



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

(Stock Code: 2698)

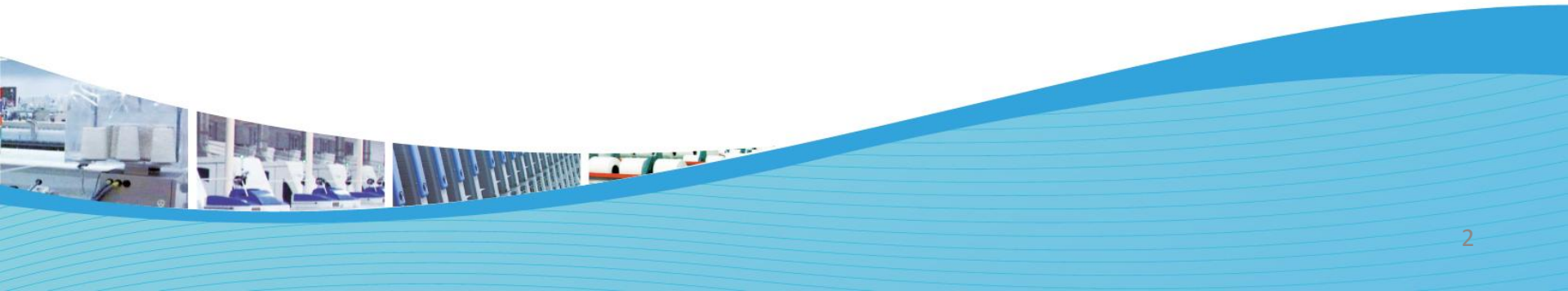
2011 Interim Results Presentation

22 August 2011



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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Agenda

Financial Review



Financial Review

As at 30 June

(RMB million)	2010	2011	Change (%)
Turnover	8,304	8,031	-3.3
Gross profit	1,040	1,017	-2.2
Gross profit margin (%)	12.5	12.7	0.2% point
Operating profit margin (%)	11.7	11.7	--
Profit before tax	734	672	-8.4
Profit attributable to shareholders	545	545	--
Diluted earnings per share (RMB)	0.46	0.46	--
Net profit margin (%)	6.6	6.8	0.2% point

Financial Review

(RMB million)	As at 31 Dec 2010	As at 30 Jun 2011	Change (%)
Total assets	28,390	29,820	5.0
Total liabilities	12,865	14,272	10.9
Net asset value	15,524	15,548	0.2
Current ratio (times)	1.5	1.5	--
Account receivable turnover(days)	11	11	--
Inventory turnover(days)	143	243	100 days
Account payable turnover(days)	33	65	32 days
Net debt to equity ratio(%)	41.2	51.2	10% point
Gearing ratio(%)	33.0	32.0	-1% point

Cost Analysis

As at 30 June

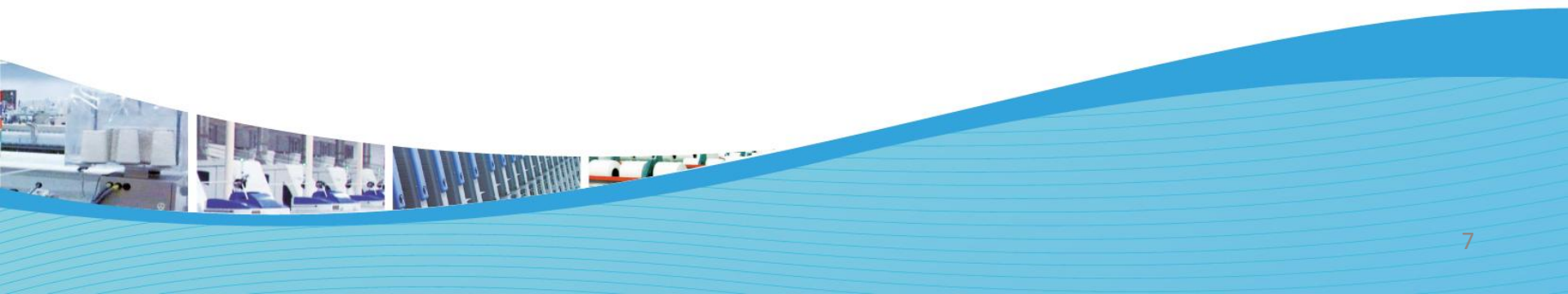
(RMB million)

2010

2011

Change (%)

Cost of goods sold	7,264	7,014	-3.4
Sales and distribution costs	135	83	-38.5
Administrative expenses	102	112	9.8
Other expenses	53	35	34.0
Finance costs	240	271	12.9





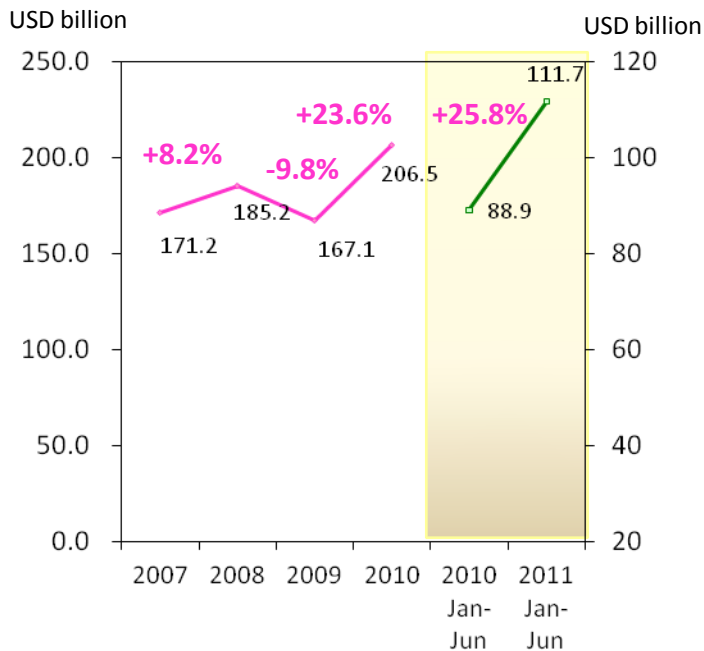
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Industry and Market Analysis

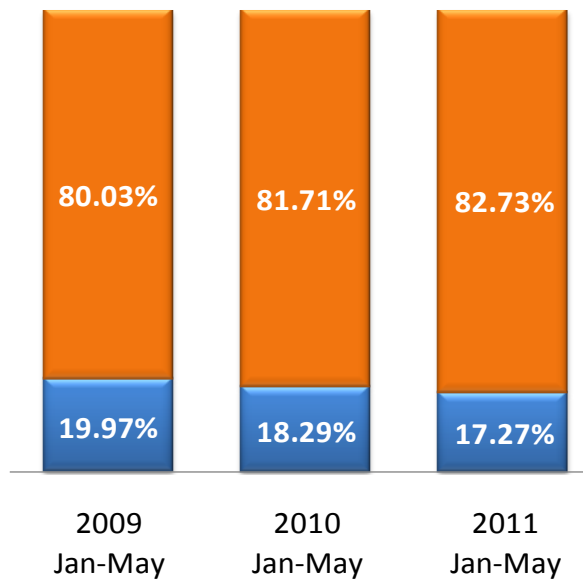
- **China's textile industry in 1H2011**
- **Global cotton demand analysis**
- **China's textile and apparel exports analysis**

