



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

## 2013 Annual Results Presentation

24 March 2014



## 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
- Business Review
- Industry and Market Analysis
- Prospects and Strategies



# Agenda

## Financial Review

# Financial Review

	2012	2013	Change
(RMB in millions)	As at 31 Dec	As at 31 Dec	
<b>Turnover</b>	15,248	<b>13,881</b>	-9.0%
<b>Gross Profit</b>	1,037	<b>1,206</b>	16.3%
<b>Gross Profit Margin (%)</b>	6.8	<b>8.7</b>	1.9 pp
<b>Operating profit margin (%)</b>	8.5	<b>10.7</b>	2.2 pp
<b>Profit before tax</b>	664	<b>922</b>	38.9%
<b>Profit attributable to shareholders</b>	482	<b>629</b>	30.5%
<b>Diluted earnings per share (RMB)</b>	0.40	<b>0.53</b>	32.5%
<b>Net profit margin (%)</b>	3.2	<b>4.5</b>	1.3 pp
<b>Dividend Payout Ratio (%)</b>	35	<b>35</b>	unchanged

# Financial Review

(RMB in millions)	2012 As at 31 Dec	2013 As at 31 Dec	Change
<b>Total assets</b>	28,374	<b>30,310</b>	6.8%
<b>Total liabilities</b>	12,730	<b>14,209</b>	11.6%
<b>Net asset value</b>	15,644	<b>16,102</b>	2.9%
<b>Current ratio (times)</b>	1.8	<b>2.4</b>	0.6 time
<b>Account receivable turnover (days)</b>	13	<b>14</b>	+1 day
<b>Inventory turnover (days)</b>	149	<b>185</b>	+36 day
<b>Account payable turnover (days)</b>	50	<b>59</b>	+9 day
<b>Net debt-to-equity ratio (%)</b>	11.0	<b>1.3</b>	-9.7 pp
<b>Debt-to-asset ratio (%)</b>	32.0	<b>34.4</b>	2.4 pp

# Cost Analysis

(RMB in millions)	2012 As at 31 Dec	2013 As at 31 Dec	Change
<b>Cost of goods sold</b>	14,211	<b>12,675</b>	-10.8%
<b>SG&amp;A as % of revenue</b>	3.6%	<b>4.2%</b>	0.6 pp
<b>Sales and distribution costs</b>	206	<b>204</b>	-1.0%
<b>Administrative expenses</b>	252	<b>284</b>	12.7%
<b>Other expenses</b>	84	<b>99</b>	17.9%
<b>Finance costs</b>	629	<b>566</b>	-10.0%



