



魏橋紡織股份有限公司

Weiqiao Textile Company Limited

(Stock Code: 2698)

2011 Annual Results Presentation

26 March 2012



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.





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Agenda

- **Financial Review**
- **Industry and Market Analysis**
- **Business Review**
- **Prospects and Strategies**



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Financial Review

Financial Review

(RMB in millions)	As at 31 Dec 2010	As at 31 Dec 2011	Change (%)
Turnover	17,887	15,232	-14.8
Gross profit	2,880	278	-90.3
Gross profit margin (%)	16.1	1.8	-14.3 pp
Operating profit margin (%)	15.4	5.4	-10.0 pp
Profit before tax	2,257	255	-88.7
Profit attributable to shareholders	1,627	246	-84.9
Diluted earnings per share (RMB)	1.36	0.21	-84.6
Net profit margin (%)	9.1	1.6	-7.5 pp



Financial Review

(RMB in millions)	As at 31 Dec 2010	As at 31 Dec 2011	Change (%)
Total assets	28,390	29,357	3.4
Total liabilities	12,865	14,119	9.7
Net asset value	15,524	15,238	-1.8
Current ratio (times)	1.5	1.4	-0.1 time
Account receivable turnover (days)	11	8	-3 days
Inventory turnover (days)	143	245	+102 days
Account payable turnover (days)	33	84	+51 days
Net debt to equity ratio (%)	41.1	46.3	5.2 pp
Gearing ratio (%)	33.0	31.0	-2.0 pp



Cost Analysis

(RMB in millions)	As at 31 Dec 2010	As at 31 Dec 2011	Change (%)
Cost of goods sold	15,008	14,954	-0.4
Sales and distribution costs	287	180	-37.3
Administrative expenses	202	231	14.4
Other expenses	74	75	1.4
Finance costs	493	569	15.4





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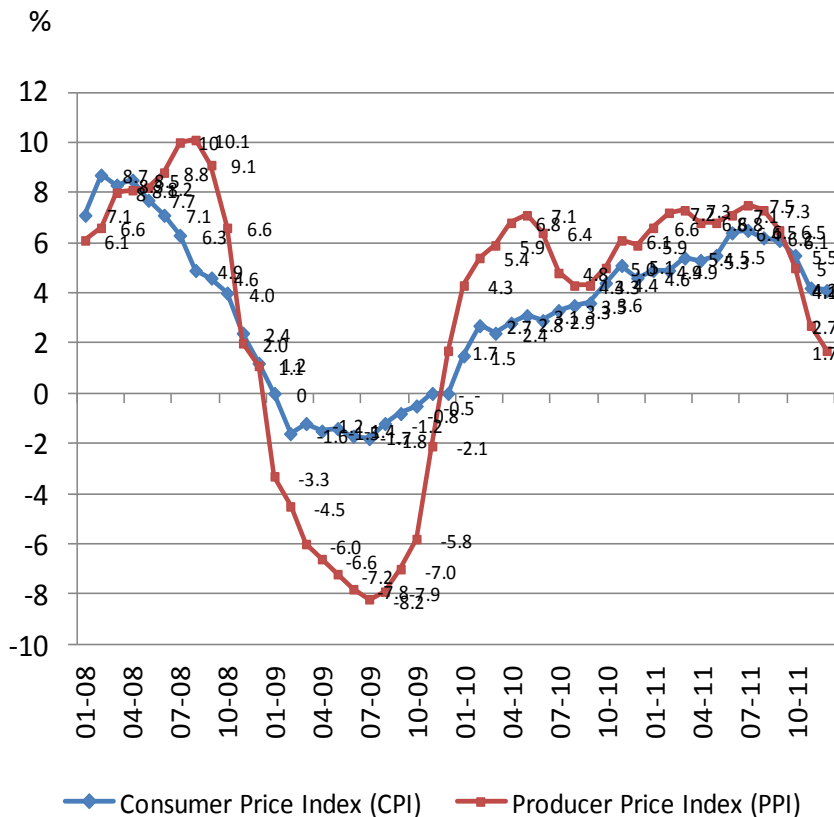
Agenda

Industry and Market Analysis

- **China's Textile Industry in 2011**
- **Global Cotton Price Analysis**
- **China's Textile and Apparel Exports Analysis**

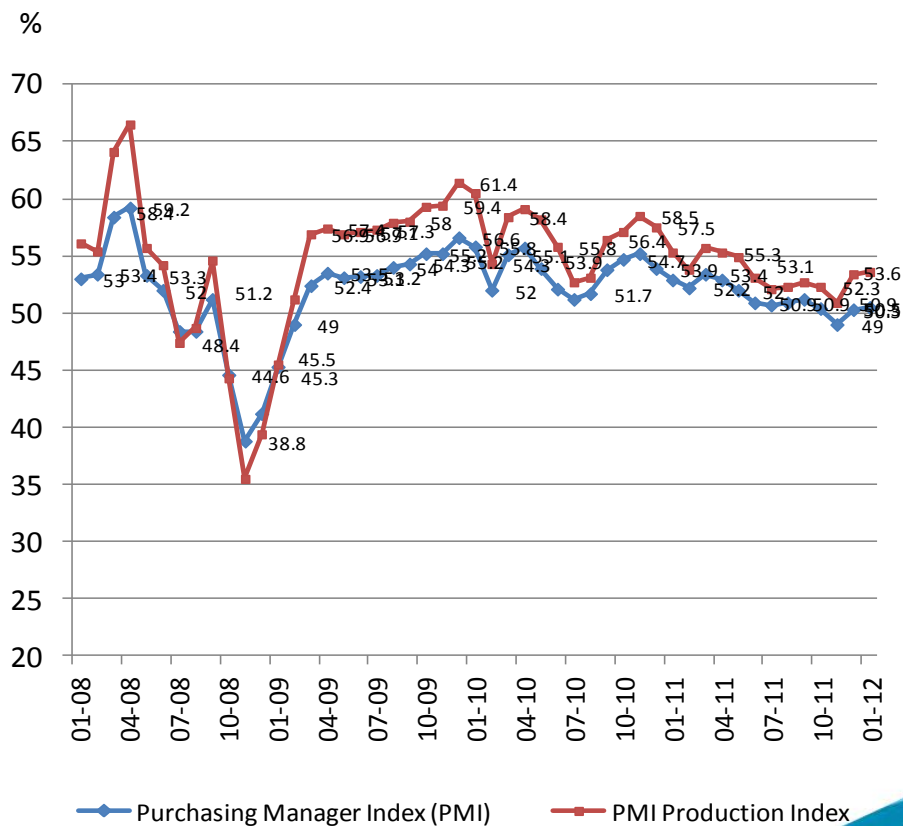
Trend of PPI, CPI and PMI in 2011

Trend of consumer price index (CPI) and producer price index (PPI)



