



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

2012 Annual Results Presentation

March 18, 2013



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 Review**
- **Business Review**
- **Prospects and Strategies**





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Financial Review



Financial Review

(RMB in millions)	2011 As at 31 Dec	2012 As at 31 Dec	Change
Turnover	15,232	15,248	0.1%
Gross Profit	278	1,037	273.0%
Gross Profit Margin (%)	1.8	6.8	5.0 pp
Operating profit margin (%)	4.7	8.5	3.8 pp
Profit before tax	255	664	160.4%
Profit attributable to shareholders	246	482	95.9%
Diluted earnings per share (RMB)	0.21	0.40	90.5%
Net profit margin (%)	1.6	3.2	1.6 pp
Dividend Payout Ratio (%)	35	35	-

Financial Review

	2011 As at 31 Dec	2012 As at 31 Dec	Change
(RMB in millions)			
Total assets	29,357	28,374	-3.3%
Total liabilities	14,119	12,730	-9.8%
Net asset value	15,238	15,644	2.7%
Current ratio (times)	1.4	1.8	0.4 time
Account receivable turnover(days)	8	13	5 days
Inventory turnover(days)	245	149	-96 days
Inventories	10,045	5,800	-42.3%
Account payable turnover(days)	84	46	-38 days
Net debt to equity ratio(%)	46.2	11.0	-35.2 pp
Gearing ratio(%)	31.0	32.0	1.0 pp

Cost Analysis

(RMB in millions)	2011 As at 31 Dec	2012 As at 31 Dec	Change
Cost of goods sold	14,954	14,211	-5.0%
Sales and distribution costs	180	206	14.4%
Administrative expenses	231	252	9.1%
Other expenses	75	84	12.0%
Finance costs	468	629	34.4%



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Industry and Market Review

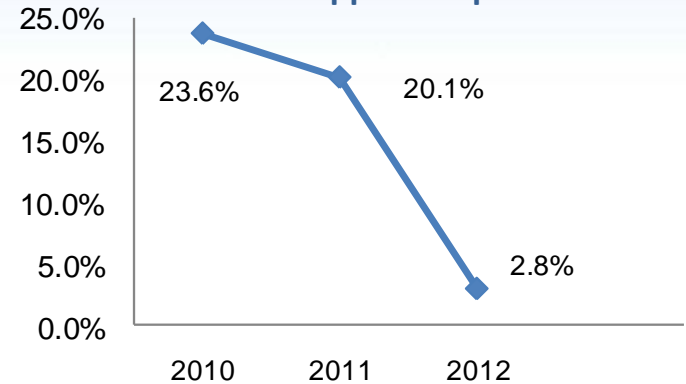


China's Textile Industry in 2012 – Significant Slowdown; Steady Domestic Market Growth; Exports Still under Pressure

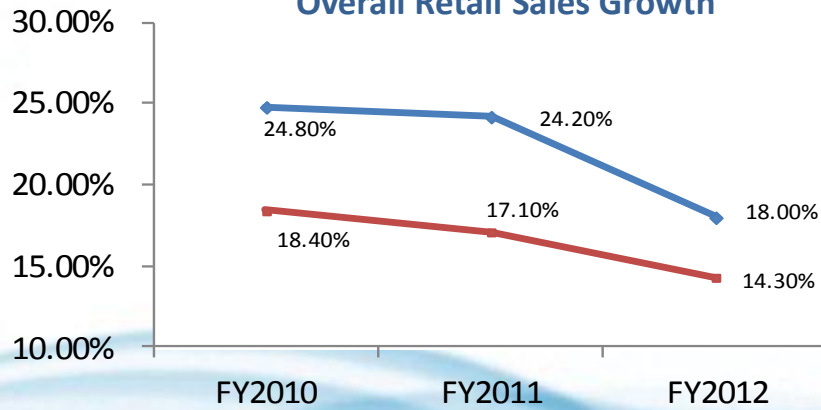
Trend of China's Textile and Apparel Exports