China's Textile Industry in 1H2011 – Sound Performance at the beginning of the year followed by Decelerated Growth

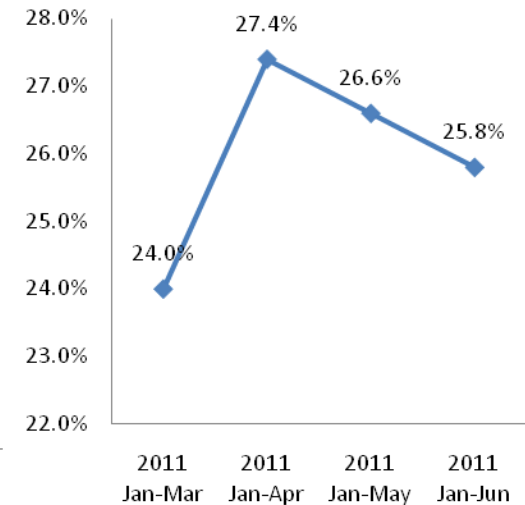
Trend of China Textile and Apparel Exports



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



Growth of China Textile and Apparel Exports slowed down in 1H 2011

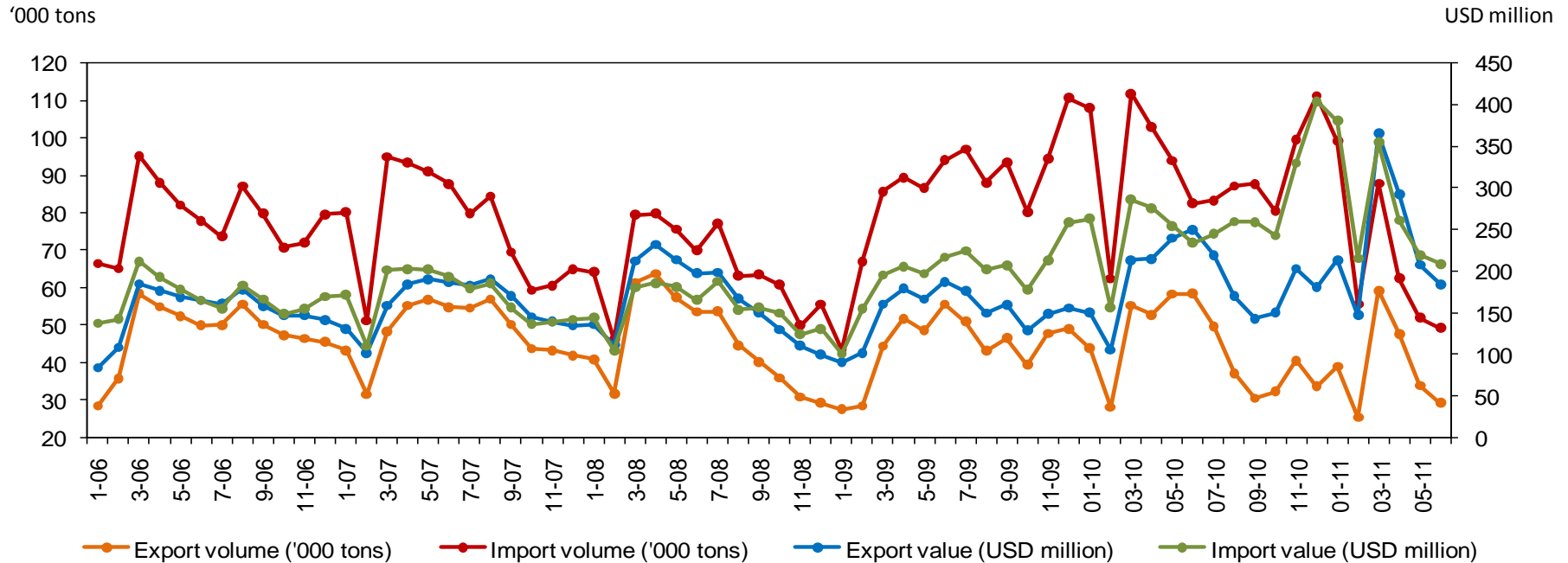


■ Exports ■ Domestic Sales



Import and Export of Cotton Yarn : Volume & Value

2006 to June 2011

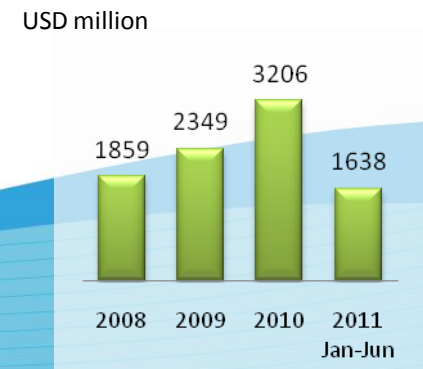
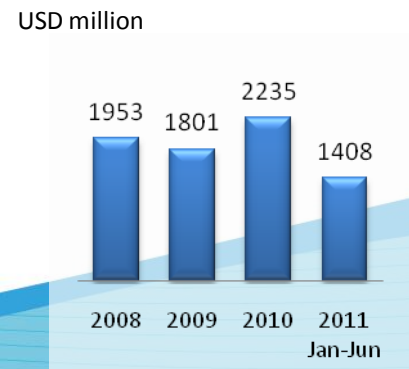
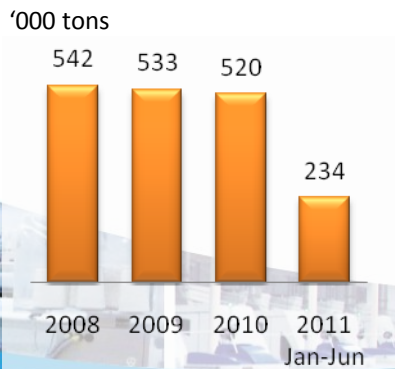