Source: National Bureau of Statistics of China

Trend of purchasing manager index (PMI) and PMI Production Index

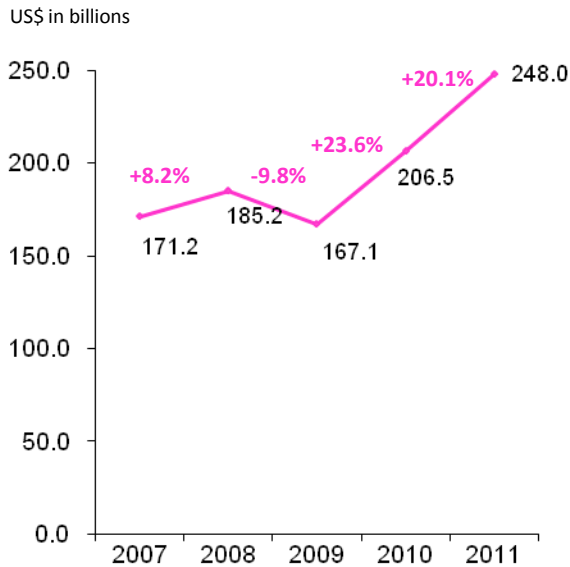


Source: China Federation of Logistics and Purchasing

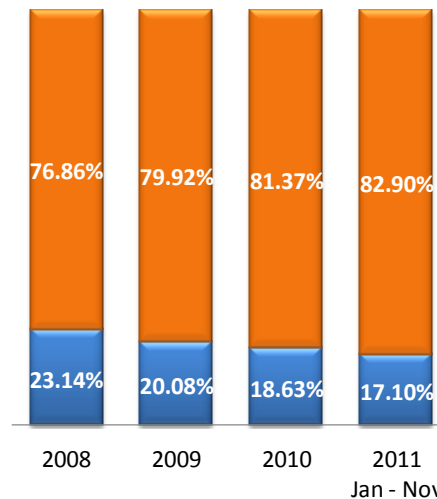


China's Textile Industry in 2011 – Steady Performance yet risks increased significantly