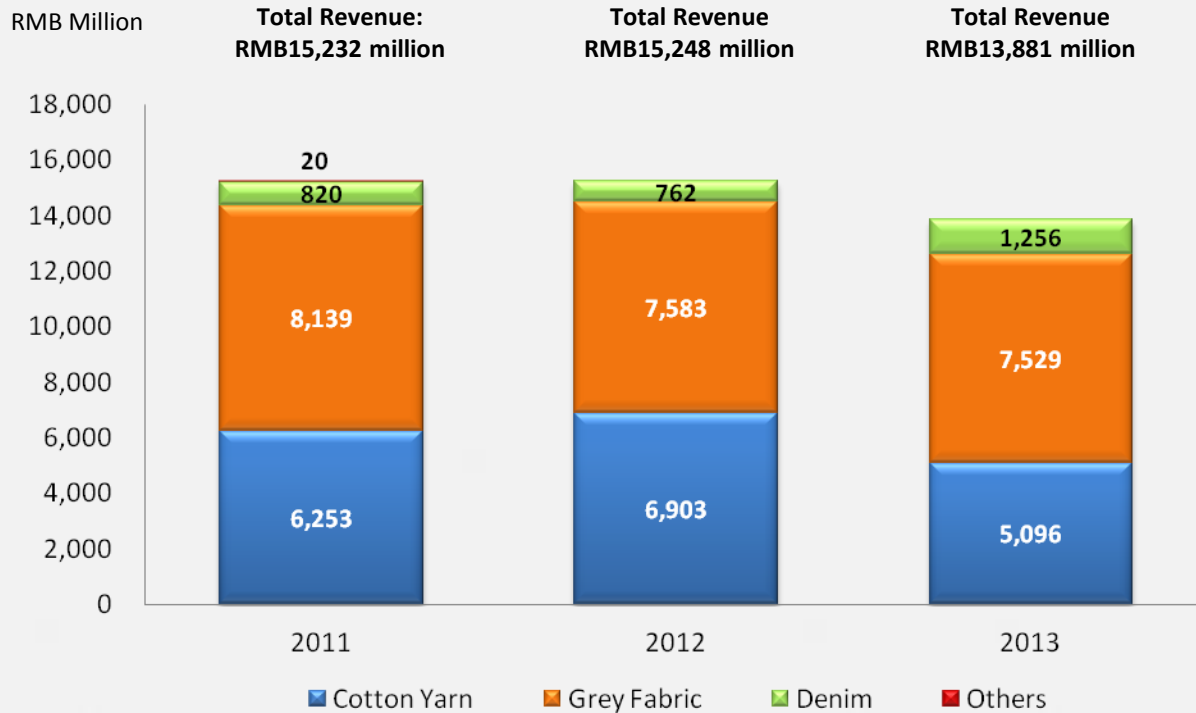
# Agenda

## Business Review



# Sales Analysis – Product Categorical Breakdown

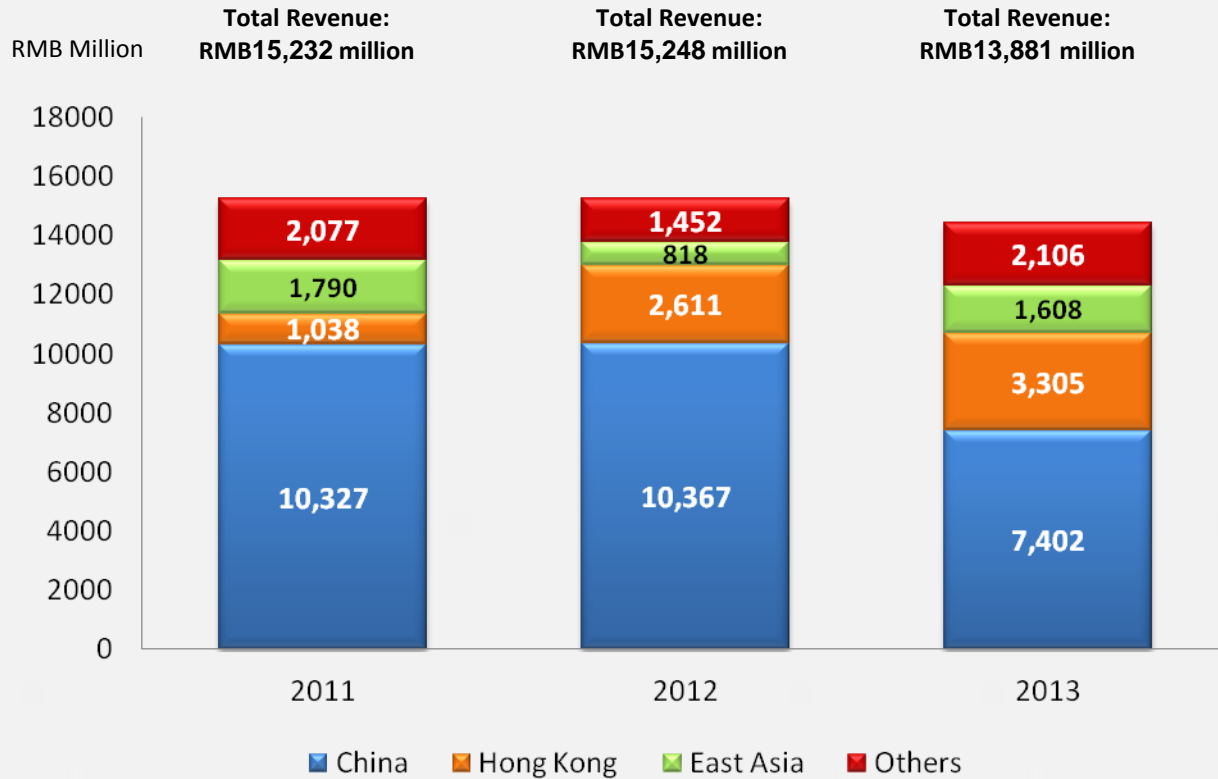
## Sales Breakdown by Products



- During the period under review, sales of cotton yarn, grey fabric, and denim accounted for approximately 36.7%, 54.2% and 9.1% respectively.

# Sales Analysis – Geographical Breakdown

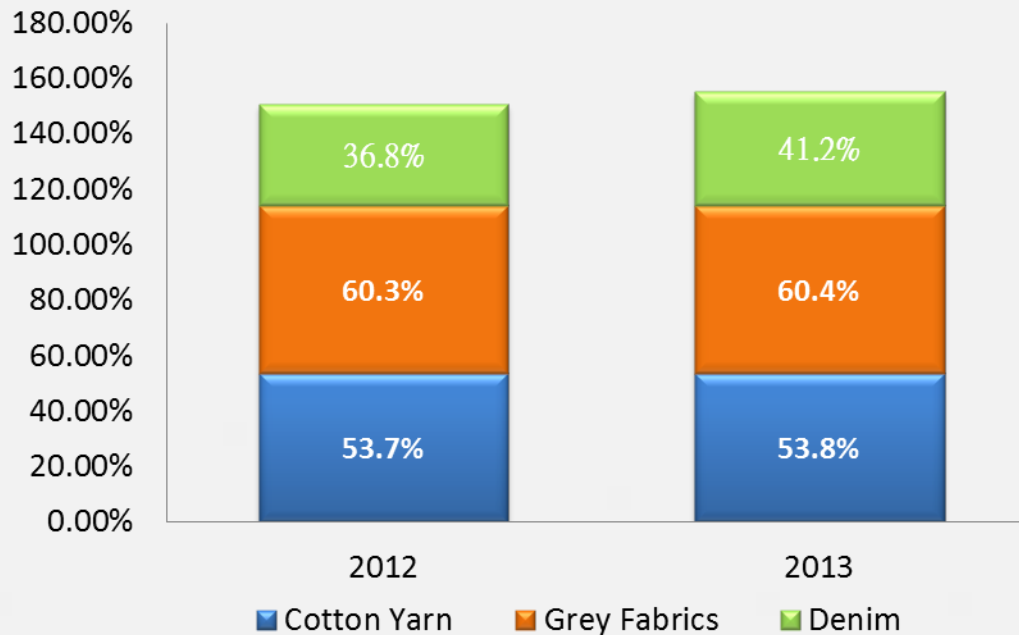
## Sales Breakdown by Regions



- Stable sales in overseas markets, representing approximately 46.7 % of total sales.
- Sales from EU and US accounted for approximately 4.1% of total revenue in 2013.

# Sales Volume Analysis – Middle and High-end Products

## Sales Volume of Middle and High-end Products



- During the period under review, sales volume of middle and high-end products accounted for 53.8%, 60.4% and 41.2% in cotton yarn, grey fabric, and denim products respectively.

# High Quality Products R&D

## Middle and High-end Cotton Yarn

- Over 500 thread counts combed yarn, New fabric yarn, flake yarn, etc.
- For high-end bedding products & shirts



## Middle and High-end Denim

- Denim with special type of fabric, high thread counts (over 16) Denim, etc.
- For soften & comfortable jeans with high elastic



## Middle and High-end Fabric

- High value-added products, including high thread counts and density combed grey fabric (over 300 & 500), extra-width high density cotton poplin, alginate fabric etc.
- For high-end bedding and garment



## Differentiated Products

- Products with special functions, including antibacterial, Wrinkle-free, dust-free, etc.
- For industrial including healthcare, fire control, environment protection, etc.