Growth Trend of China's Textile and Apparel Exports

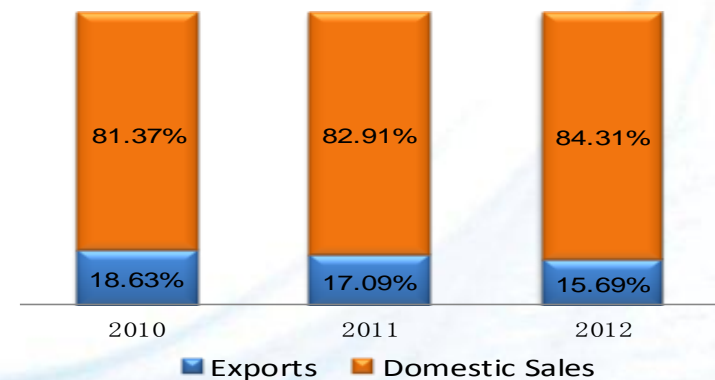


Retail Sales Growth of Textile Products V.S. Overall Retail Sales Growth



◆ Retail sales yoy growth of textile products
◆ Overall retail sales yoy growth

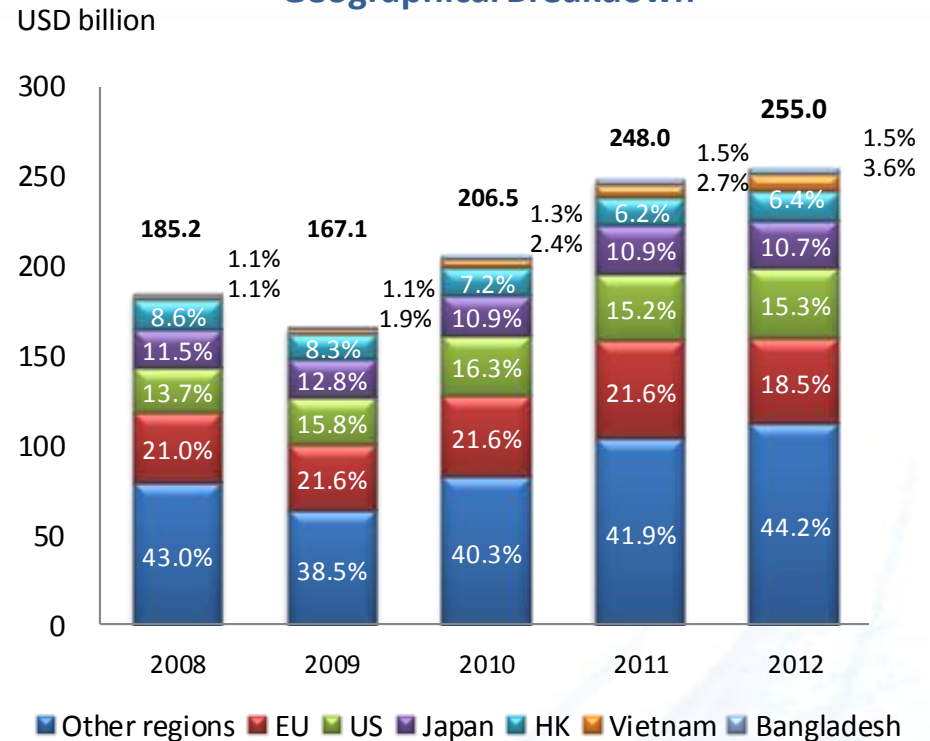
Proportion of Exports and Domestic Sale for China Textile and Apparel Industry



China's Textile and Apparel Exports Analysis – Geographical Breakdown

- In 2012, China's textiles and apparel exports amounted to USD 255 billion, representing a yoy increase of 2.8%, growth rate decreased by 17.3 point.
- In 2012, China's textile and apparel were exported to:
 - US : up 3.3%, growth rate down 8.4pp
 - Japan: up 0.5%, growth rate down 20.3pp
 - EU: down 11.9%, growth rate down 31.6pp
 - HK : up 5.8%, growth rate up 2.8pp
 - Vietnam: up 34.4 %, growth rate down 3.7pp
 - Bangladesh: up 1.7%, growth rate down 31.4pp
 - Other regions: up 8.4%, growth rate down 16.6pp

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 – Competitive Pressure Analysis

Exports under Pressure

Lack of Global Demand

- Global demand declined due to the impact of European crisis.
- Continued uncertainty remains in the economic recovery of European countries and the U.S. led to increasing trade protectionism, depressing China textile products exports.

Lower Production Costs in Emerging Markets

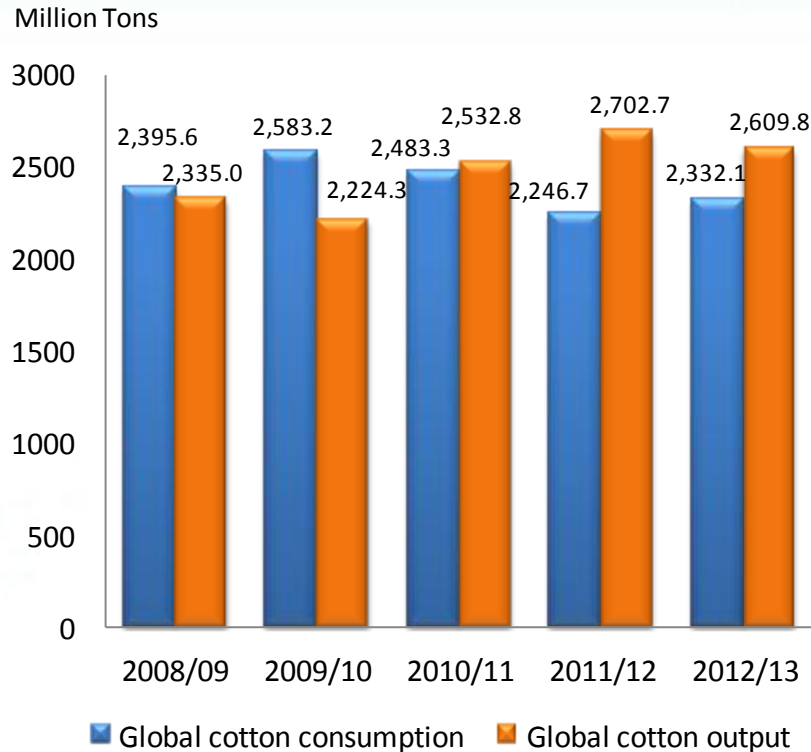
- Emerging markets (India, Pakistan and Bangladesh, etc.) gained market share in low-end products on lower production costs, negatively affecting the growth in Chinese exports.
- Limited impact on overall Chinese textile exports, since emerging market products are mostly low-end.