Trend of China Textile and Apparel Exports

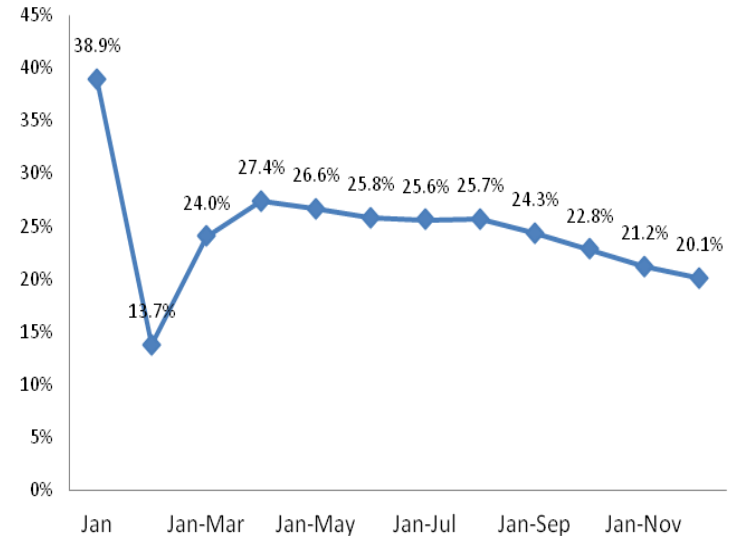


Proportion of Exports and Domestic Sale for China Textile and Apparel Industry



■ Exports ■ Domestic Sales

Growth of China Textile and Apparel Exports slowed down in 2011



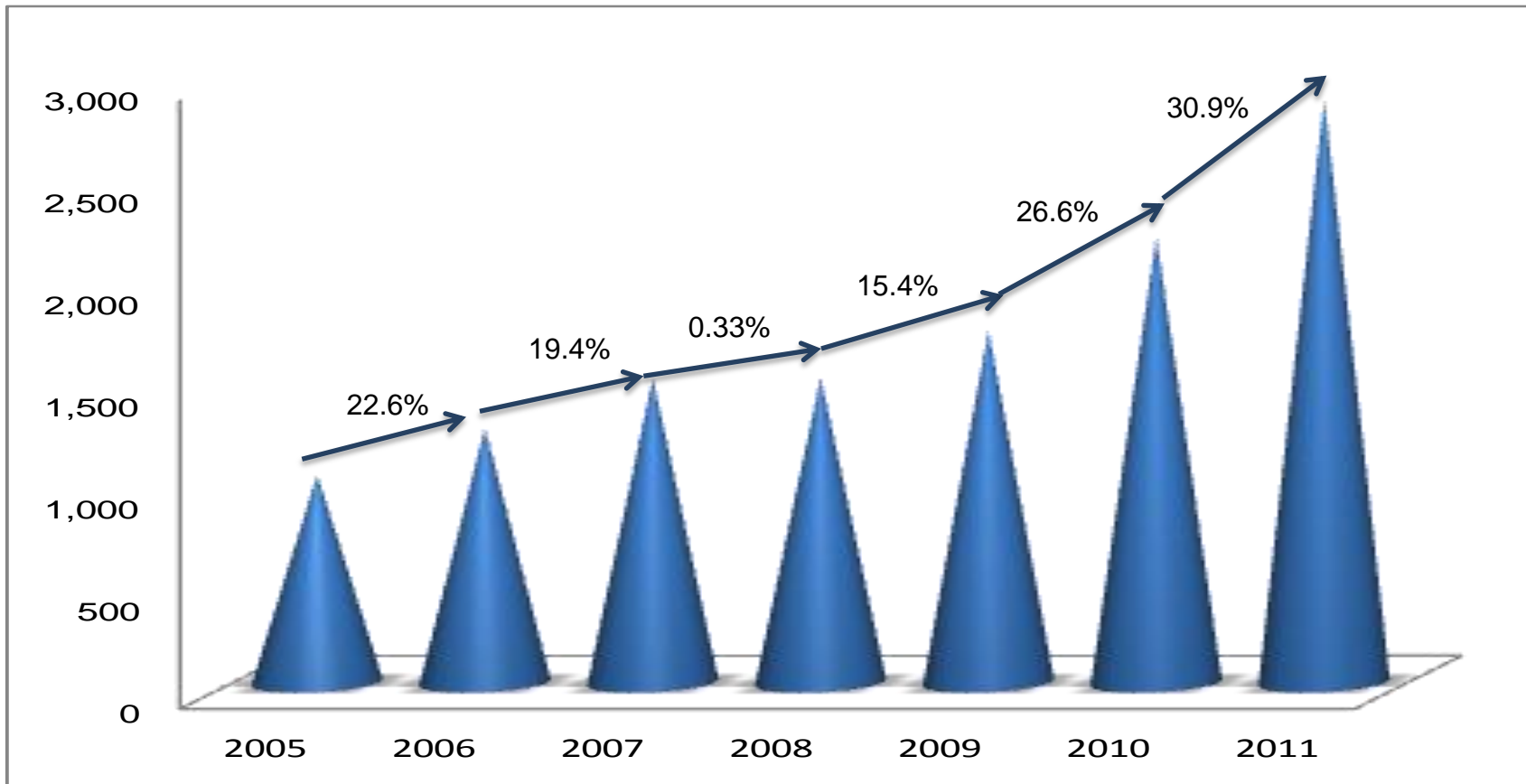
Source: China Customs, www.tteb.com



China's Textile Industry in 2011 – Fixed Asset Investment Trend

Fixed Asset Investment of
Textile Industry from 2005 to 2011

RMB in hundred millions

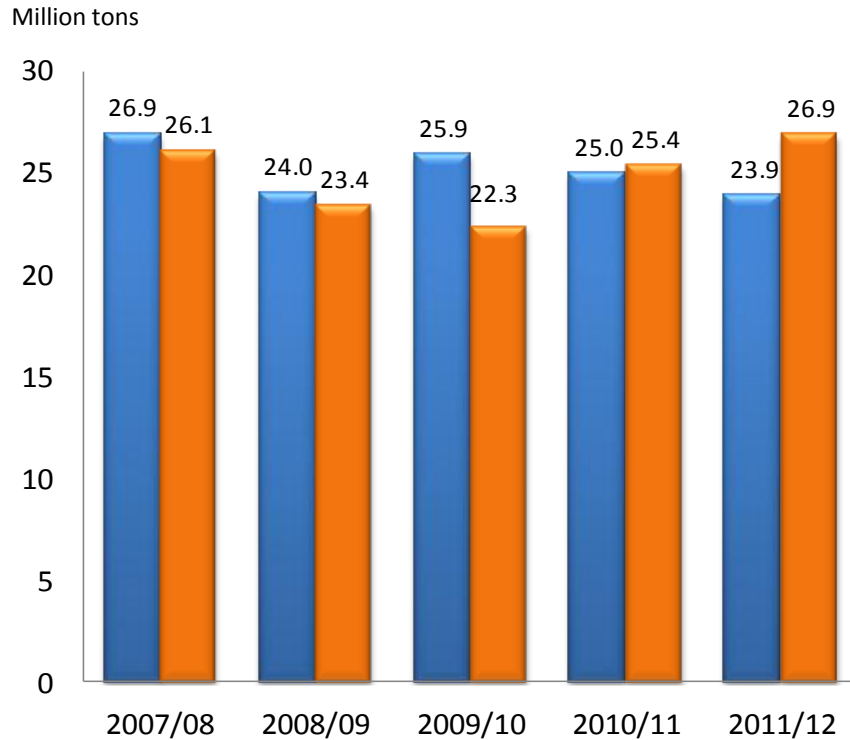


Source: China Cotton Textile Association



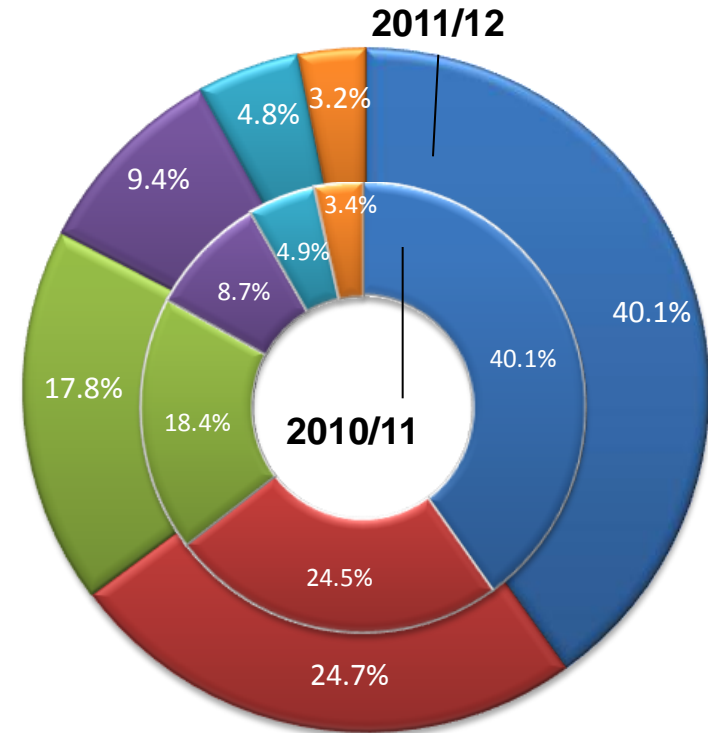
Global Cotton Market – Supply and Demand Analysis

Expected Global Cotton Output and Consumption



■ Global cotton consumption ■ Global cotton output

Breakdown of the Expected Global Cotton Consumption



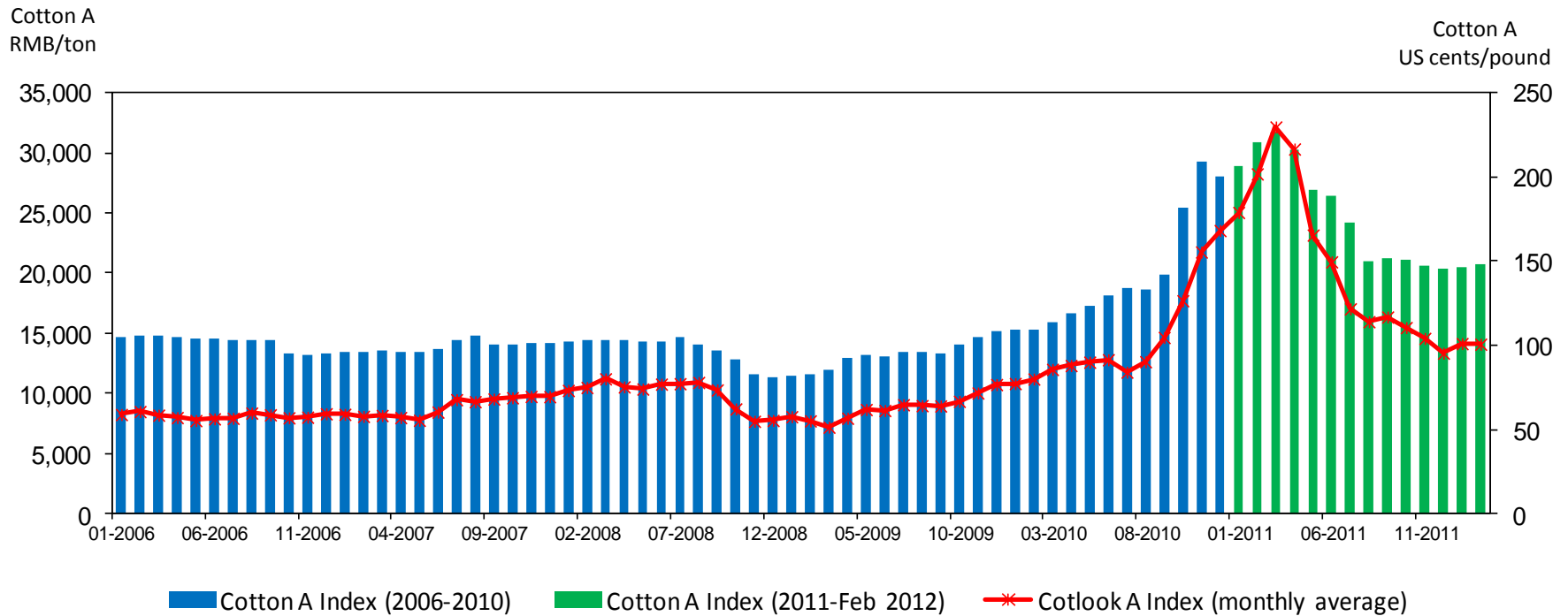
■ China ■ Others ■ India ■ Pakistan ■ Turkey ■ US