**Agenda**

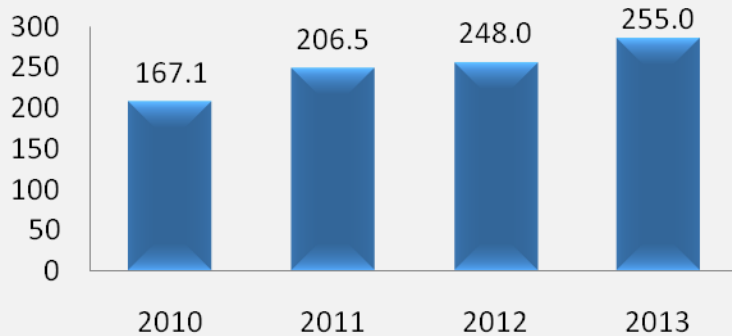
**Industry and Market Analysis**



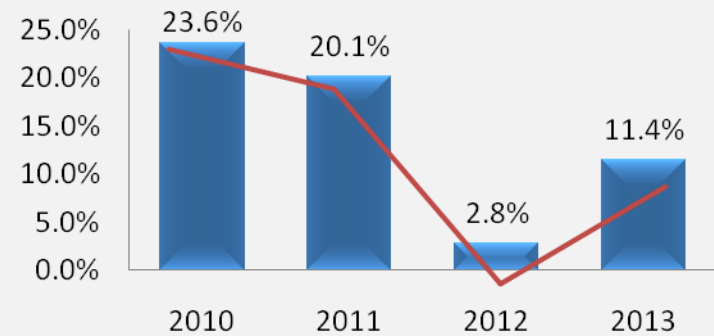
# China's Textile and Apparel Industry Analysis – Slower Growth of Domestic Sales, Modest Recovery of Export

USD billion

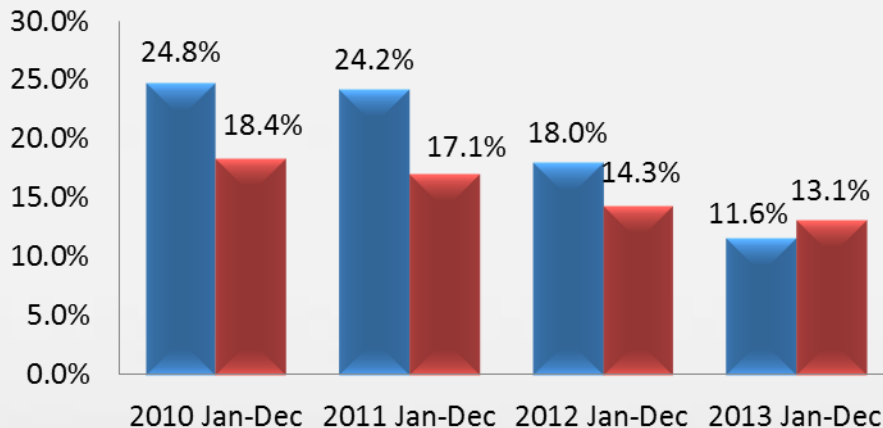
Value of China's Textile and Apparel Exports



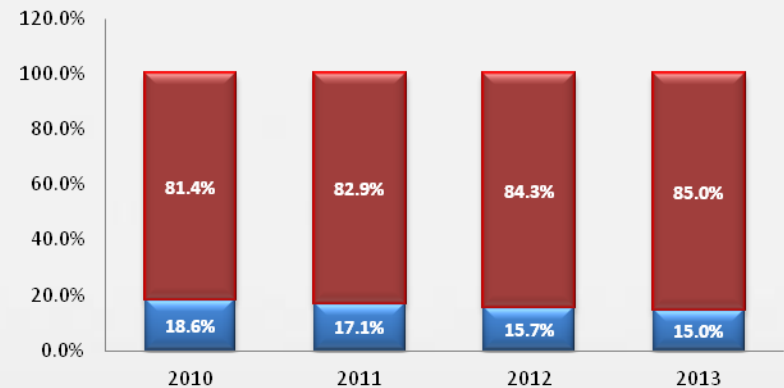
Growth of China's Textile and Apparel Exports



Growth Comparison between China's Retail Sales of Apparel, Footwear, Headwear, Needle Textile and Total Retail Sales of Social Consumer Goods



Domestic Sales and Exports of China's Textile Enterprises Above-designated Size



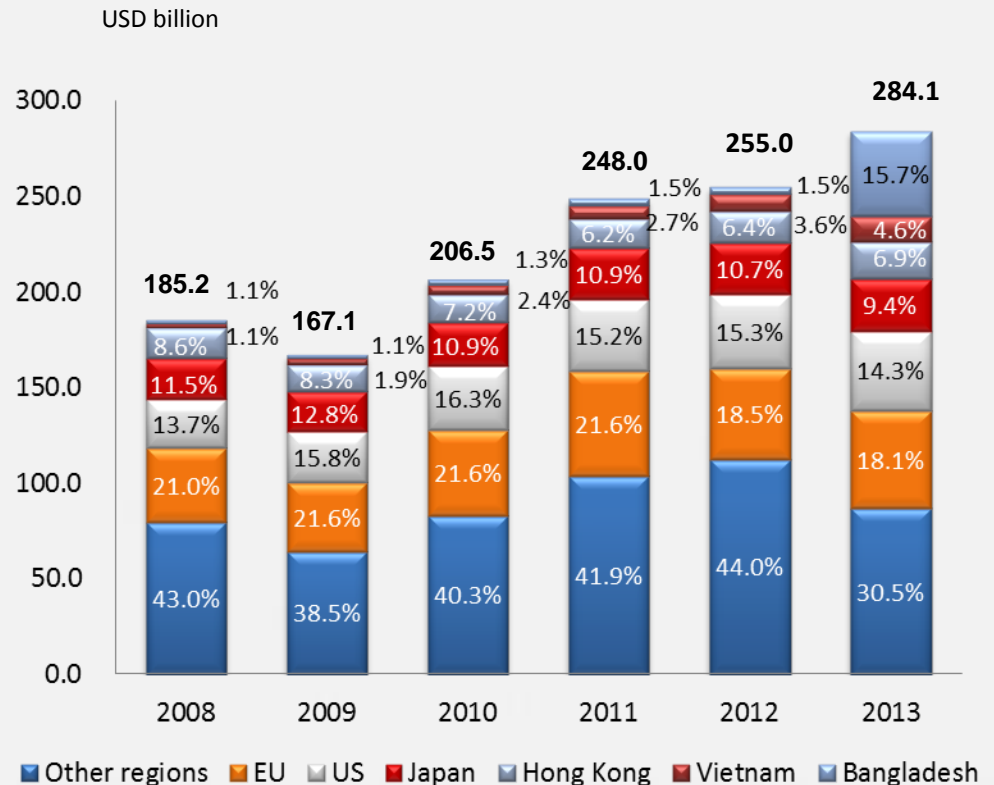
■ China's Comparable Retail Sales Increase of Apparel, Footwear, Headwear, Needle Textile  
■ YoY Increase of China's Total Retail Sales of Social Consumer Goods