Export Volume

Import Volume

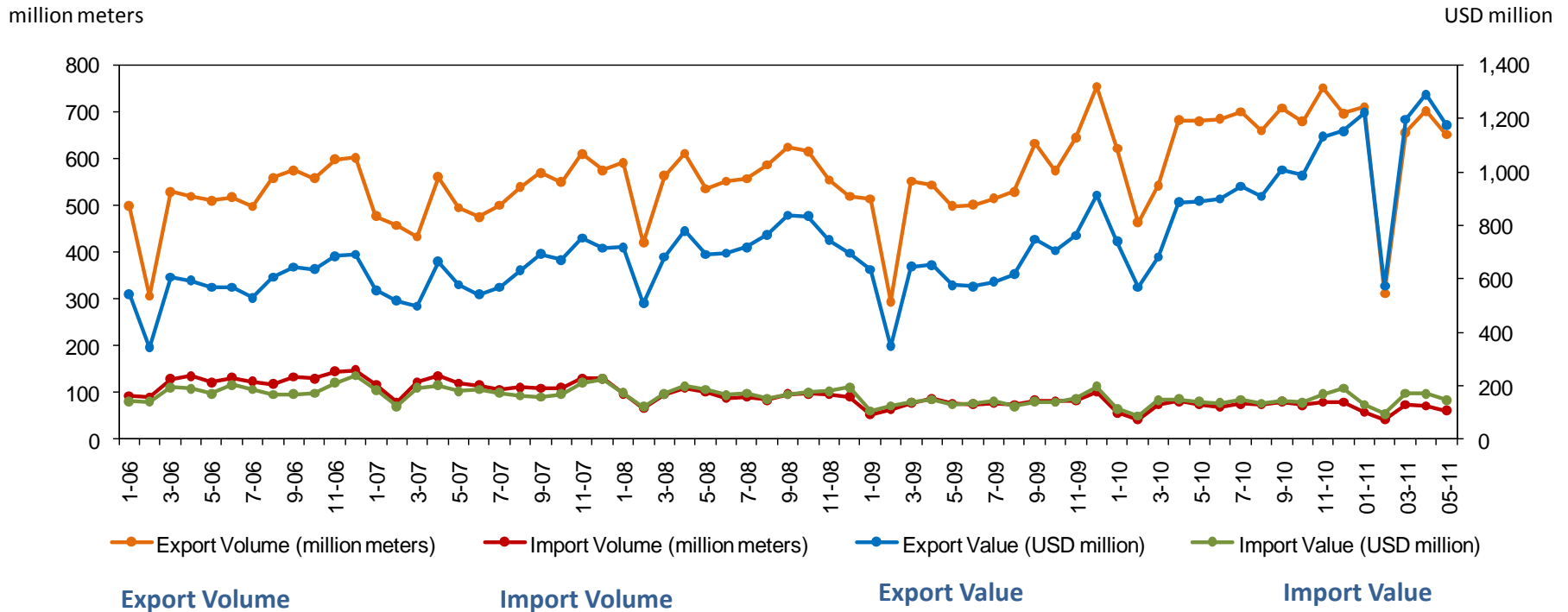
Export Value

Import Value



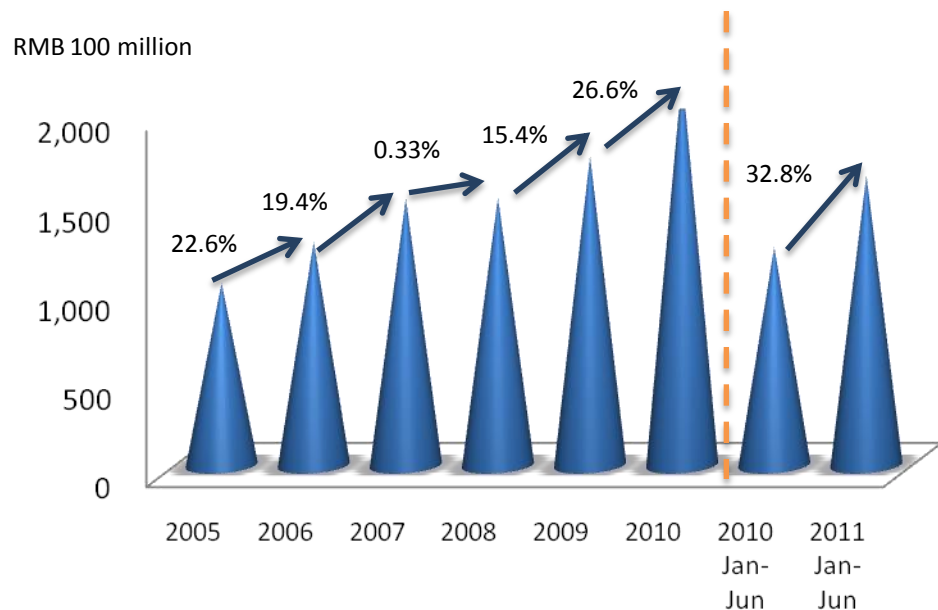
Import and Export of Grey Fabric : Volume & Value

2006 to June 2011

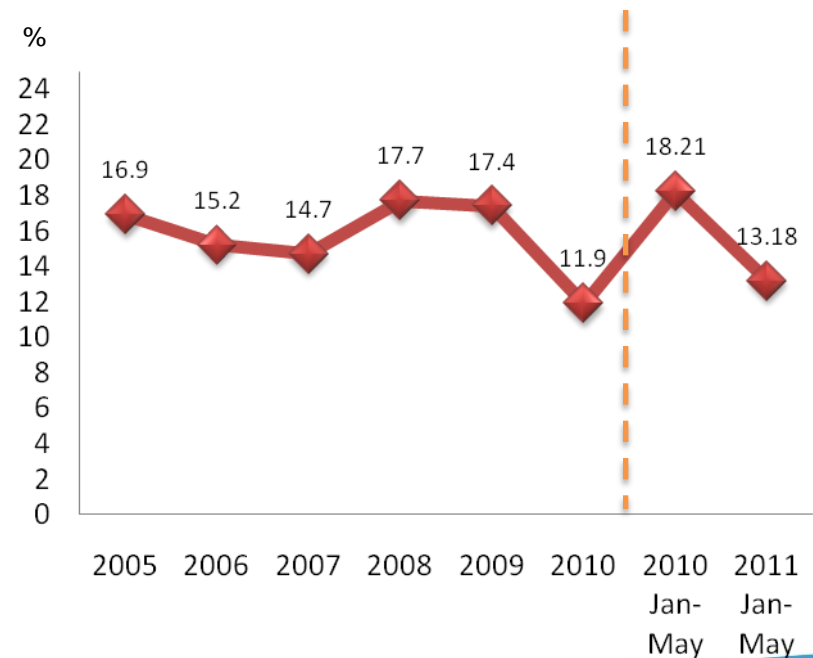


Fixed Asset Investment and Proportion of Loss-making Enterprises in Textile Industry