Higher Production Costs in Domestic Market

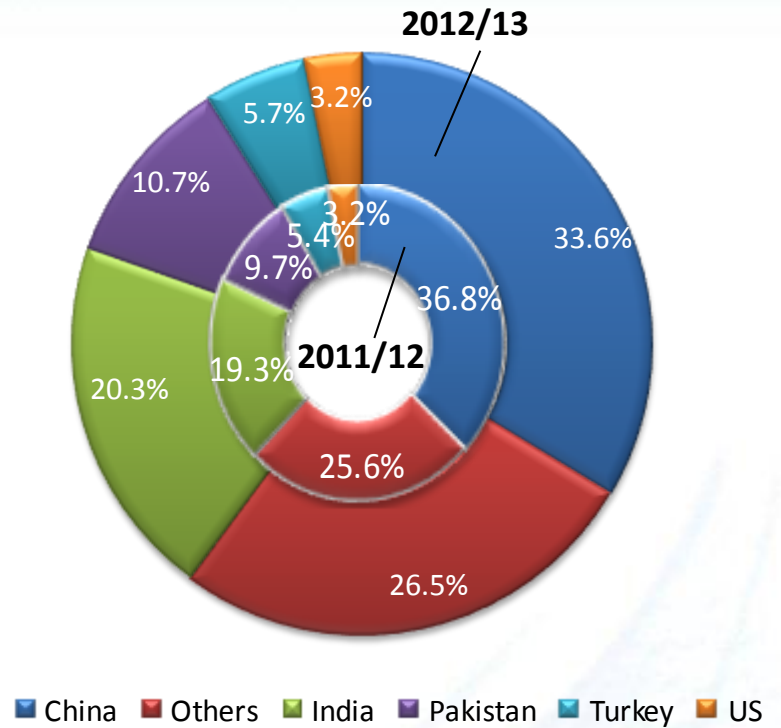
- Higher production costs due to cotton price gap between domestic and overseas markets, reduced competitiveness of Chinese textile companies in global markets.
- High financing cost; significant increases in labor and transportation costs.