■ Export ■ Domestic Consumption

# China's Textile and Apparel Exports Analysis – Specific Markets

- China's textile and apparel exports in 2013 totaled USD 284.1 billion, a YoY increase of 11.4% with the growth rate rising 8.6 percentage points.
- In 2013, China's textile and apparel were exported to:
  - US: YoY up 7.0%, growth rate up 3.7 pp
  - Japan: YoY down 1.0%
  - EU: YoY up 9.3%, growth rate up 21.2 pp
  - Hong Kong: YoY up 20.0%, growth rate up 14.2 pp
  - Vietnam: YoY up 45.0%, growth rate up 10.6 pp
  - Bangladesh: YoY up 20.7%, growth rate up 19.0 pp
  - Other regions: YoY up 12.4%, growth rate up 4.0 pp

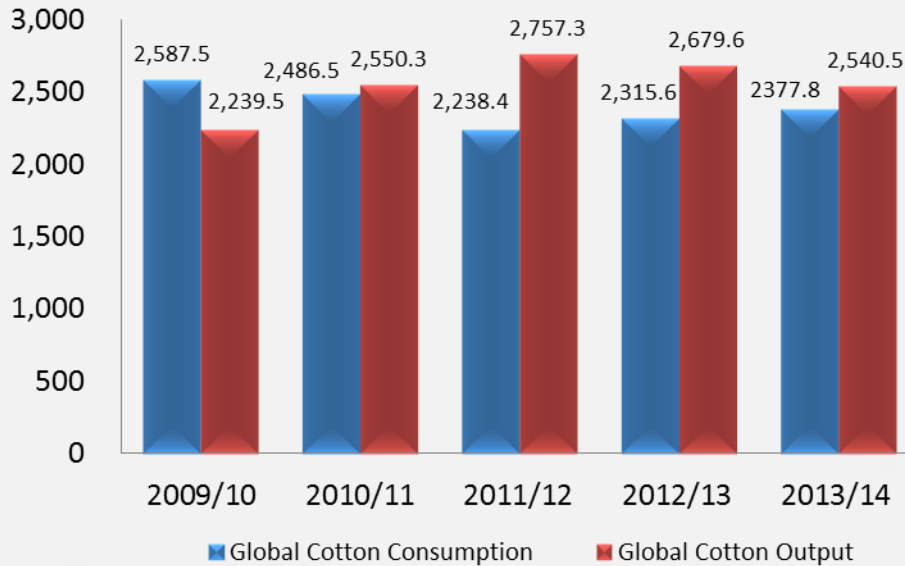
## Value of China's Textile and Apparel Exports and Geographical Breakdown



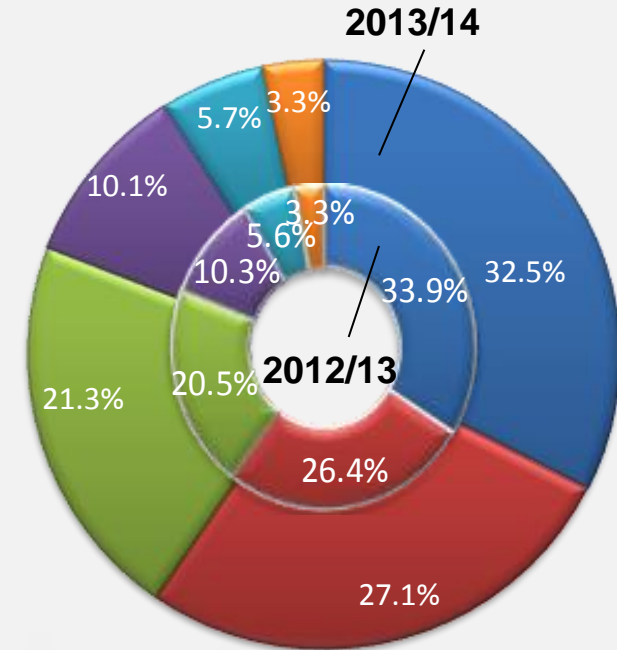
# Global Cotton Market – Supply and Demand Analysis