Fixed Asset Investment of Textile Industry from 2005 to June 2011



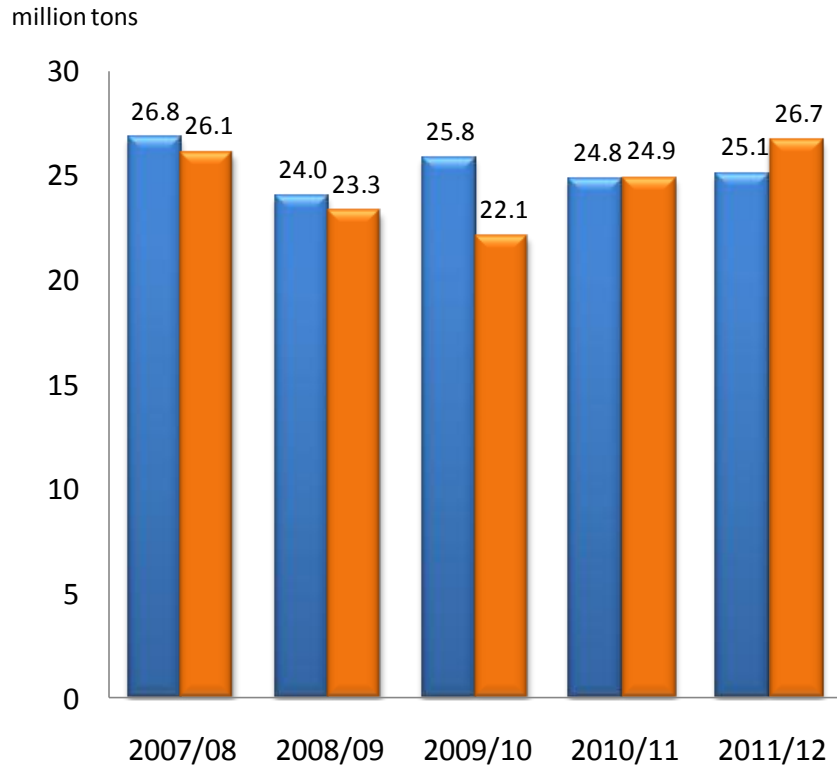
Proportion of Loss-making Textile Enterprises from 2005 to May 2011



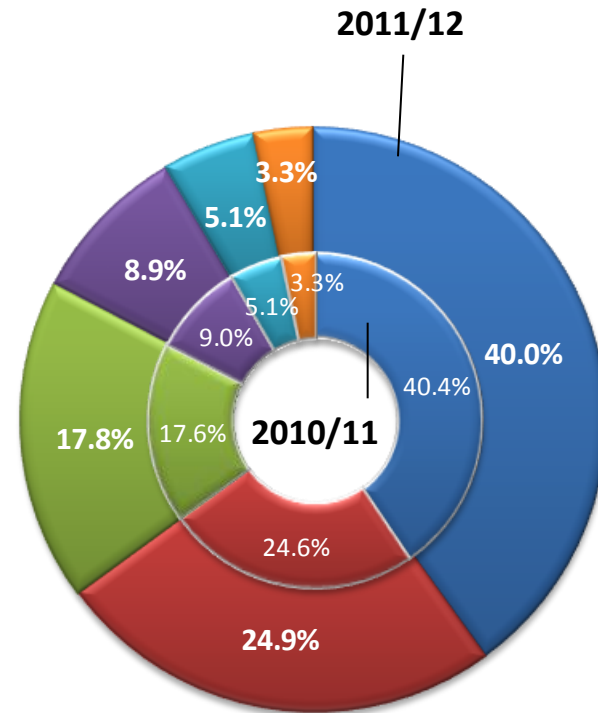
Note: National Bureau of Statistics of China changed the definition of large-scale companies by lifting turnover from 5 million to 20 million since 2011. As a result, the percentage number of companies with deficit in the industry is not comparable between this year and the previous years due to the number of large-scale companies changed. These figures are for reference only.

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

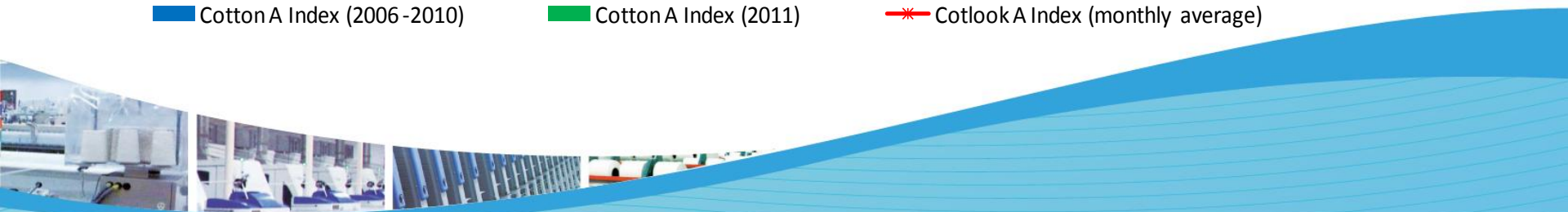
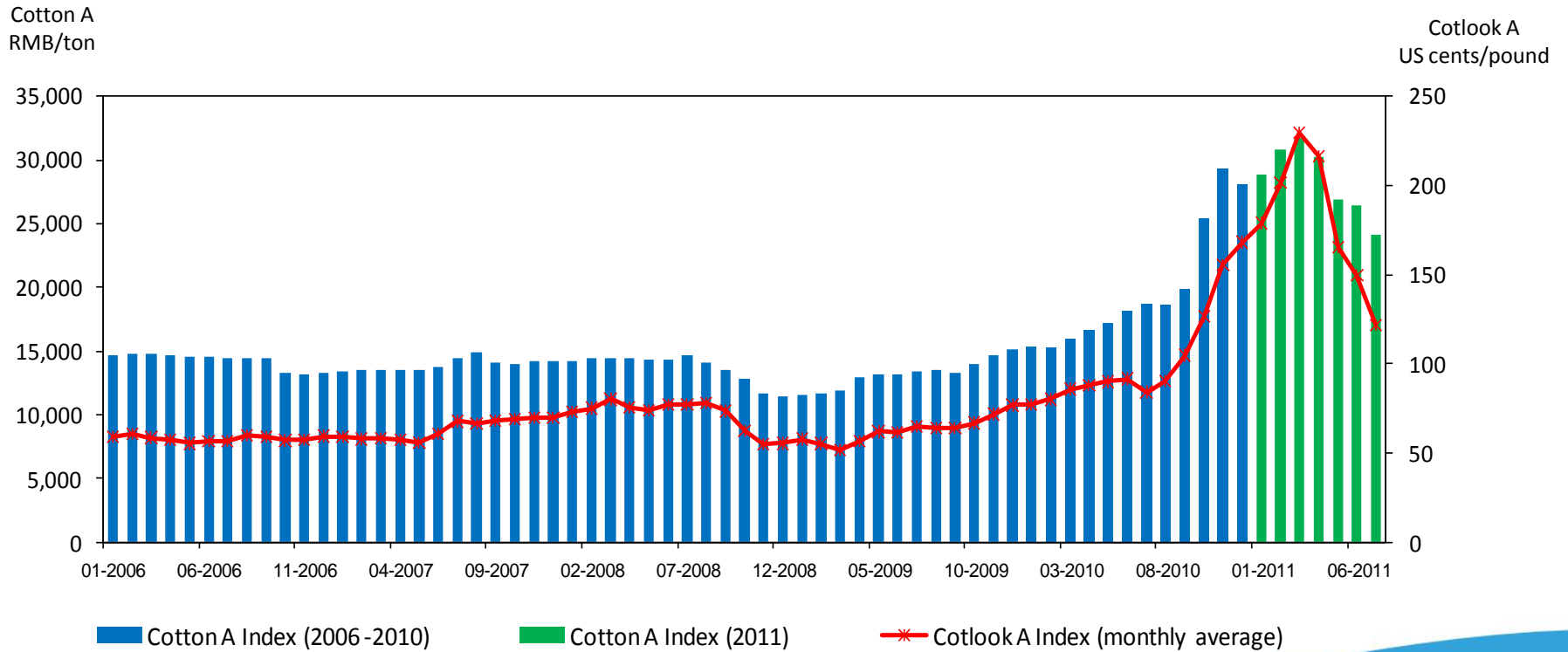