Global Cotton Market – Supply and Demand Analysis

Expected Global Cotton Output and Consumption

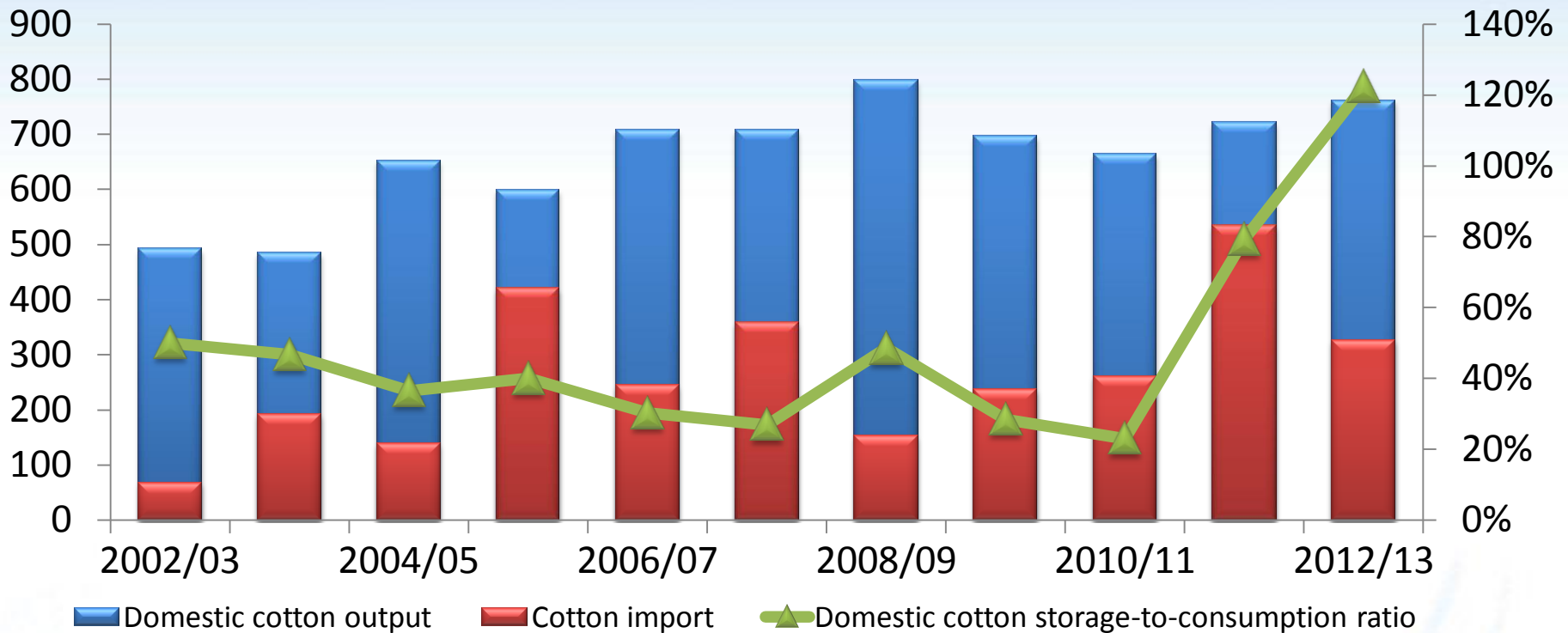


Geographical Breakdown of the Expected Global Cotton Consumption



Source: USDA ; released in March of 2013

National Cotton Storage and Sales in 2012/2013

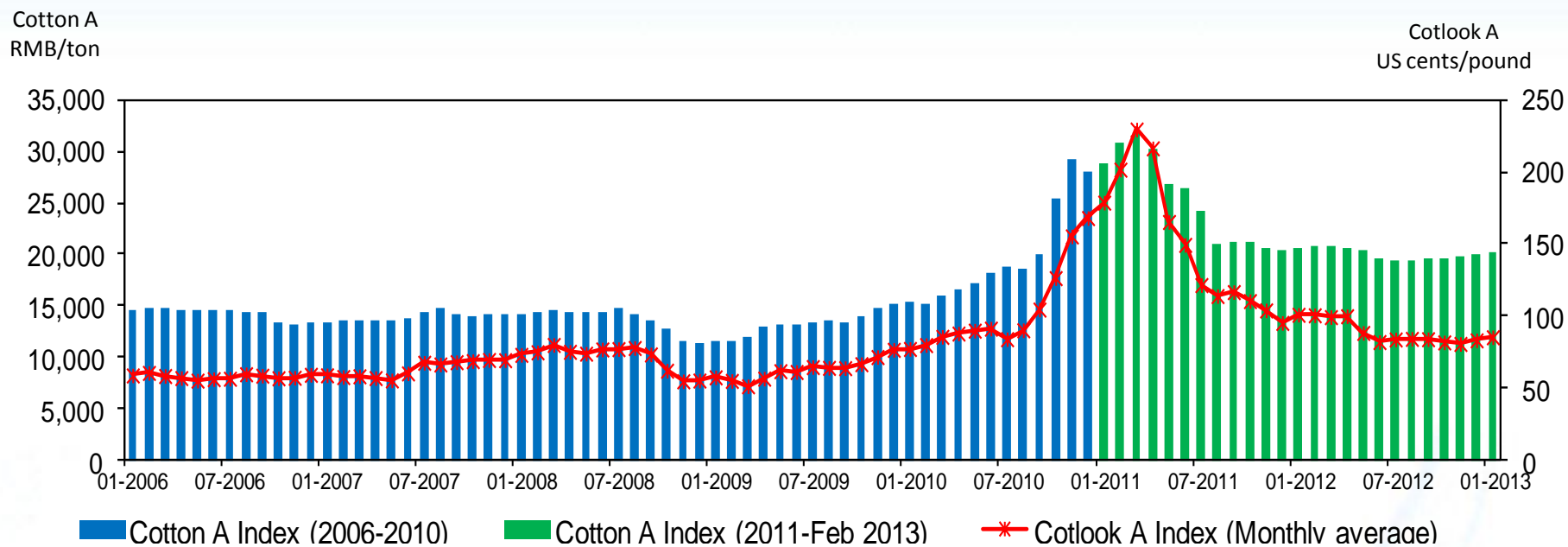


- USDA forecasts China's cotton output and consumption in 2012/13 were 7.62 million tons and 7.838 million tons, respectively.
- As of March 15, the accumulated trading volume for temporary cotton storage was up to 6.38 million tons in 2012.
- As of March 15, the accumulated volume of reserve cotton traded was 0.77 million tons, 28.9% of the 2.66 million tons for sale from China's National Cotton Reserves.

Source: cottonchina.org

Global Cotton Price Analysis – Price Movement

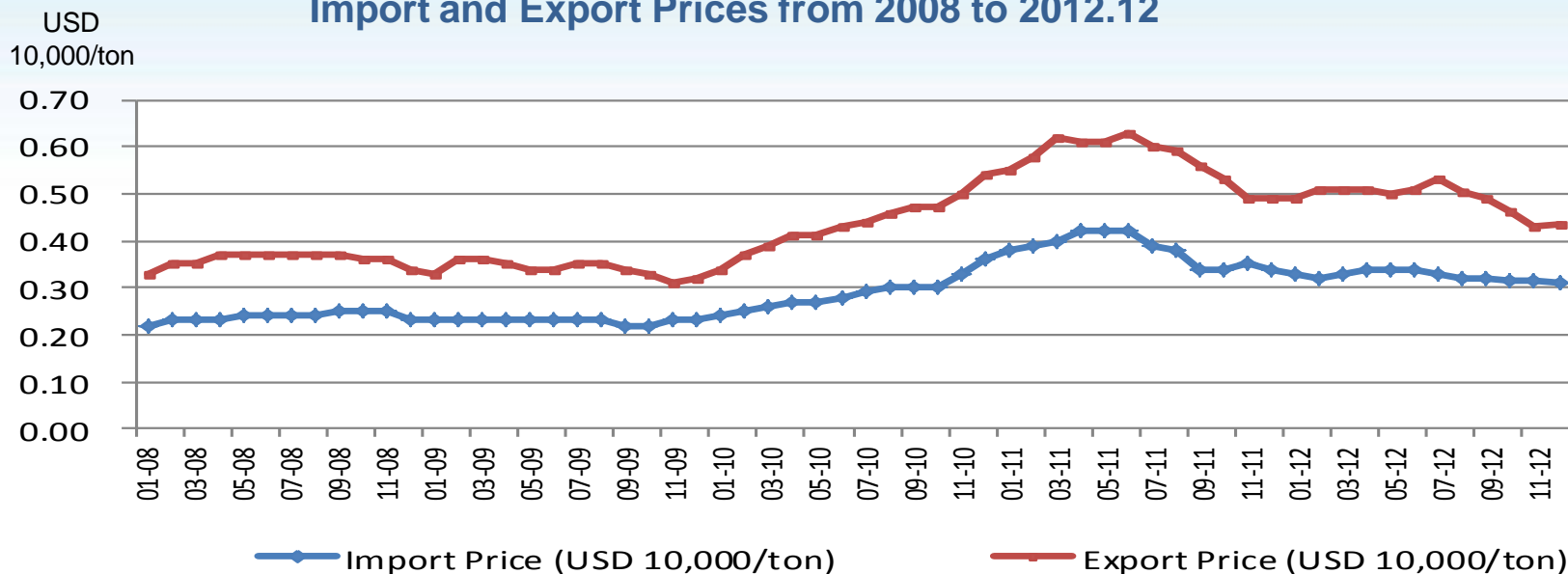
Cotton price : Cotton A Index and Cotlook A Index from Jan 2006 to February 2013



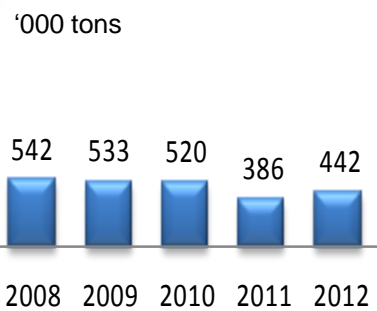
Source: cottonchina.org, cncotton.com

Imports and Exports of Cotton Yarn: Unit Price, Volume, and Value

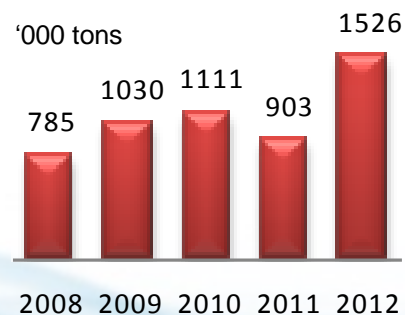
Import and Export Prices from 2008 to 2012.12