## Expected Global Cotton Output and Consumption

Million tons



## Expected Geographical Breakdown of the Global Cotton Consumption

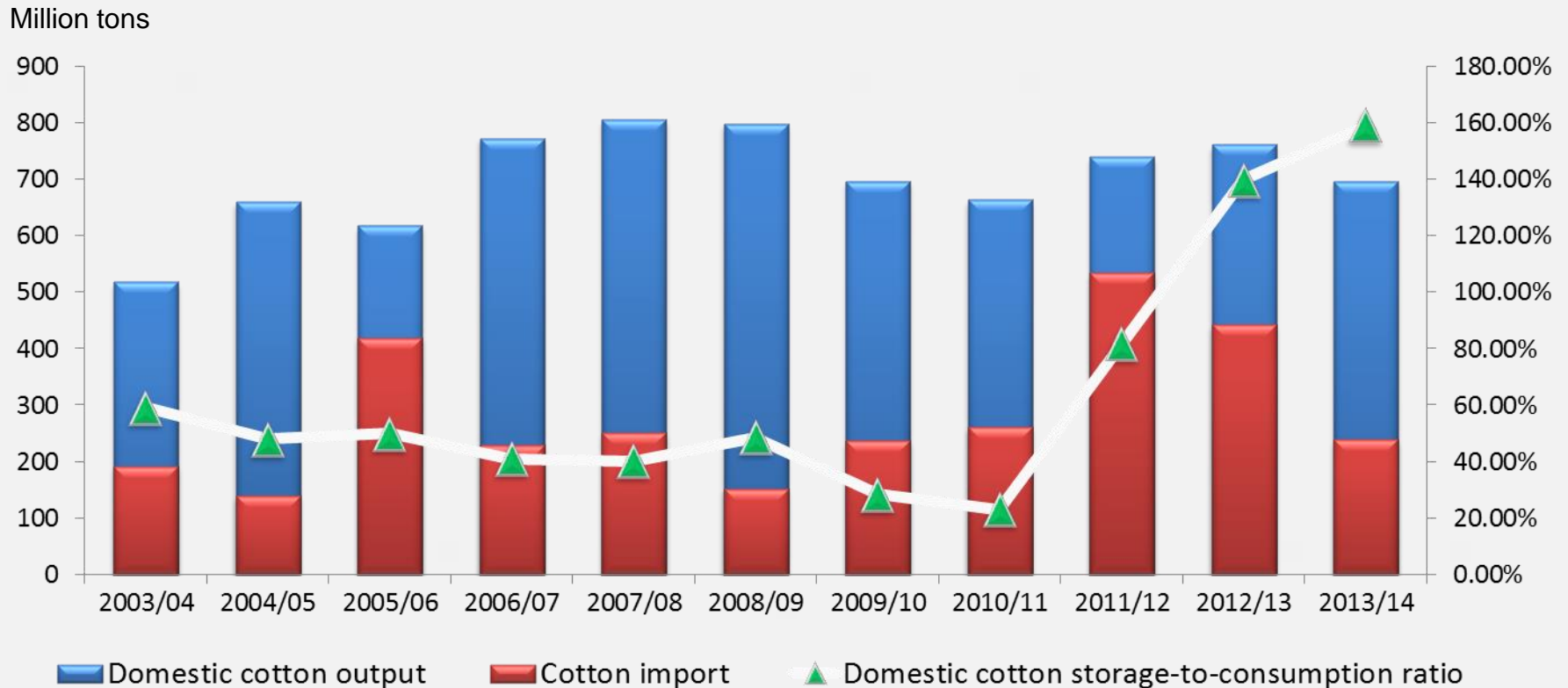


■ China ■ Others ■ India ■ Pakistan ■ Turkey ■ US

Source: USDA; released in March



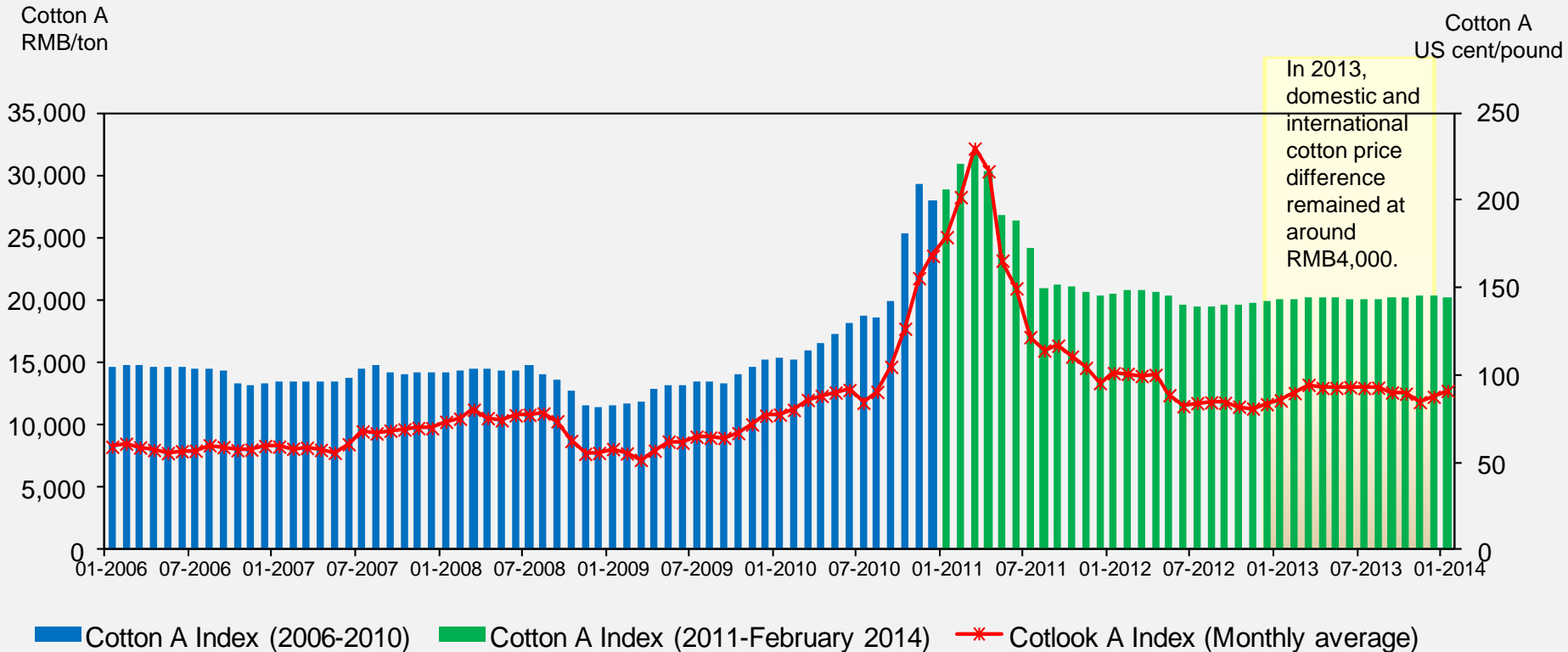
## China's Cotton Storage and Sales in 2013/2014