■ Global cotton consumption ■ Global cotton output

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

Global Cotton Price Trend Analysis – Price Movement

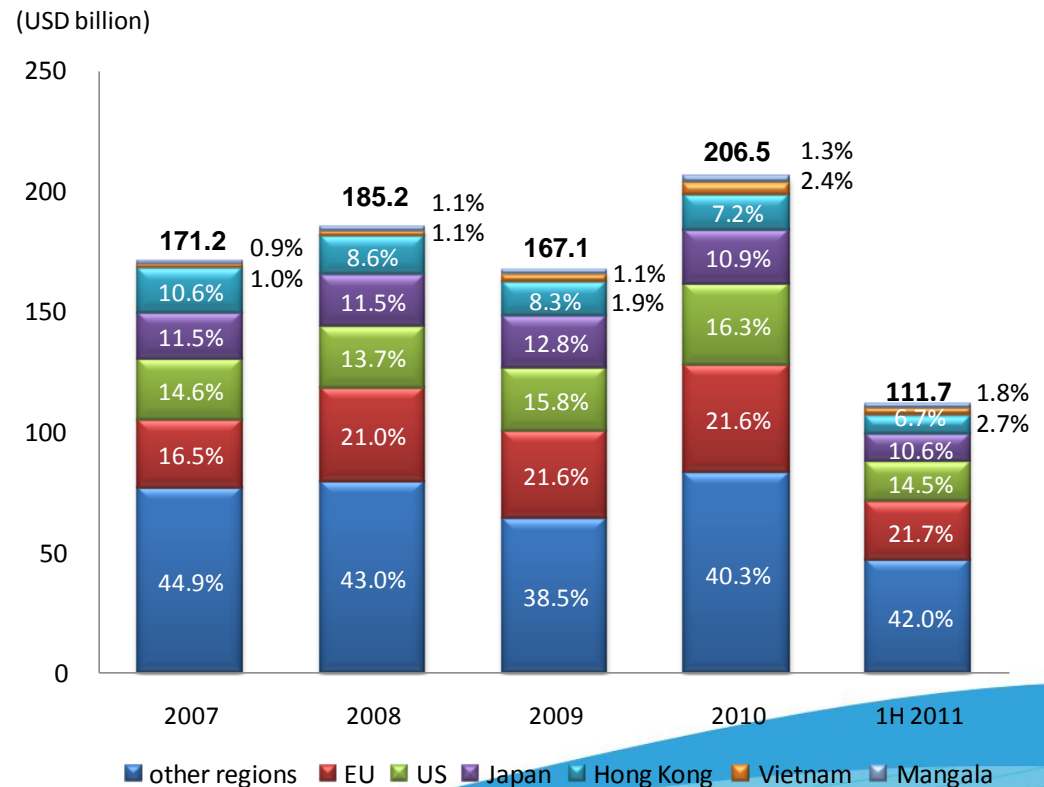
Cotton price : Cotton A Index and Cotlook A Index from Jan 2006 to Jul 2011



China's Textile and Apparel Exports Analysis – Exports Growth Slowed Down, Keen Competition of Domestic Market Remains

- In 1H2011, China's textiles and apparel exports amounted to USD 45.9 billion, representing a yoy increase of 28.8%, growth rate decreased by 3.4% point
- In 1H2011, China's textile and apparel were exported to:
 - US : yoy up 14.2%, growth rate down 14.4% point
 - Japan : yoy up 23.2%, growth rate up 22.0% point
 - EU : yoy up 28.9%, growth rate up 10.5% point
 - HK : yoy up 6.2%, growth rate down 3.9% point
 - Other regions : yoy up 32.6%, growth rate up 2.0% point

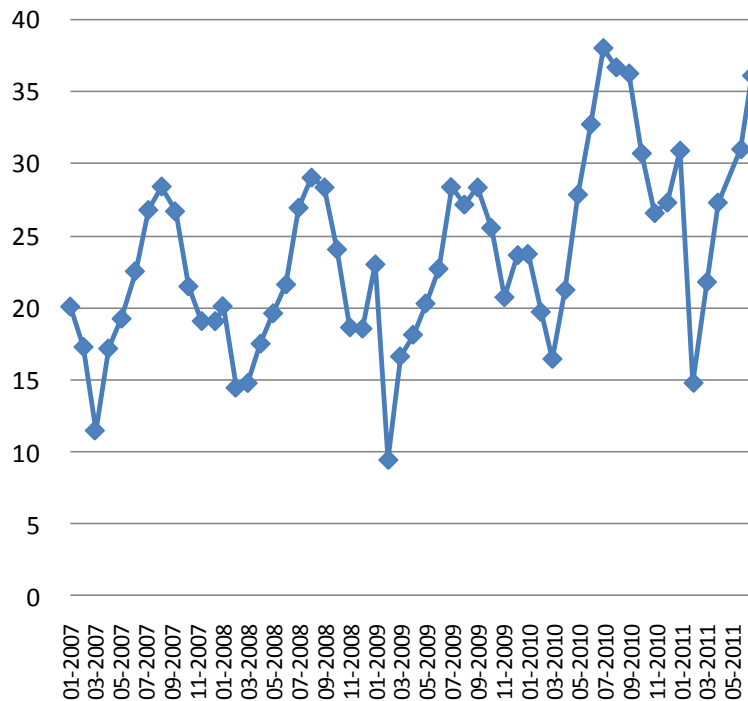
Value of China's Textile and Apparel Exports and Proportion in Percentage by Geography



China's Textile and Apparel Exports Analysis – Exports Growth Decelerated to US and Hong Kong Markets