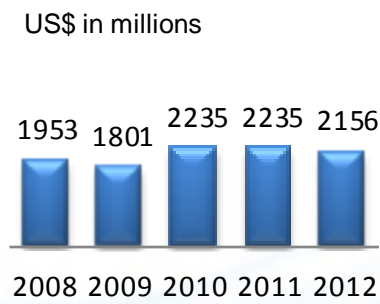
Export Volume



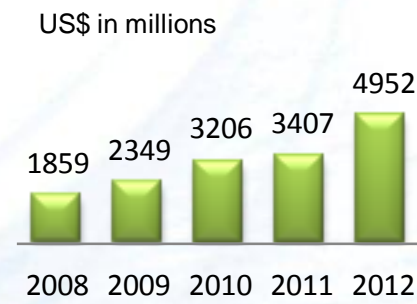
Import Volume



Export Value

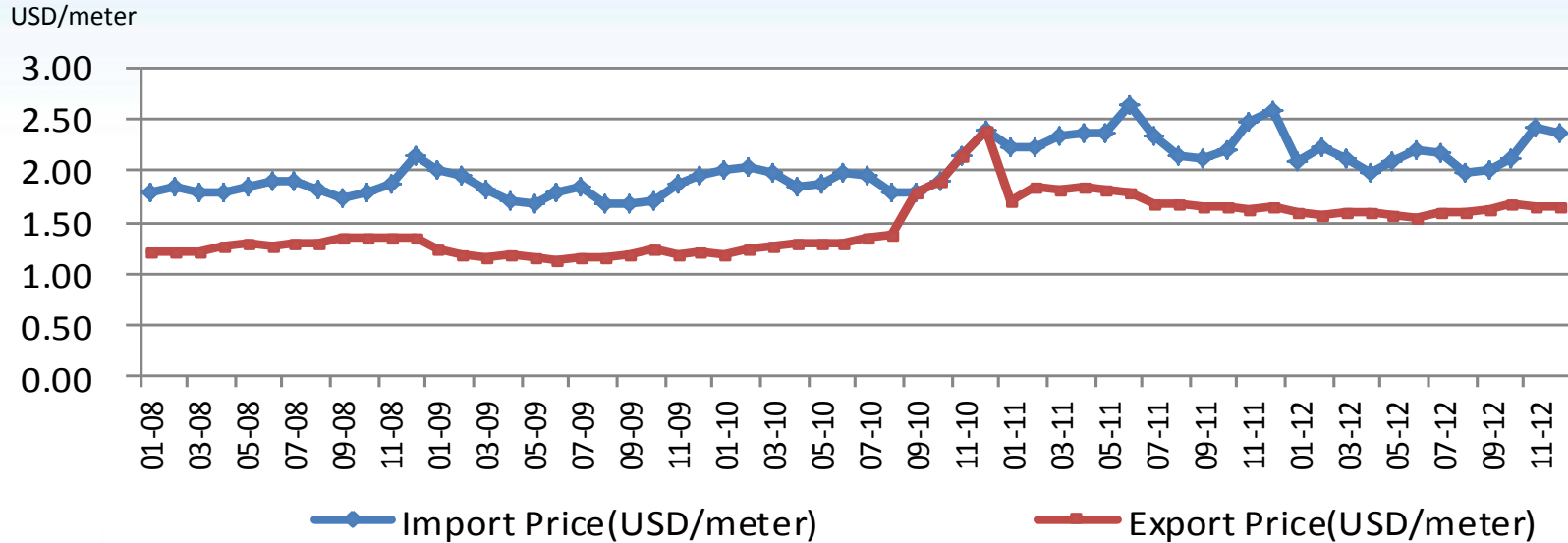


Import Value

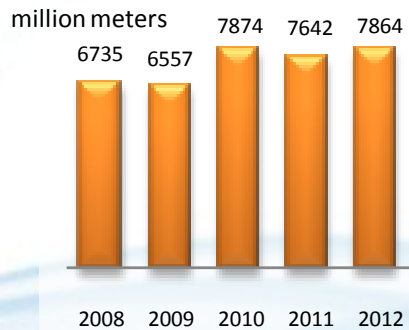


Imports and Exports of Grey Fabrics : Unit Price, Volume, and Value

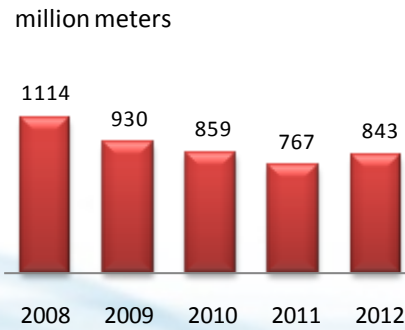
Import and Export Prices from 2008 to 2012.12



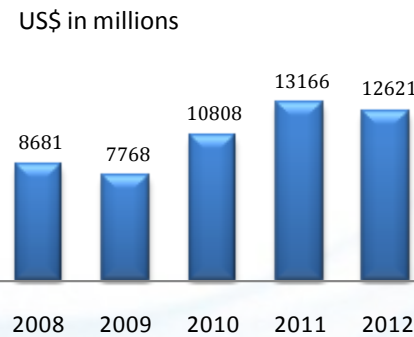
Export Volume



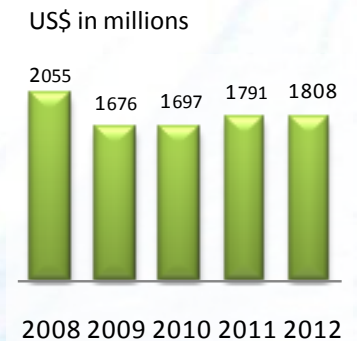
Import Volume



Export Value



Import Value






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Business Review



Strategies in 2012



Balance domestic and overseas markets;
Reinforce foothold in China; increase sales force in overseas markets 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.