- As at 21 March, China's temporary cotton storage in 2013 totaled 6.22 million tons.
- As at 21 March, China's accumulated cotton available for sales reached 2.00 million tons, with total transaction of 710 thousand tons and transaction percentage of 35.5%.

# Global Cotton Market – Price Analysis

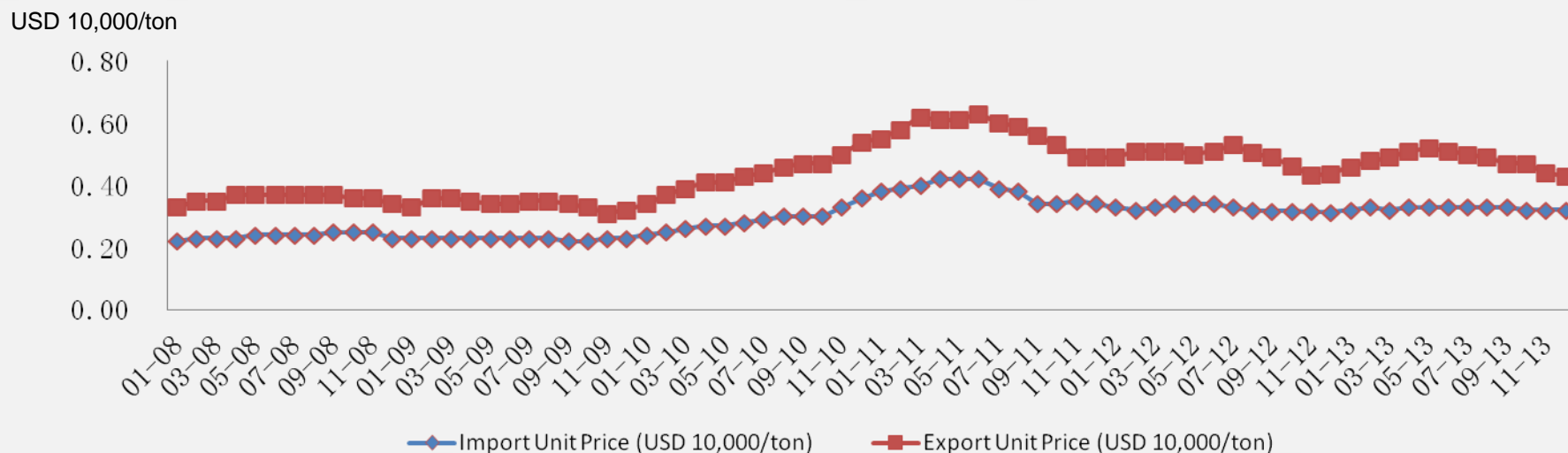
Cotton price: Cotton A Index and Cotlook A Index from Jan 2006 to February 2014



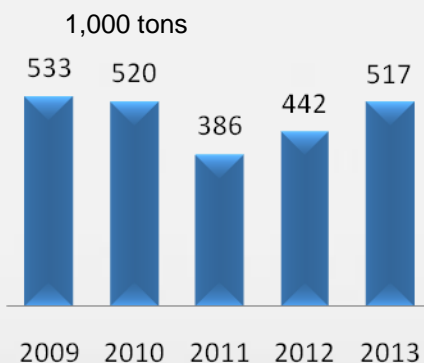
According to USDA, China's expected cotton output in 2013/2014 would be 6.967 million tons, and the expected cotton consumption would be 7.729 million tons.

# China's Textile and Apparel Exports Analysis – Imports and Exports of Cotton Yarn: Unit Price, Volume, and Value

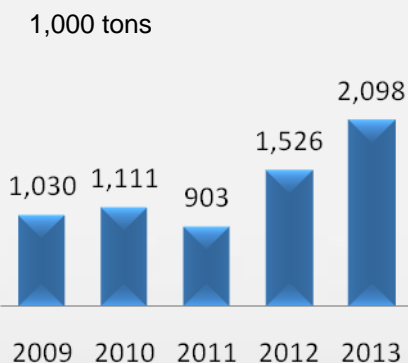
## Import and Export Unit Price from 2008 to December 2013