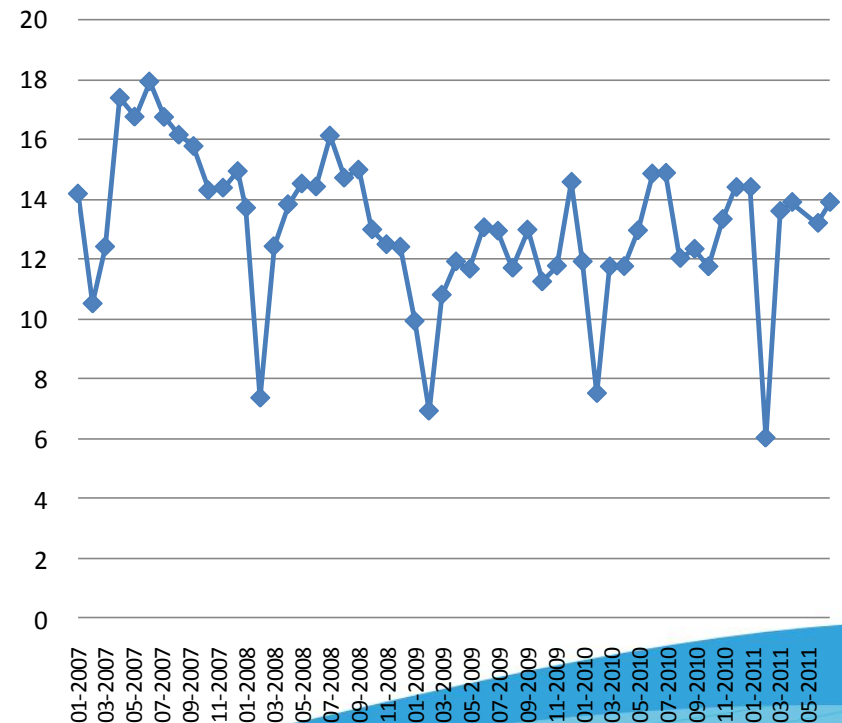
Trend of China's Textile and Apparel Exports to US

USD 100 million



Trend of China's Textile and Apparel Exports to Hong Kong

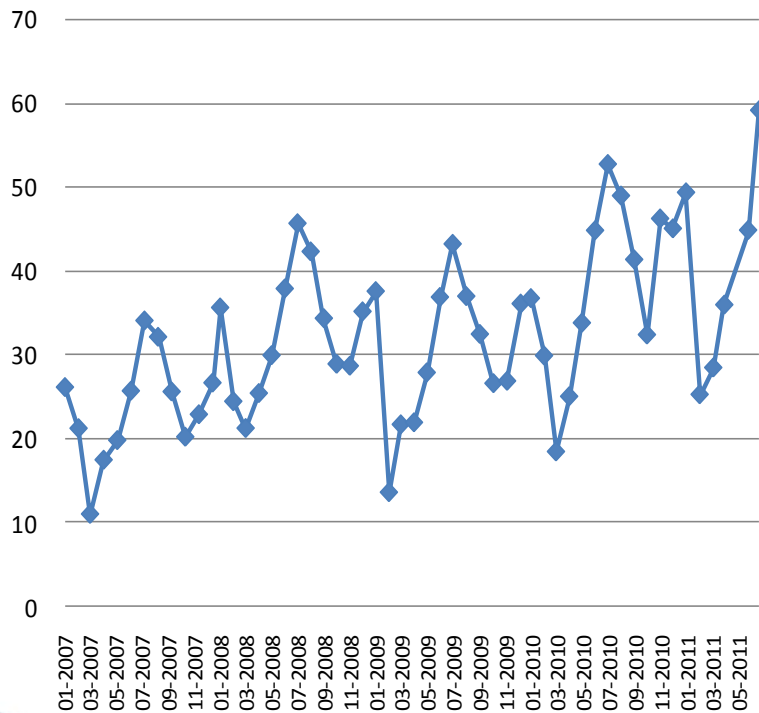
USD 100 million



China's Textile and Apparel Exports Analysis – Exports to EU and Japan Markets

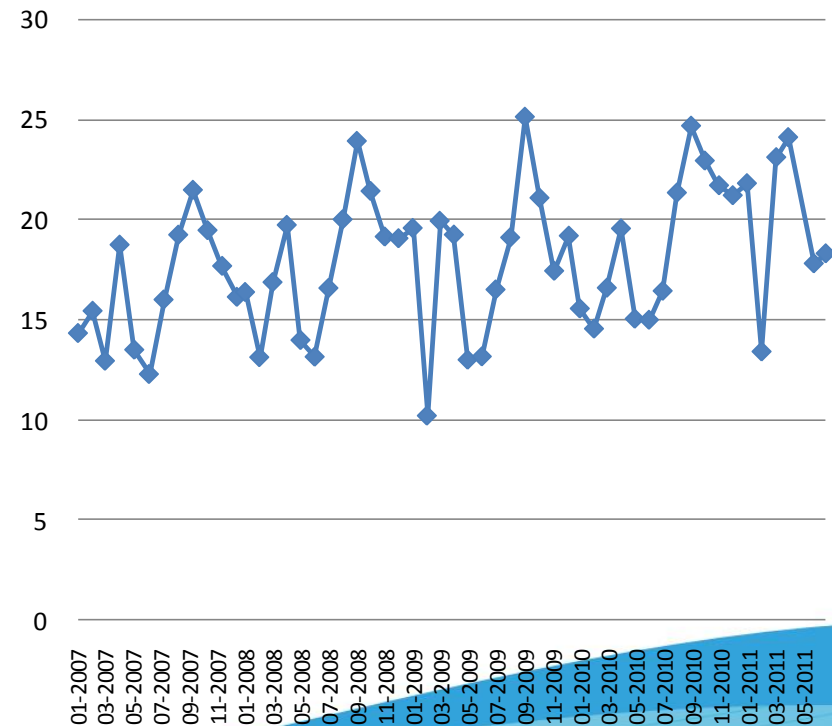
Trend of China's Textile and Apparel Exports to EU

USD 100 million



Trend of China's Textile and Apparel Exports to Japan

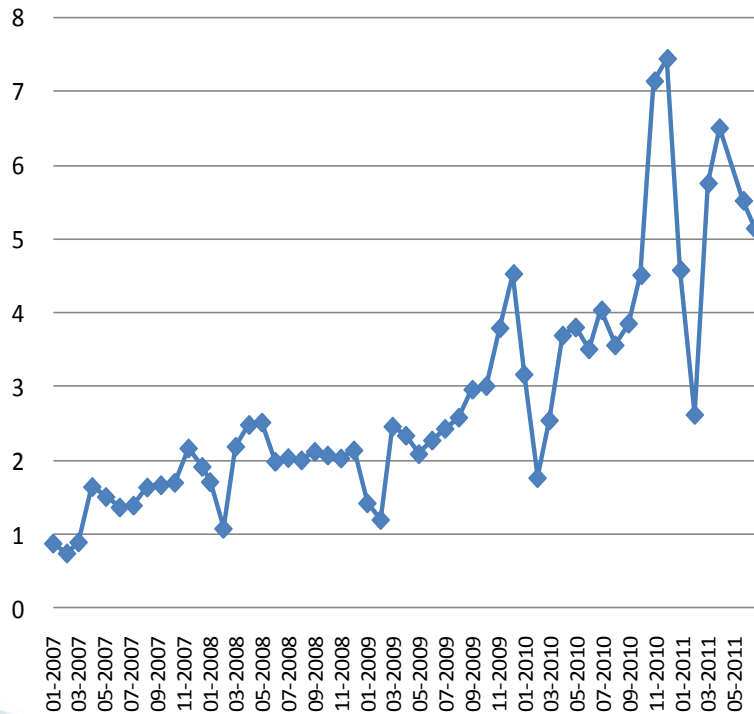
USD 100 million



China's Textile and Apparel Exports Analysis – Exports to Vietnam and Mangala Markets