Source: USDA ; released in February



Global Cotton Price Analysis – Price Movement

Cotton price : Cotton A Index and Cotlook A Index from Jan 2006 to Feb 2012

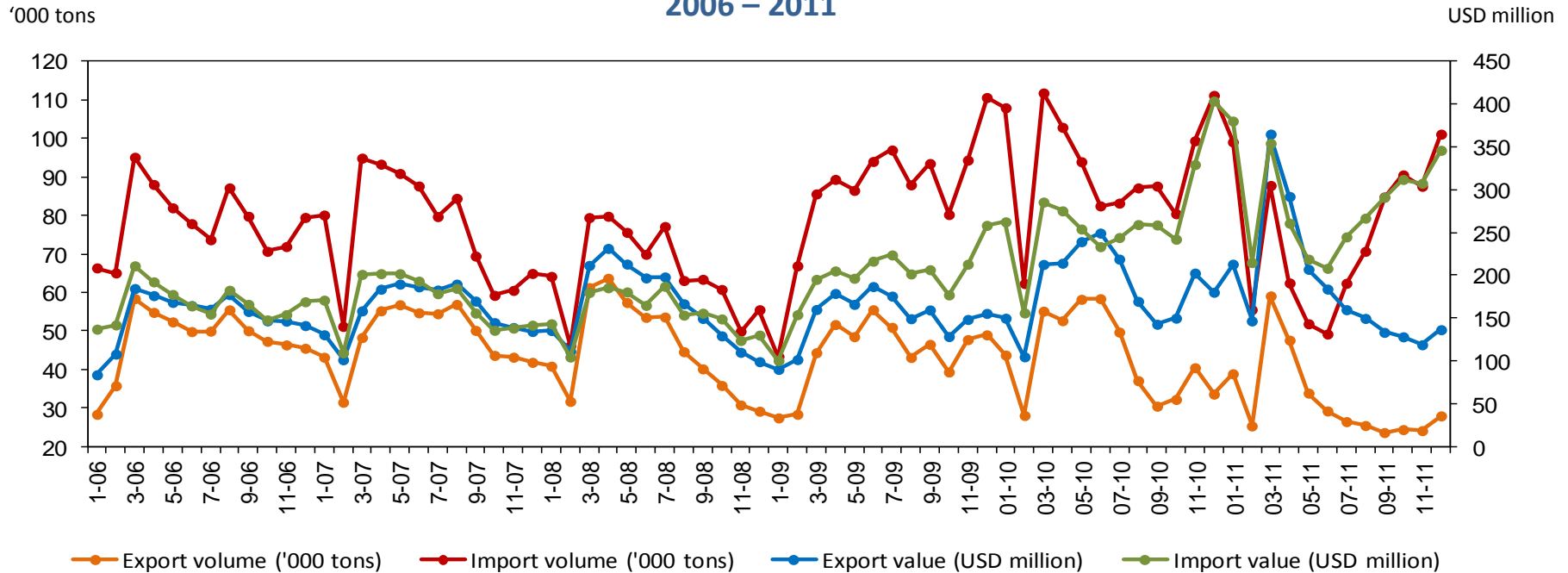


Source: cottonchina.org, cncotton.com



China's Textile and Apparel Exports Analysis– Imports and Exports of Cotton Yarn : Volume & Value

2006 – 2011

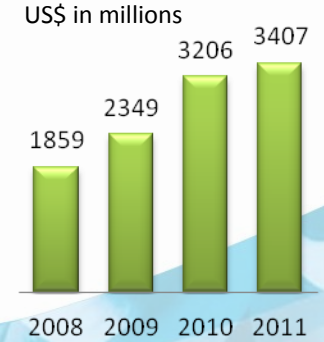
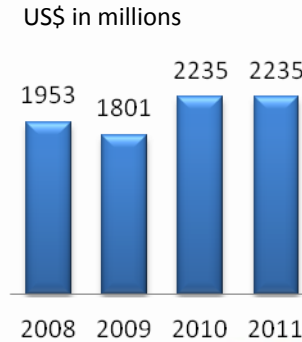
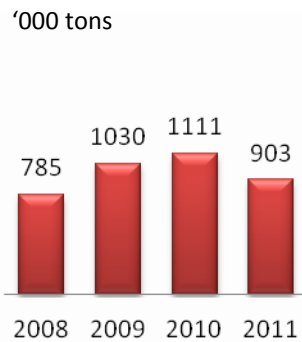
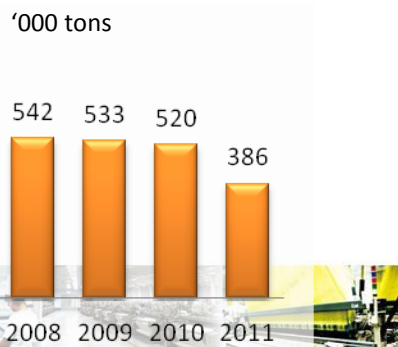