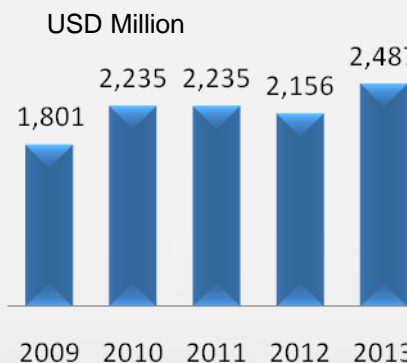
### Export Volume



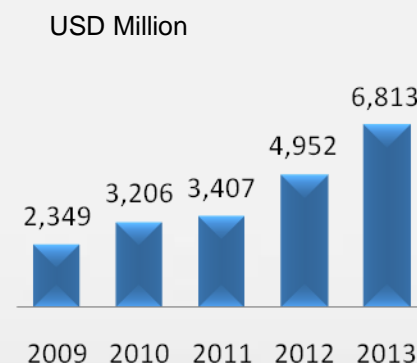
### Import Volume



### Export Value



### Import Value

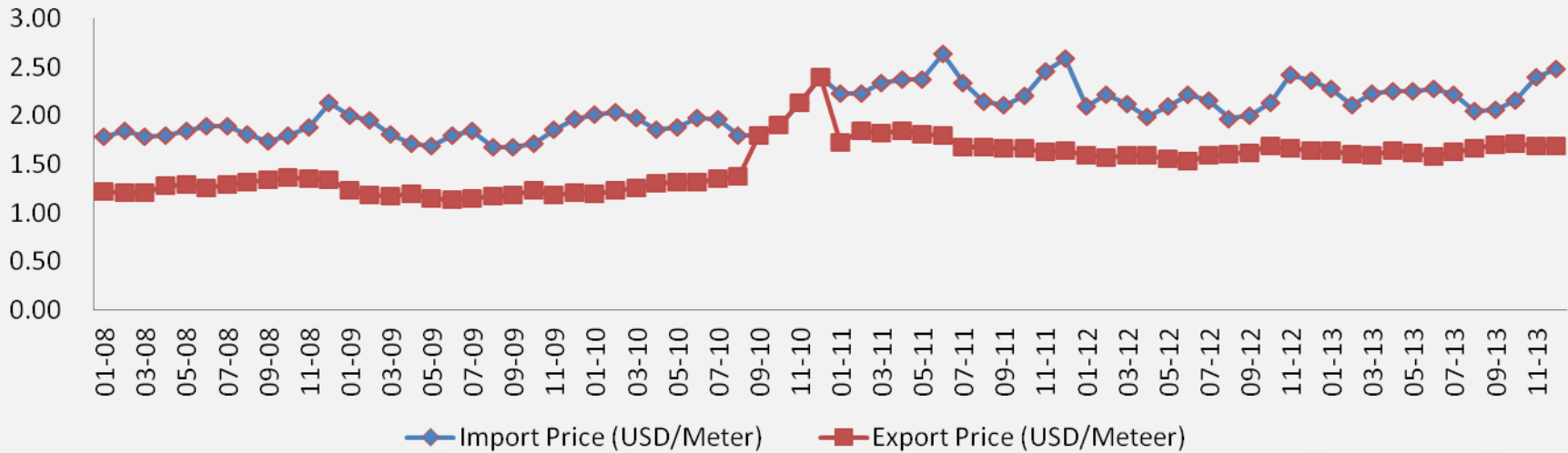


Source: cottonchina.org

# China's Textile and Apparel Exports Analysis – Imports and Exports of Grey Fabrics: Unit Price, Volume, and Value

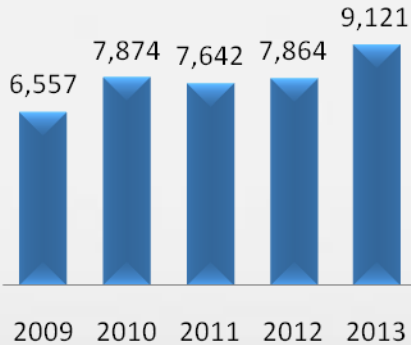
USD/Meter

Import and Export Unit Price from 2008 to December 2013



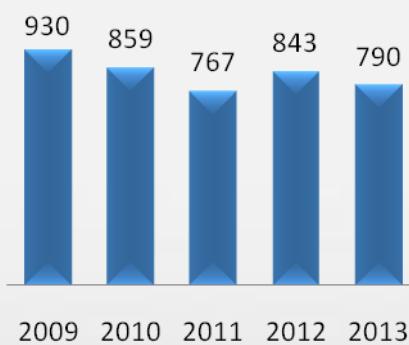
Export Volume

Million meters



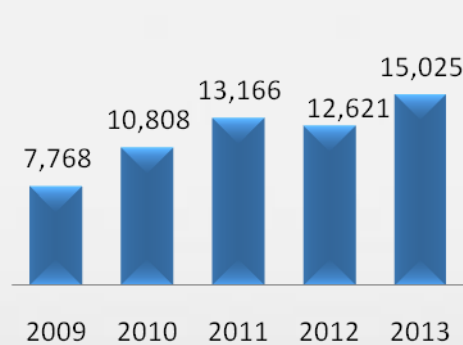
Import Volume

Million meters



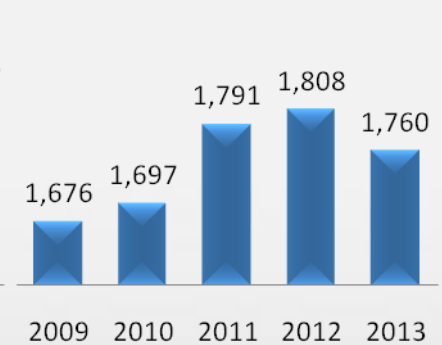
Export Value

USD Million

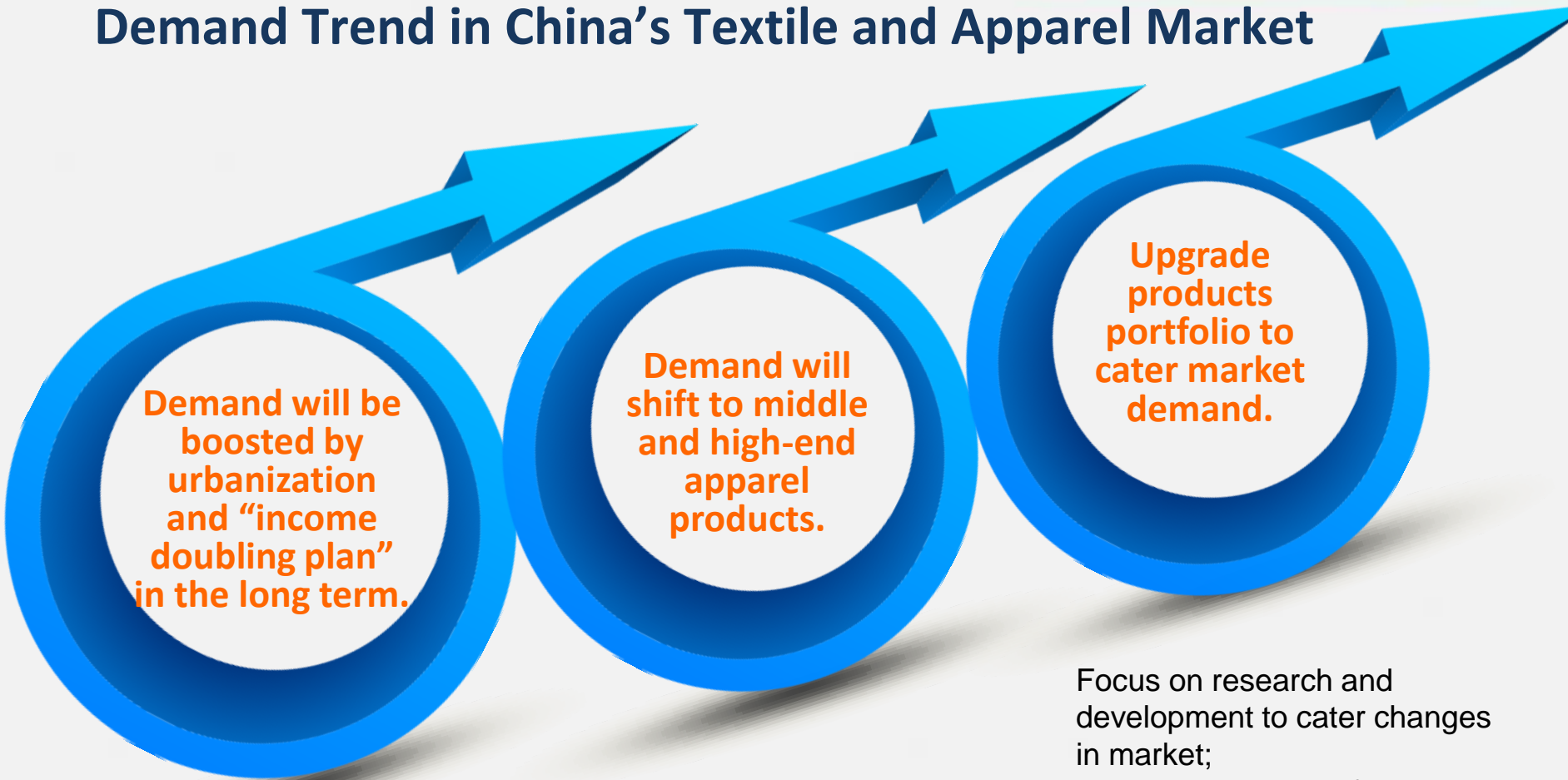


Import Value

USD Million



## Demand Trend in China's Textile and Apparel Market



**Demand will be boosted by urbanization and "income doubling plan" in the long term.**

Consumption of textile and apparel will be continuously boosted and the demand structure will be upgraded by urbanization and rising incomes.

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

Priority will be given to comfort and quality of apparel products. Brand apparel companies may focus more on lean management, resulting in slower growth.