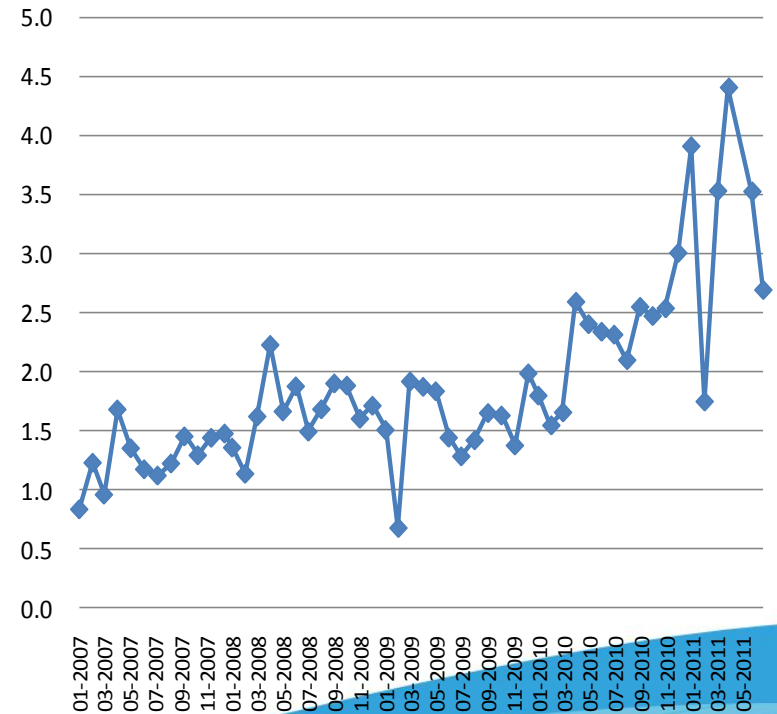
Trend of China's Textile and Apparel Exports to Vietnam

USD 100 million



Trend of China's Textile and Apparel Exports to Mangala

USD 100 million



China's Textile and Apparel Exports Analysis – Reasons of Export Growth Slowed Down

Emerging markets have cost advantage

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

Depressed global trade

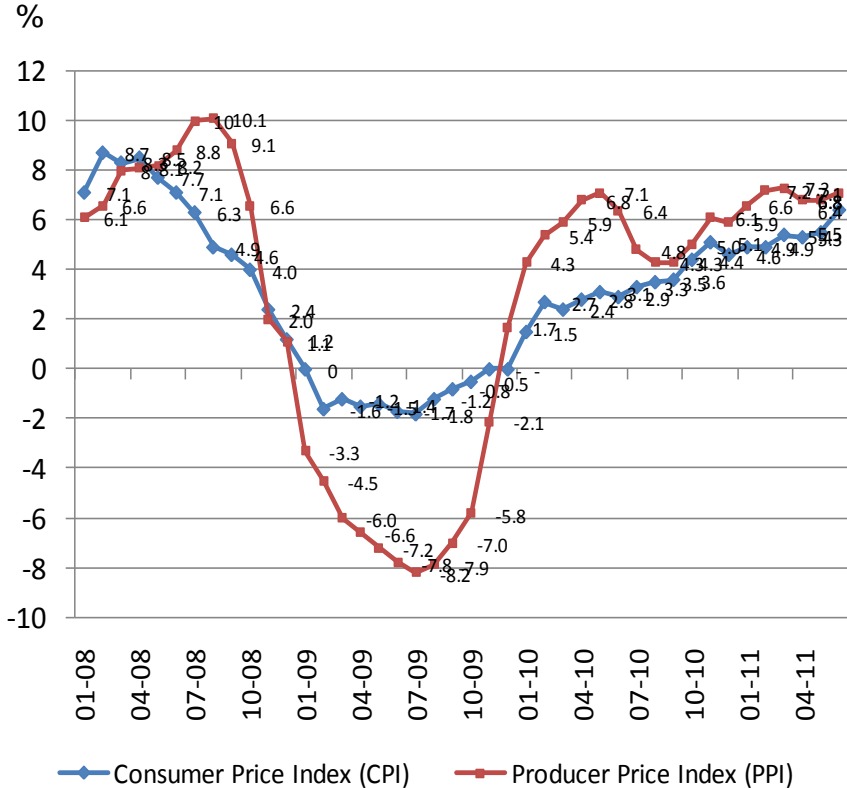
- On 13 Jan, Turkish government announced it raised tax on imports of woven fabric and apparel
- On 23 Mar, Indonesian government announced it increased tariff on certain woven cotton fabric imports
- Some countries' protectionist measures against China has constrained the growth in exports by the Chinese companies. Moreover, some countries are likely to adopt preferential trade policies towards the emerging markets which have newly developed their textile and apparel industries. These factors reduce China's competitiveness in exporting textile and apparel.