Export Volume

Import Volume

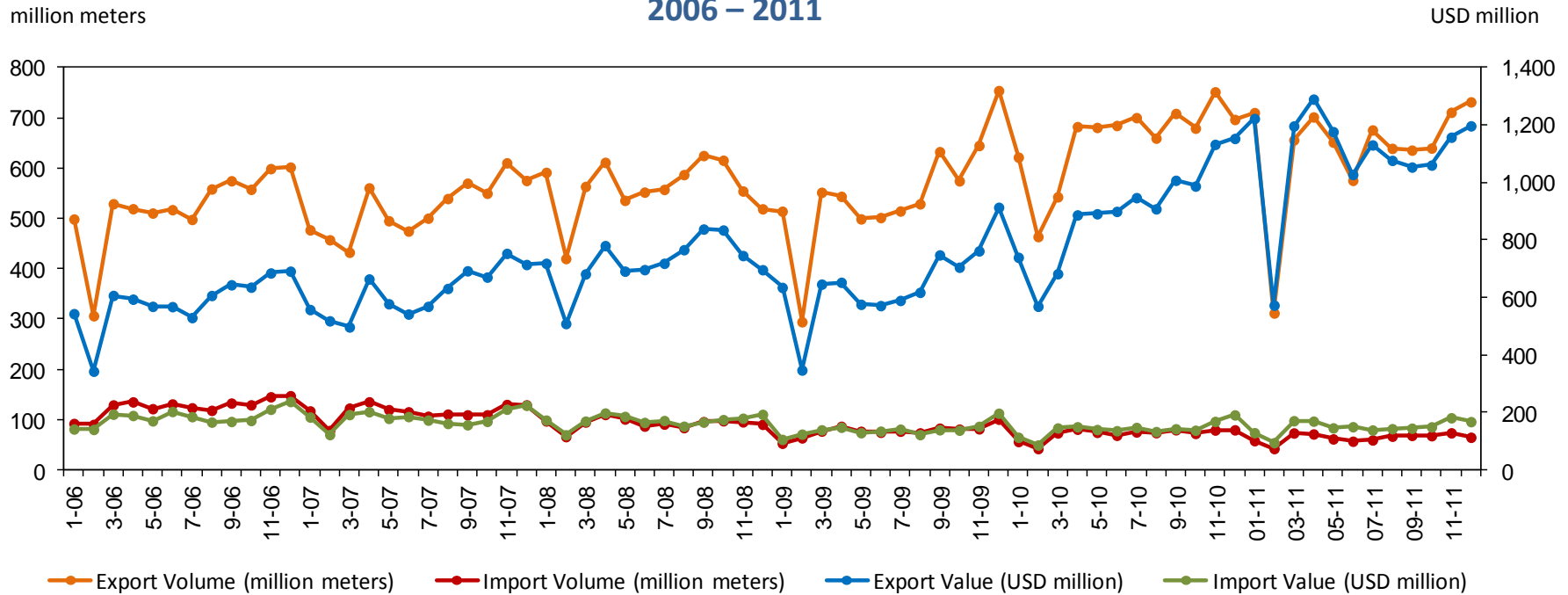
Export Value

Import Value



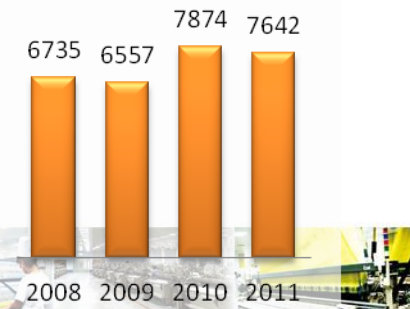
China's Textile and Apparel Exports Analysis – Imports and Exports of Grey Fabrics : Volume & Value

2006 – 2011



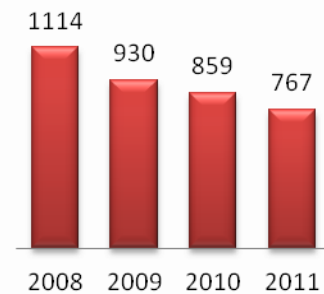
Export Volume

million meters



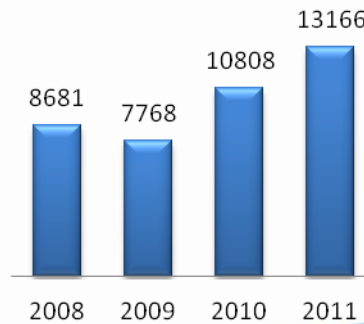
Import Volume

million meters



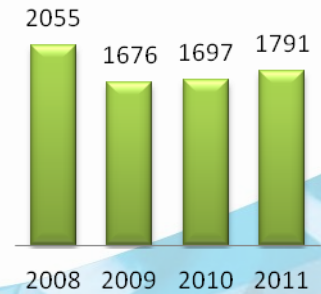
Export Value

US\$ in millions



Import Value

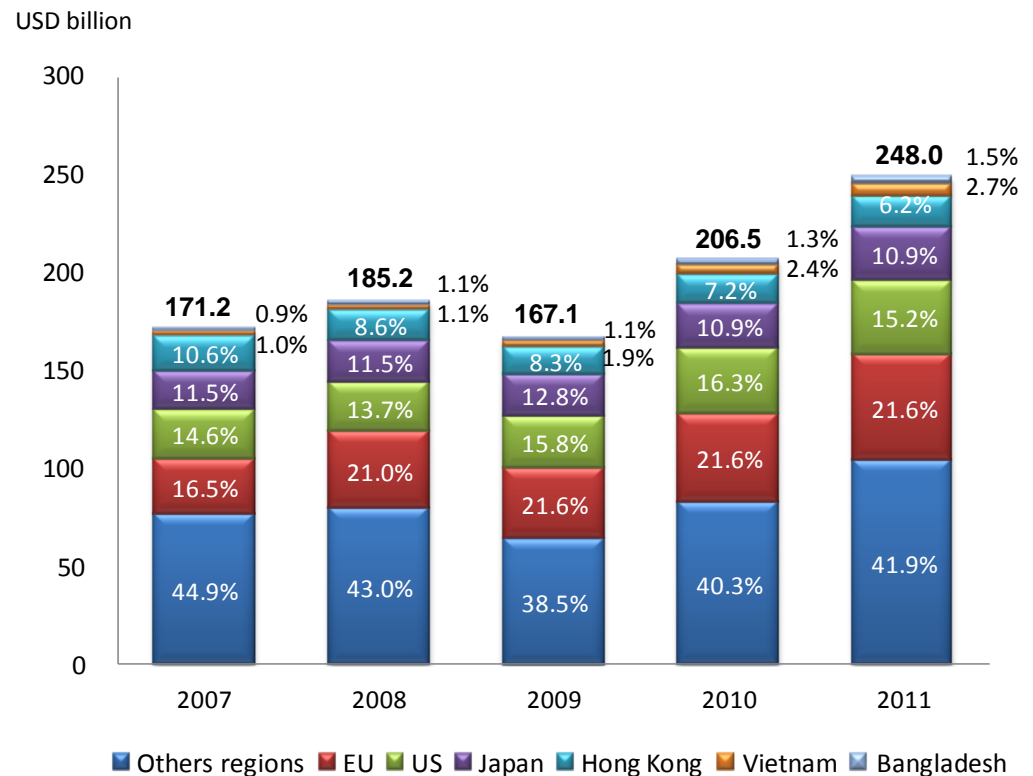
US\$ in millions



China's Textile and Apparel Exports Analysis – Growth Slowed Down; Fierce Competition Continued in Domestic Market

- In 2011, China's textiles and apparel exports amounted to USD 248 billion, representing a yoy increase of 20.1%, growth rate decreased by 3.5 pp
- In 2011, China's textile and apparel were exported to:
 - US : yoy up 11.7%, growth rate down 16.0 pp
 - Japan : yoy up 20.8%, growth rate up 15.6 pp
 - EU : yoy up 19.7%, growth rate down 4.0 pp
 - HK : yoy up 3.0%, growth rate down 4.1 pp
 - Other regions : yoy up 25.0%, growth rate down 4.3 pp

Value of China's Textile and Apparel Exports and Proportion in Percentage by Geography