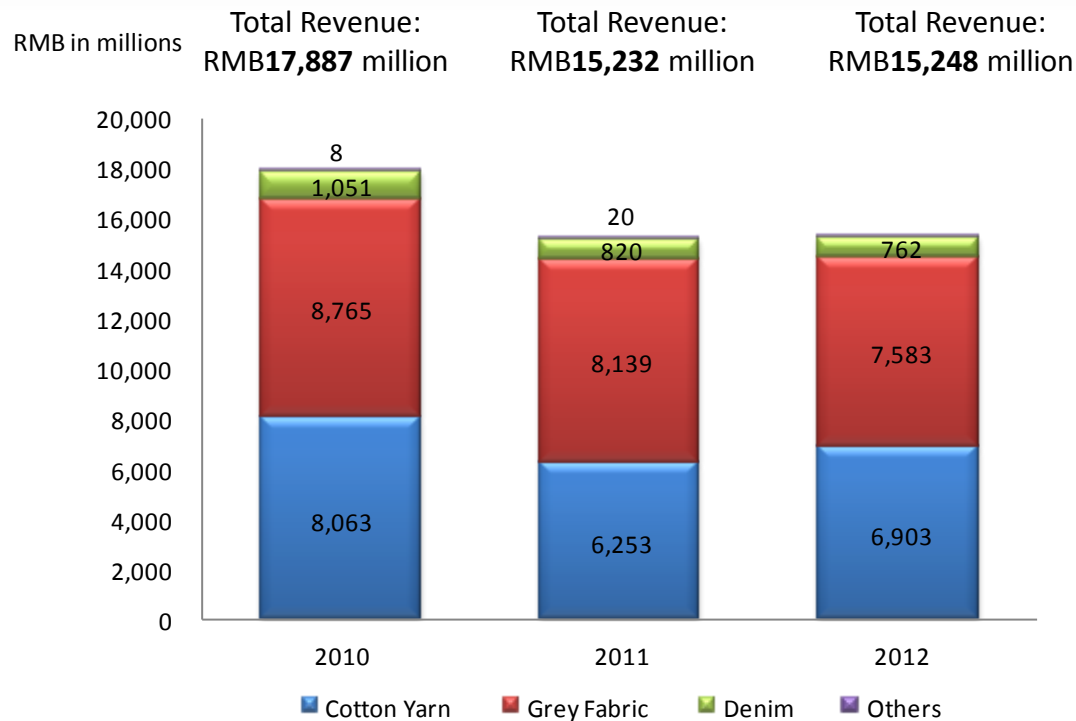
Improve production workflow, automation and quality standards to increase workforce efficiency.



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

Sales Breakdown by Products

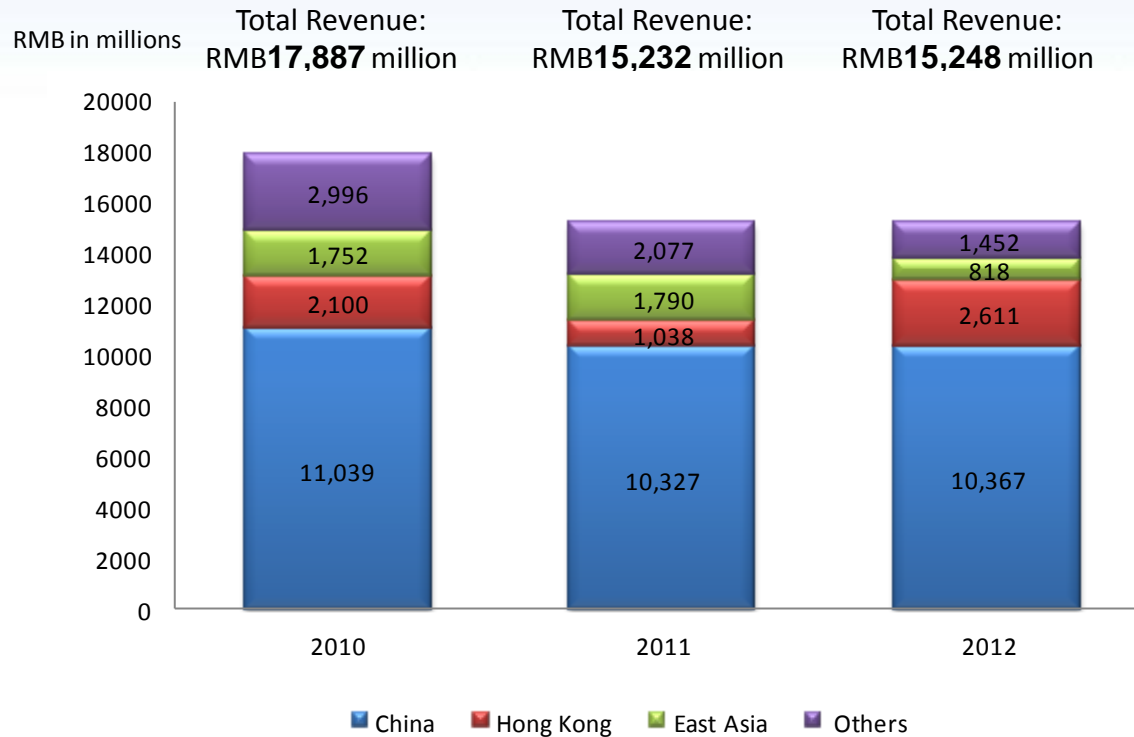
Sales Breakdown by Products



- During the period under review, sales of cotton yarn, grey fabric, and denim accounted for approximately 45%, 50% and 5% of total sales respectively.

