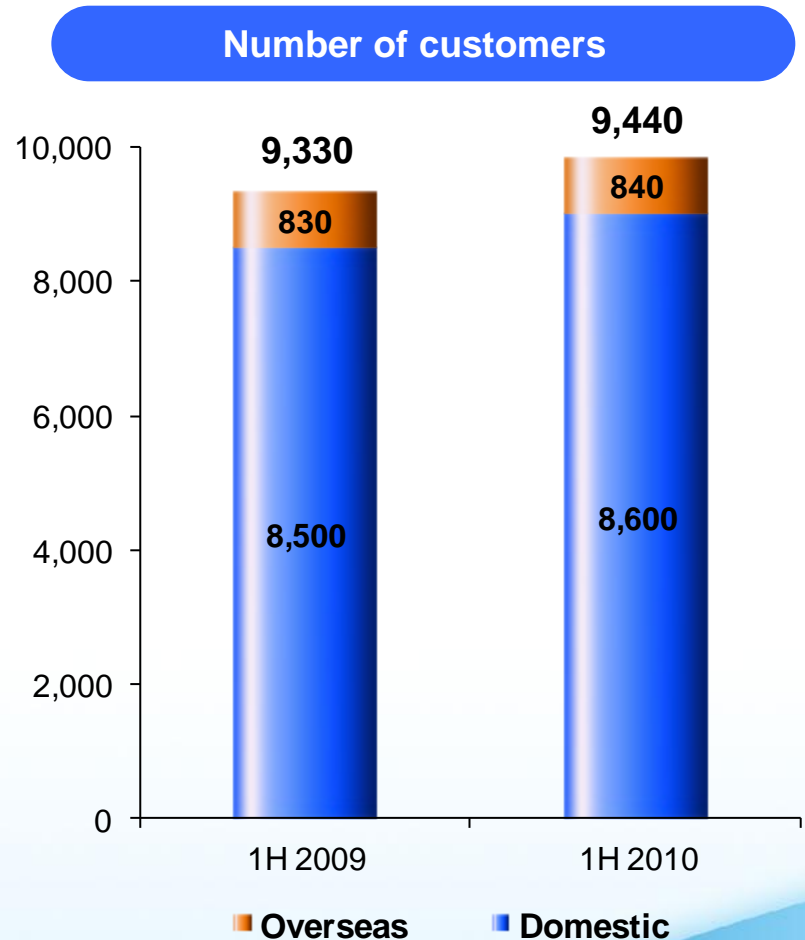
RMB million	1H 2009	1H 2010
<b>Cotton yarn</b>	3,140	<b>3,884</b>
<b>Grey fabric</b>	2,632	<b>3,857</b>
<b>Demin</b>	602	<b>560</b>
<b>Others</b>	6	<b>3</b>
<b>Total revenue</b>	6,380	<b>8,304</b>