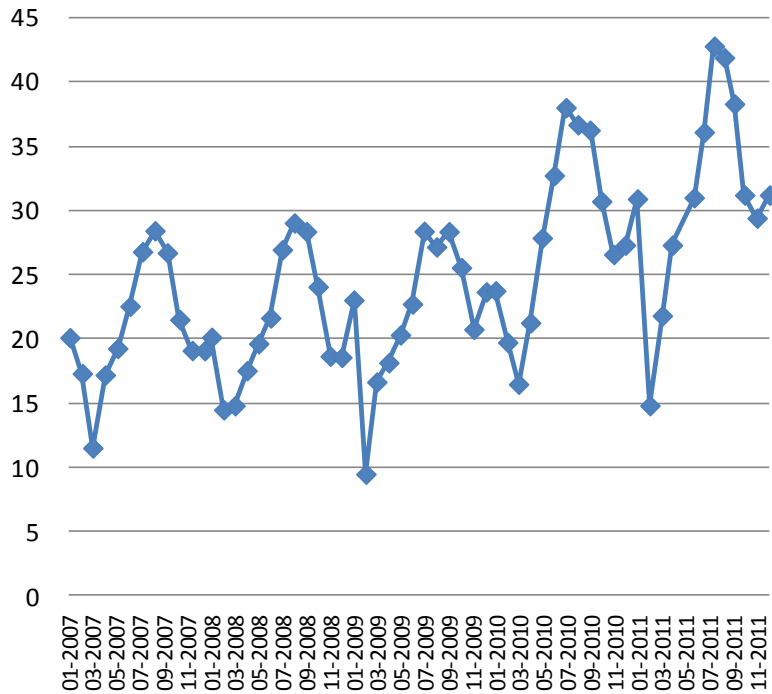
Source: China Customs, National Bureau of Statistics of China, China Chamber of Commerce for Import & Export of Textiles



China's Textile and Apparel Exports Analysis – Slow Exports Growth to US and EU

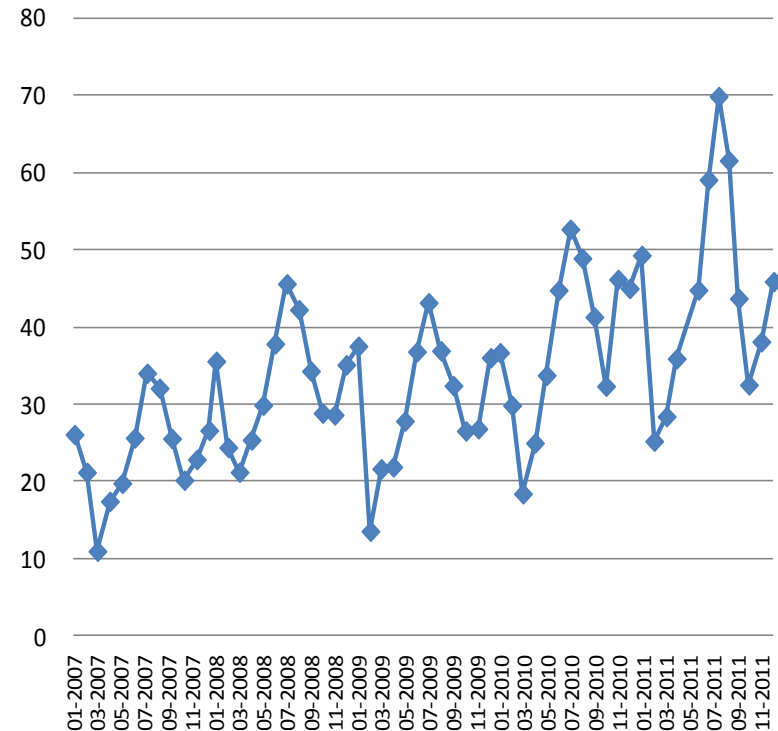
China's Textile and Apparel Exports to US

USD in 100 millions



China's Textile and Apparel Exports to EU

USD in 100 millions



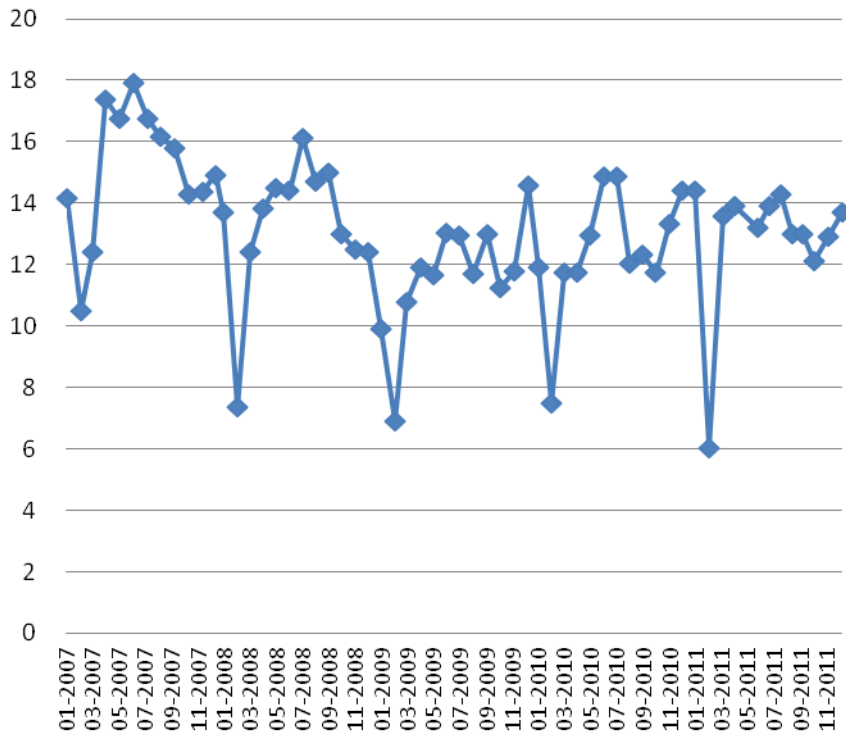
Source: China Chamber of Commerce for Import & Export of Textiles



China's Textile and Apparel Exports Analysis – Hong Kong and Japan

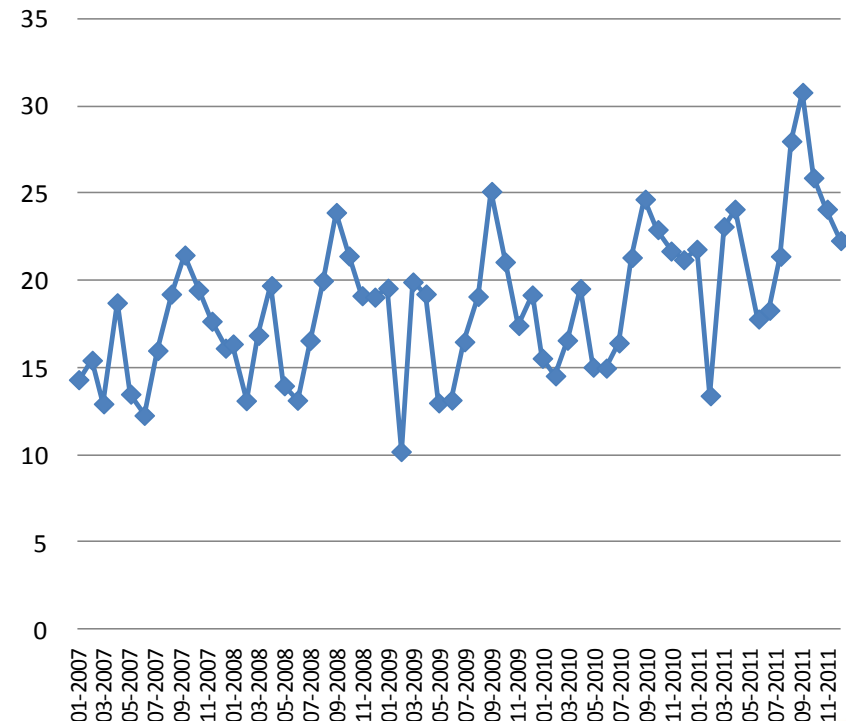
China's Textile and Apparel Exports to Hong Kong