Sales Breakdown by Regions

Sales Breakdown by Regions



- Stable sales in overseas markets, representing approximately 32.0% of total sales.
- Sales from EU and US accounted for approximately 2.2% of total revenue in 2012.



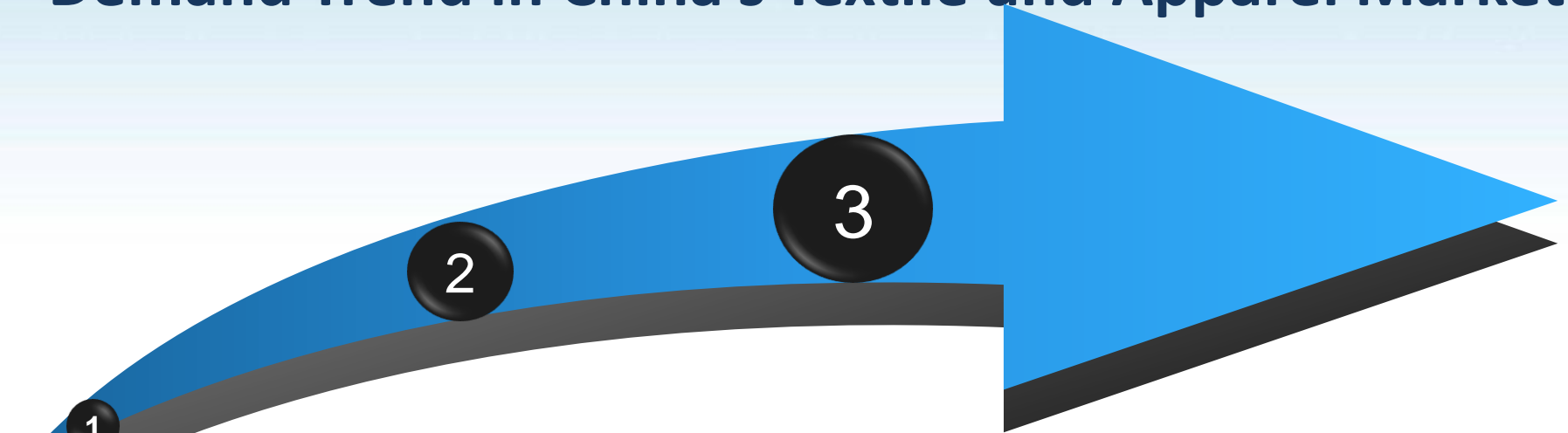
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Prospects and Strategies



Demand Trend in China's Textile and Apparel Market



1 Demand will be boosted by urbanization and “income doubling plan” in the long term.

- Consumption of textile and apparel will be continuously boosted by urbanization and rising incomes.

2 Demand will shift to middle and high-end apparel products.

- Higher priority will be given to comfort and quality of apparel products.
- Brand apparel companies will focus more on leaner inventory management, resulting in slower growth.

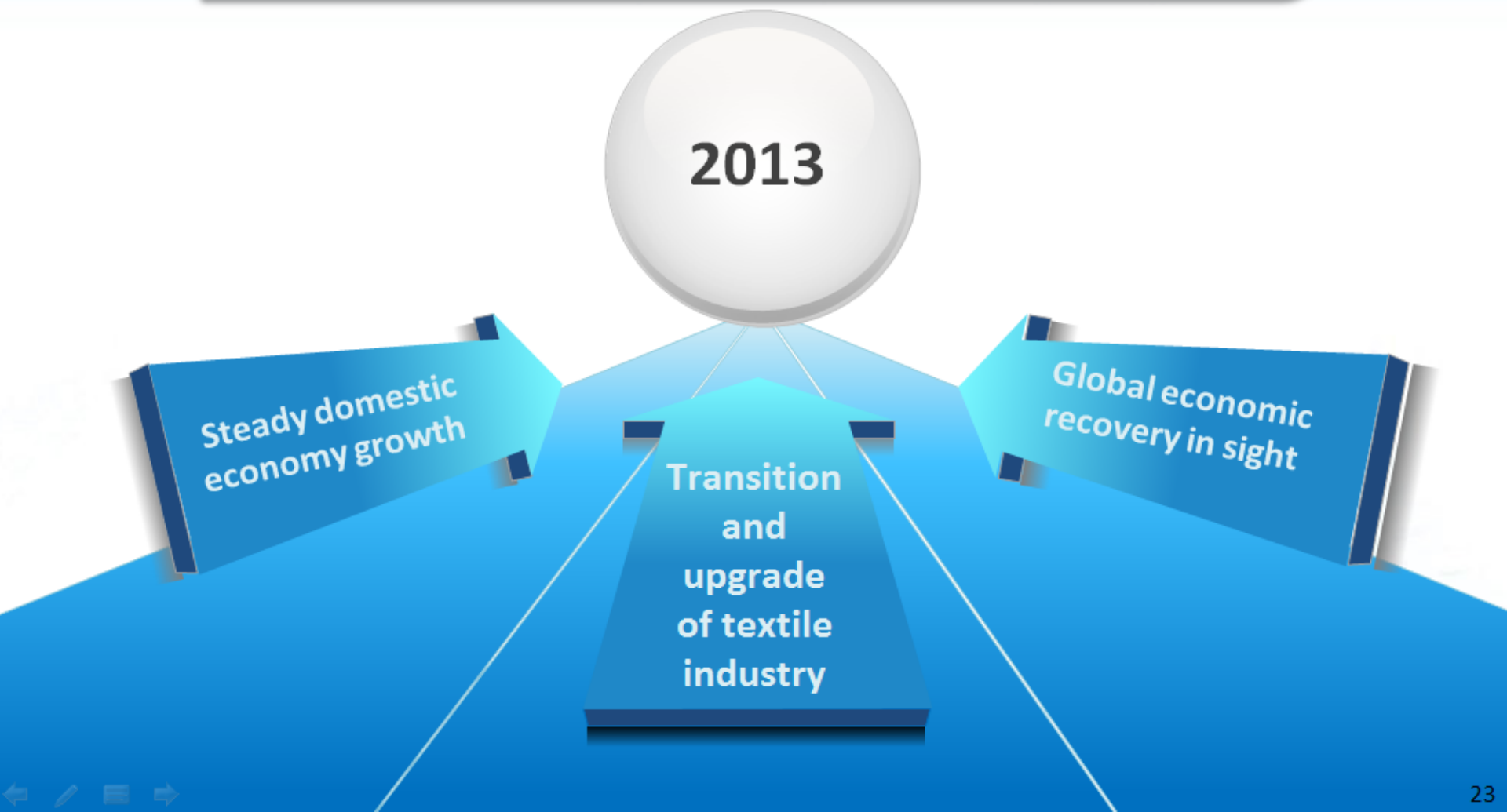
3 Push forward product upgrading to follow market trend.