## Sales breakdown by product



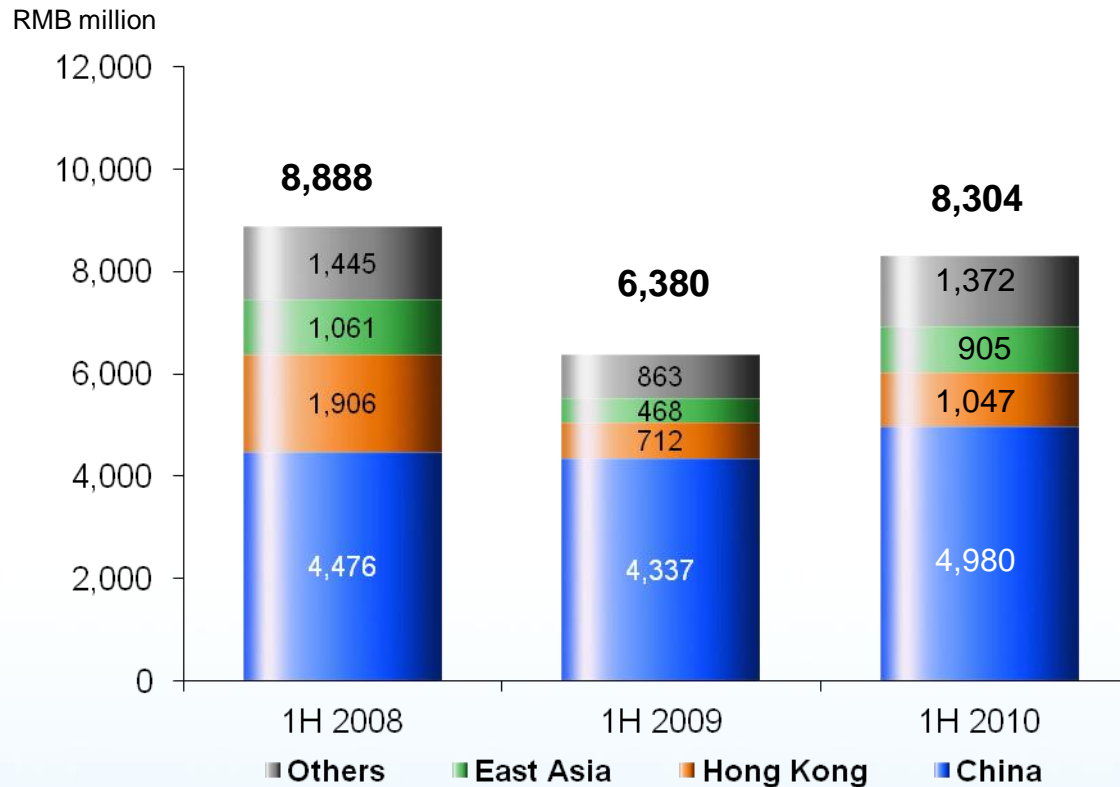
# Strong customer base

- Domestic customer: approximately 8,600 customers across 30 provinces
- International Customer: approximately 840 clients across 20 countries and regions
- Sales to top five customers accounted for 13.5 % of total sales in 1H 2010
- Sales to single largest customer accounted for 4.8%



# Regional revenue analysis

## Revenue breakdown by region



- Secured overseas market sales network, representing 40.02% of total sales
- Revenue from EU and US market accounted for 3.51% of total revenue in 1H 2010



# Power plants guarantee stable energy supply and production efficiency

As at 30 June			
RMB million	2009	2010	Change (%)
<b>Total installed electricity generation power</b>	1,590	<b>1,590</b>	<b>0</b>
<b>Revenue from sale of electricity and steam</b>	1,553	<b>1,316</b>	<b>-15.3</b>
<b>Gross profit from sale of electricity and steam</b>	500	<b>154</b>	<b>-69.2</b>



# Maintain a leading position in the industry

- In terms of sales revenues and total export value, Weiqiao was ranked No. 1 for several consecutive years in the cotton textile industry
- Weiqiao Textile's grey fabric recognized by AQSIQ as "China Brandname Product"
- Weiqiao Textile's combed yarn recognized by AQSIQ as "China Brandname Product"
- Weiqiao Textile's knitting yarn recognized by China Cotton Textile Association and China Knitting Industry Association as high credit product by users
- Weiqiao's production the "Riverside Scene at Qingming Festival" won it a patent for exterior design from National Intellectual Property Rights Organization





# Prospects and Strategies



# Prospects

## Opportunities

### Challenges

- Continuous appreciation of RMB expected
- Favorable policies withdraw while long term recovery of exports maybe unsecured
- Possible costs rise including labor force and raw materials etc.
- Potential trade friction
- Euro crisis continues
- The implementation of strict measures from the Government to discard inefficient capacity

- Stabilized economy accompanied by recovering demand
- Improvement in exports, especially US and Europe, steady growth in domestic demand
- Government's policies in industry transformation and innovation, achieved satisfactory results
- Export prices in textile products increased and inventory level lowered
- Realizing zero-tariff within China and ASEAN free trade zone



# Objectives and Strategies

- To replace the abolished equipment and upgrade technology
- To optimize capital structure and reduce financial costs
- To expand market share by seizing local and overseas market opportunities
- To enhance corporate governance and quality of the staff force



**TO BE THE  
LARGEST and  
STRONGEST  
COTTON TEXTILE  
MANUFACTURER  
IN THE WORLD**





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# Open Forum