**Upgrade products portfolio to cater market demand.**

Focus on research and development to cater changes in market; upgrade production facilities; increase the proportion of middle and high-end products.



# Prospects and Strategies

## Agenda

## 2014 Textile Industry Outlook



### Global economic recovery in sight

Economic rebound in EU, US & Japan;  
Uncertainties remains clouded emerging markets growth

### Steady domestic economic growth

Deepened reform;  
New-type urbanization progress;  
Consumption growth to pick up

### Transition and upgrade of textile industry

Adjusted cotton policy is expected to narrow the gap between domestic and overseas cotton prices;  
Consolidation and elimination boosts industrial development

## Objective & Strategy

**largest and strongest cotton textile manufacturer in the world**



Seize opportunities in both high-end product and emerging markets; takes social responsibility, including environmental protection



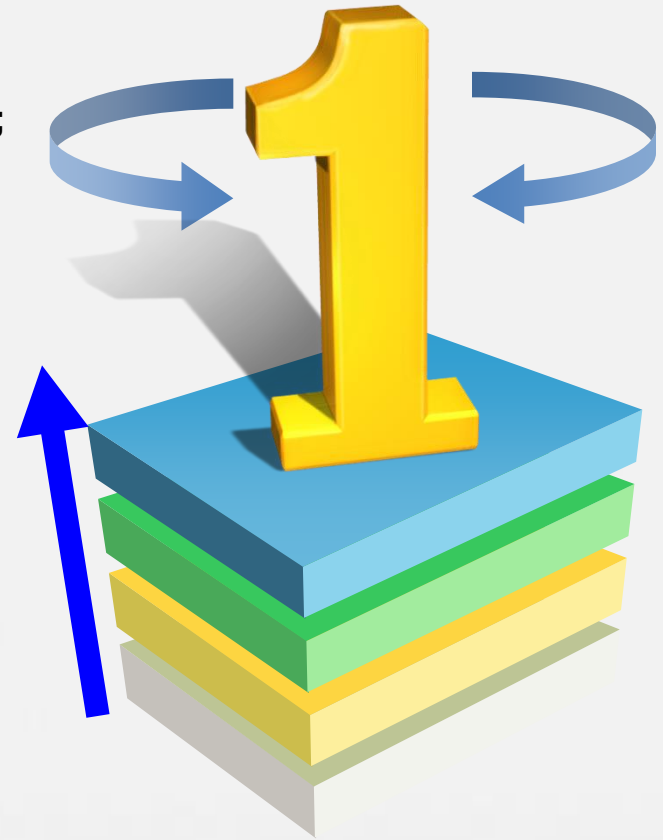
Lower production cost by technological advancements



Improve pricing ability based on high-quality products and the capability to accept orders based on advantages of scale



Optimize financial management to prepare for risks





**Q & A**

**THANK YOU**



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Weiqiao Textile Company Limited