USD in 100 millions



China's Textile and Apparel Exports to Japan

USD in 100 millions



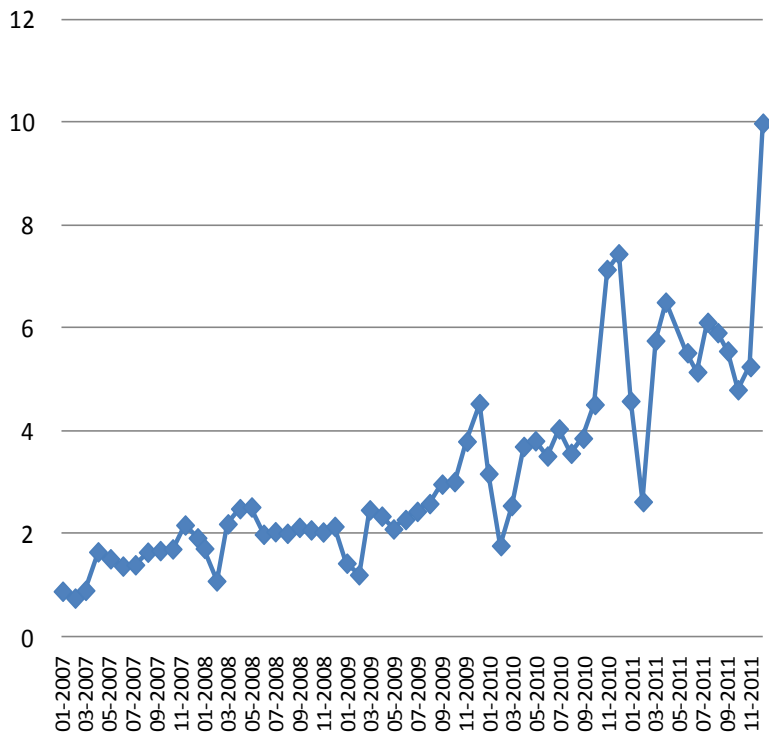
Source: China Chamber of Commerce for Import & Export of Textiles



China's Textile and Apparel Exports Analysis – Vietnam and Bangladesh

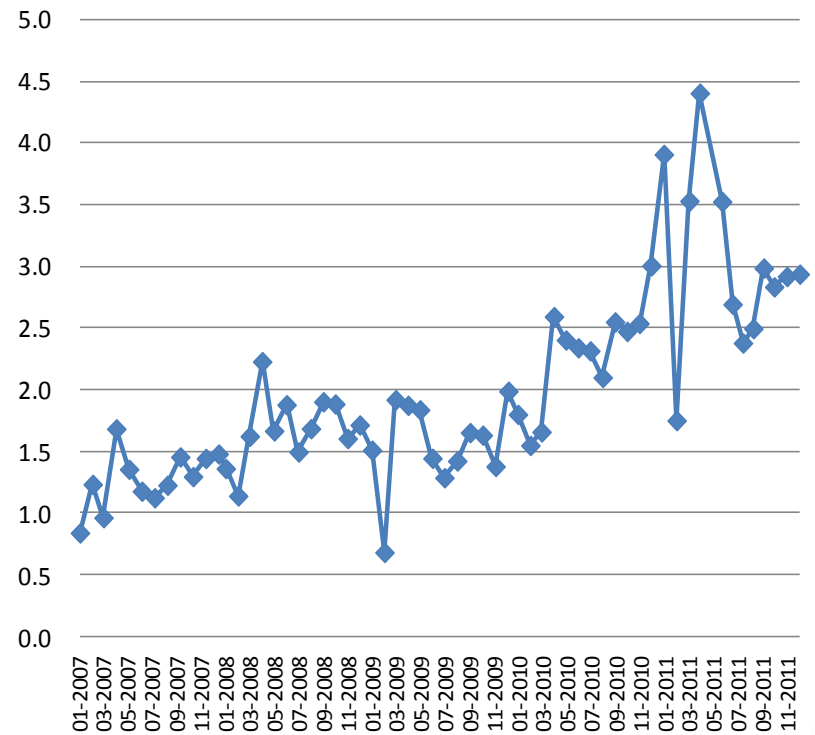
Trend of China's Textile and Apparel Exports to Vietnam

USD in 100 millions



Trend of China's Textile and Apparel Exports to Bangladesh

USD in 100 millions



Source: China Chamber of Commerce for Import & Export of Textiles



China's Textile and Apparel Exports Analysis – Analysis of Slowdown in Export Growth

Reduced international demand

- Global demand declined due to the impact of European crisis , orders reduced as a results
- Continuous uncertainty of the recovery of European and U.S. leads to international trade protectionism, which affect China's exports

Lower cost in emerging markets

- Textile and apparel industry develops rapidly in emerging markets such as India, Pakistan and Bangladesh for lower production cost. These countries' market share in low-end market increased, which affected the growth of China's exports
- However, this market trend will not have severe impact on China's exports since the emerging markets' products are remain in the lower end of the technology hierarchy and mainly for low-end markets

Higher Cost in China

- The significant increases in labor cost, raw materials, and transportation cost in China
- Stronger RMB
- Financing difficulties which increases financing cost
- The overall operating cost of cotton textile enterprises increased, China's competitiveness in global market diminishes, leading to less market share