- Follow demand trend; emphasize product development; expand advanced production facilities; and increase the proportion of middle and high-end products.

Industrial Opportunities in 2013

Weiqiao will Benefit from Industry Consolidation in the Long Term

- The industry conditions will remain tough with low growth rate.
- Industry consolidation will generate healthier growth.



Objectives and Strategies



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



Accelerate technological upgrades of production equipment.



Accelerate research and development of new products and encourage innovation.

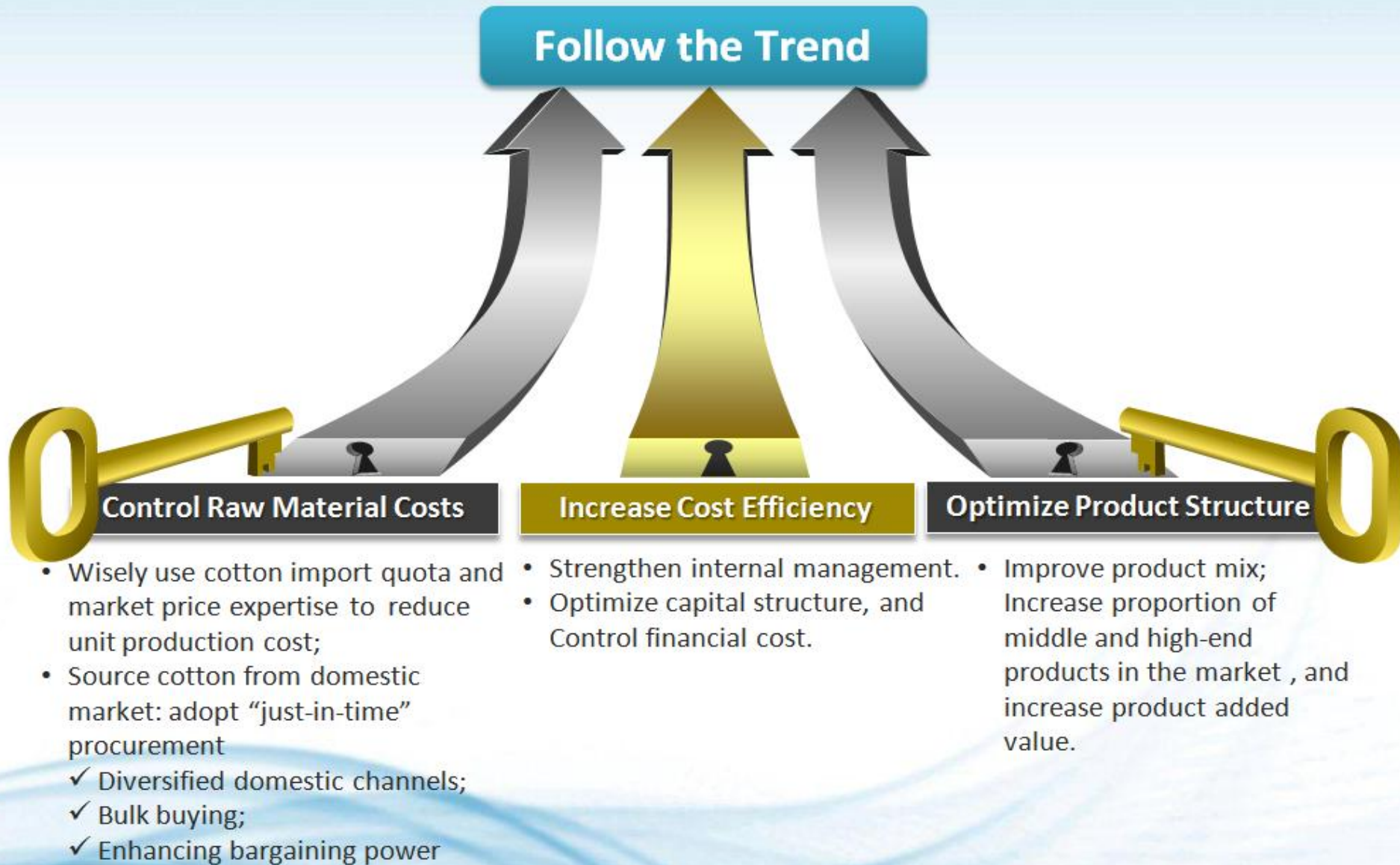


Upgrade workforce skills and expand talent pool.

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



Solutions





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Thank you!
Open Forum