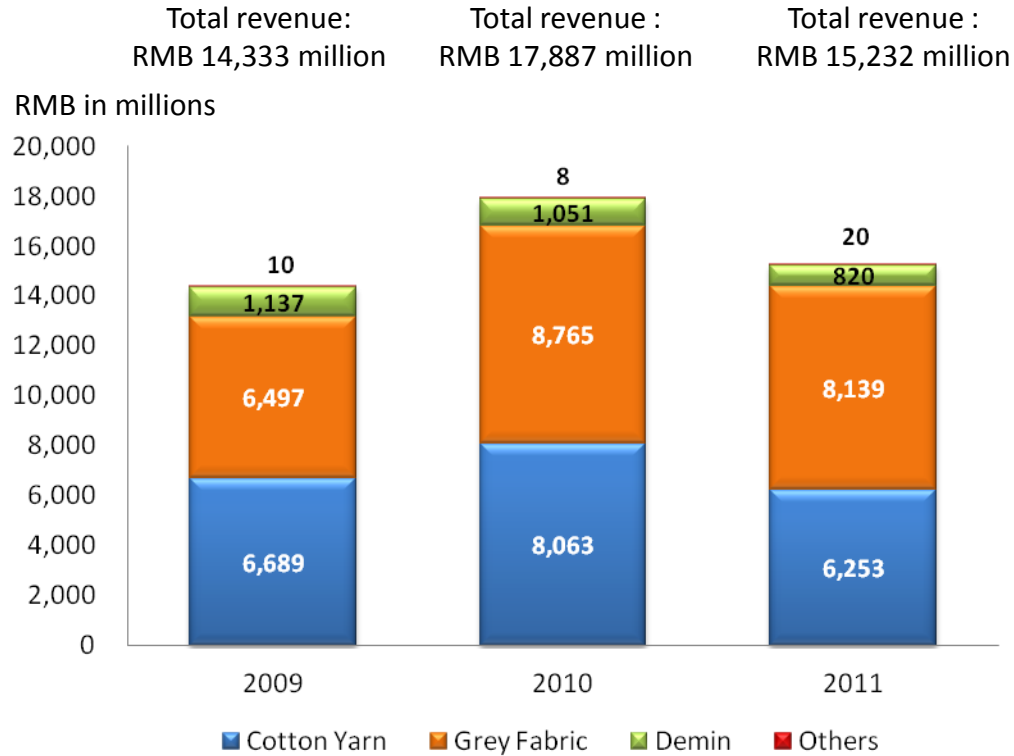
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Business Review

Sales Breakdown by Products

Sales Breakdown by Products

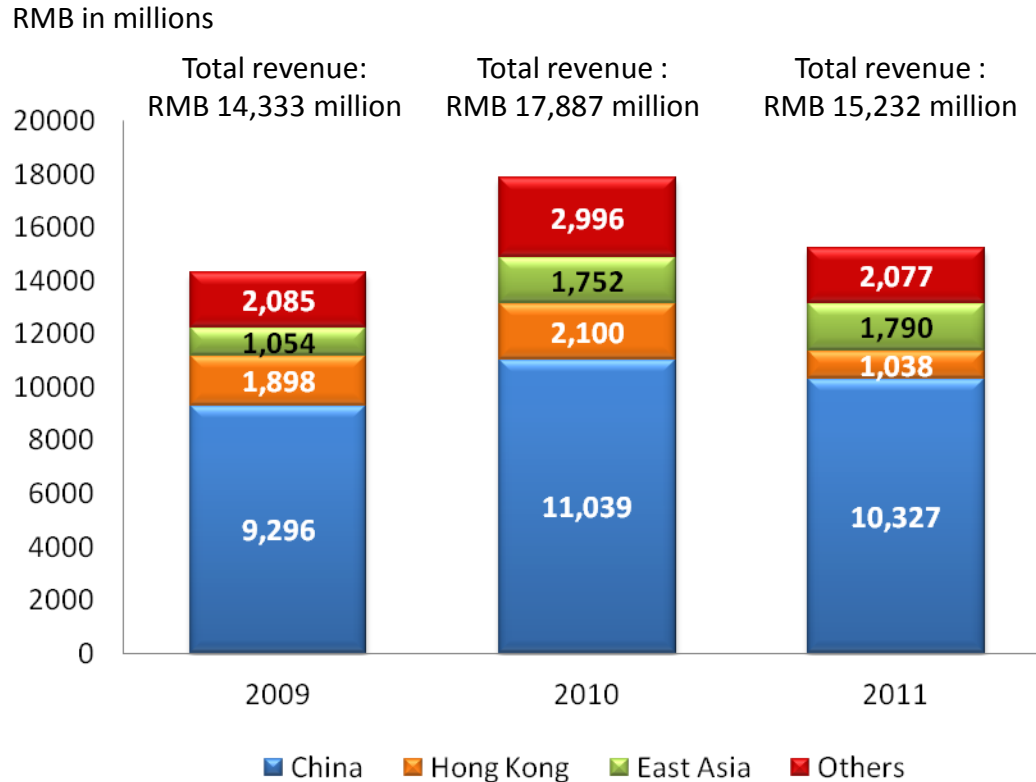


- In 2011, sales of cotton yarn, grey fabric and denim accounted for 41.1%, 53.4% and 5.4% of total sales respectively



Sales Breakdown by Regions

Sales Breakdown by Region



- Stable sales in overseas markets, representing 32.2% of total sales
- Sales from EU and US accounted for 2.9% of total revenue in 2011



Business Development Highlights

Balance between domestic and overseas markets;
Reinforce foothold in China, increase sales force in overseas market 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;

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

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



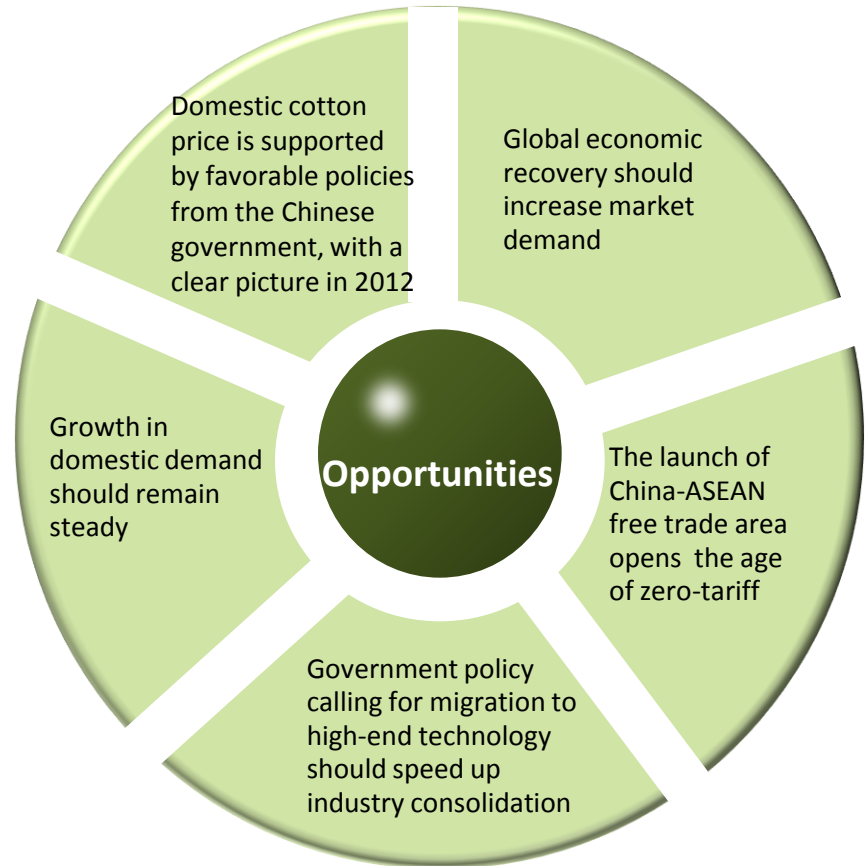


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Prospects and Strategies

Prospects



Objectives and Strategies

Accelerate research and development of new products and encourage innovations

Accelerate technological upgrades of production equipment

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

Upgrade workforce skills and accelerate talents squad construction



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





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Thank you!
Open Forum