Cost increased in China

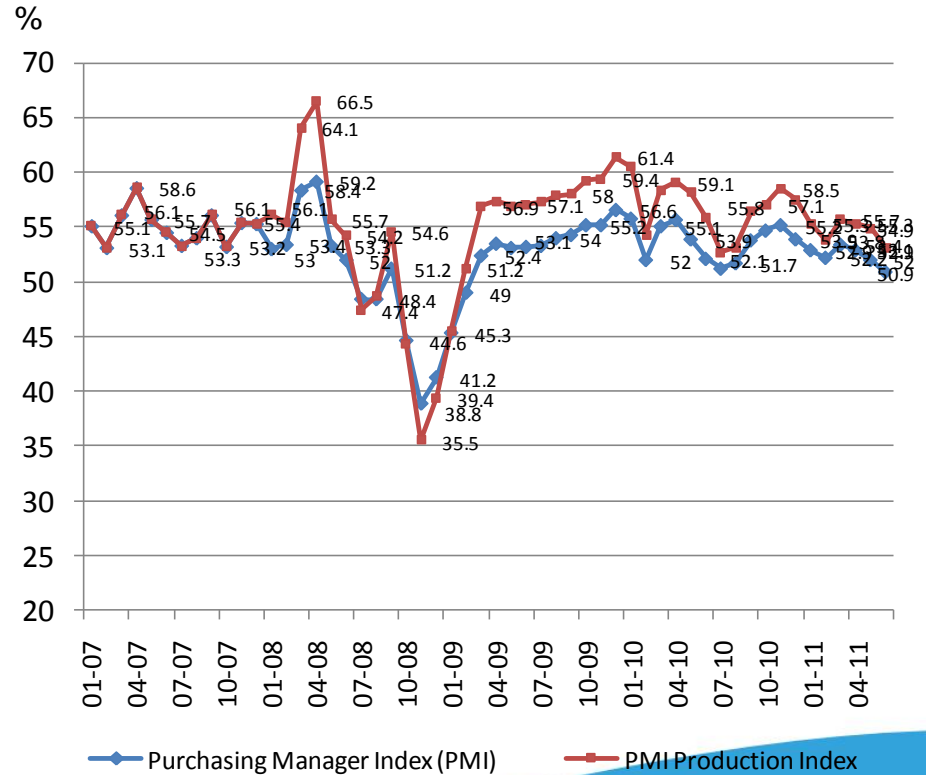
- The significant increases in costs of labor, raw materials and transportation in China coupled with appreciation of RMB exacerbated pressure of cost hikes. China's competitiveness in global market diminishes, leading to less market share
- ASEAN and India saw their shares of US market increase. In terms of export value, India's market share increased from 5.76% in 2010 to 6.9% in the first 4 months of 2011; That of ASEAN increased from 17.55% in 2010 to 19.75% so far this year; Those of Bangladesh and Pakistan increased by 1.1ppt and 0.15ppt respectively.

Trend of PPI, CPI and PMI

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



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





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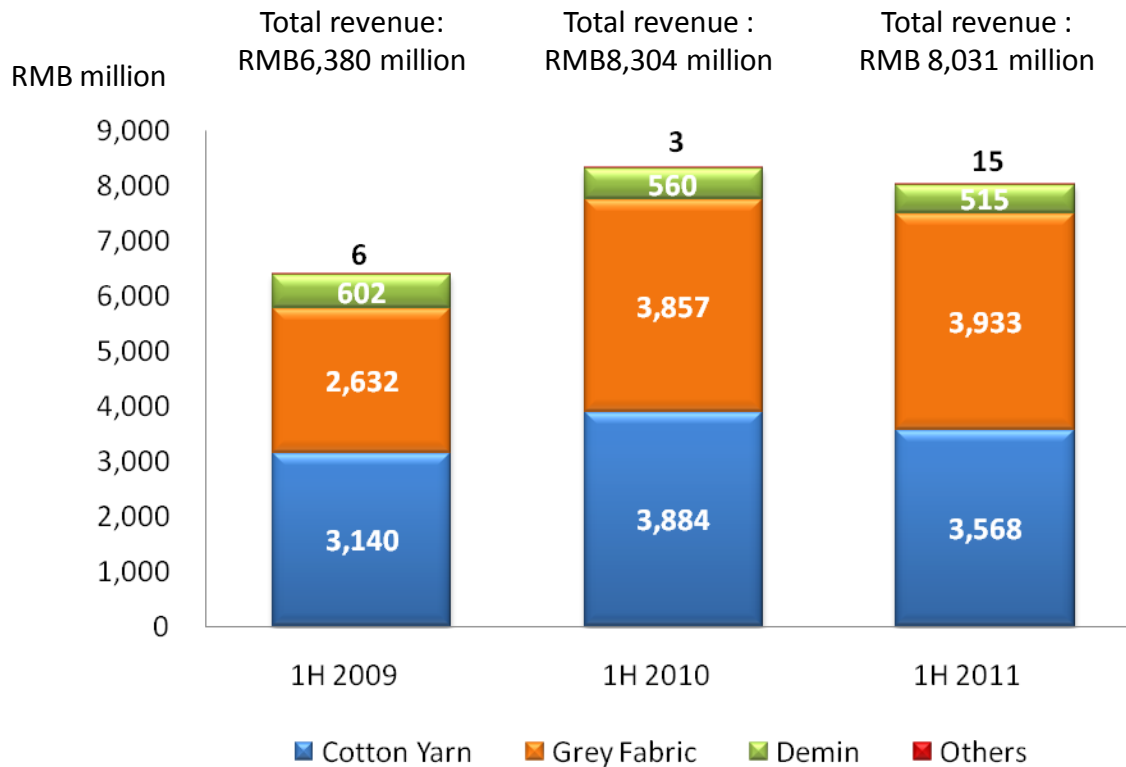
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Business Review



Revenue Analysis by Product Category

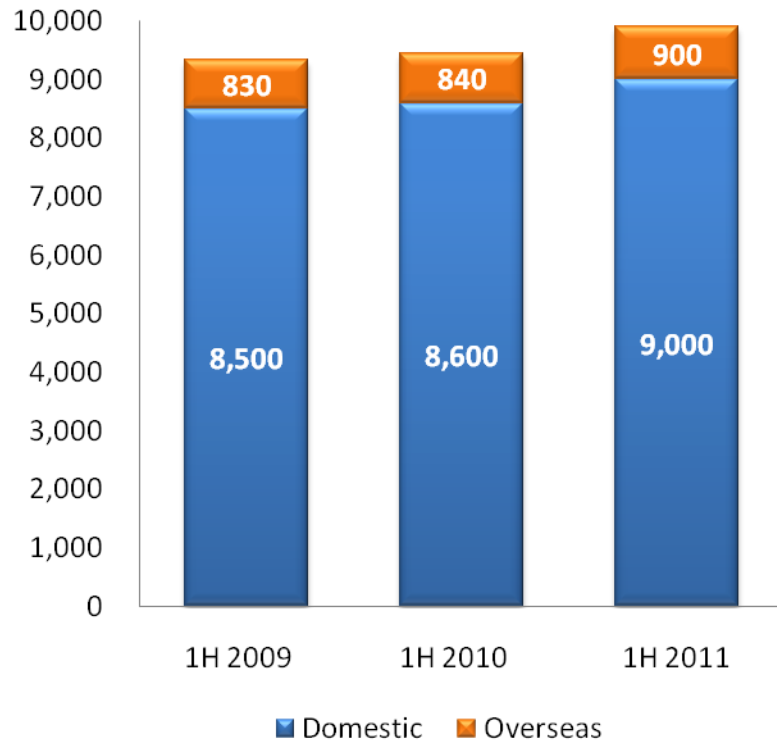
Sales Breakdown by Product



- During the period under review, sales of cotton yarn, grey fabric and denim accounted for 44.4%, 49.0% and 6.4% of total sales respectively

Strong Customer Base

Number of Customers

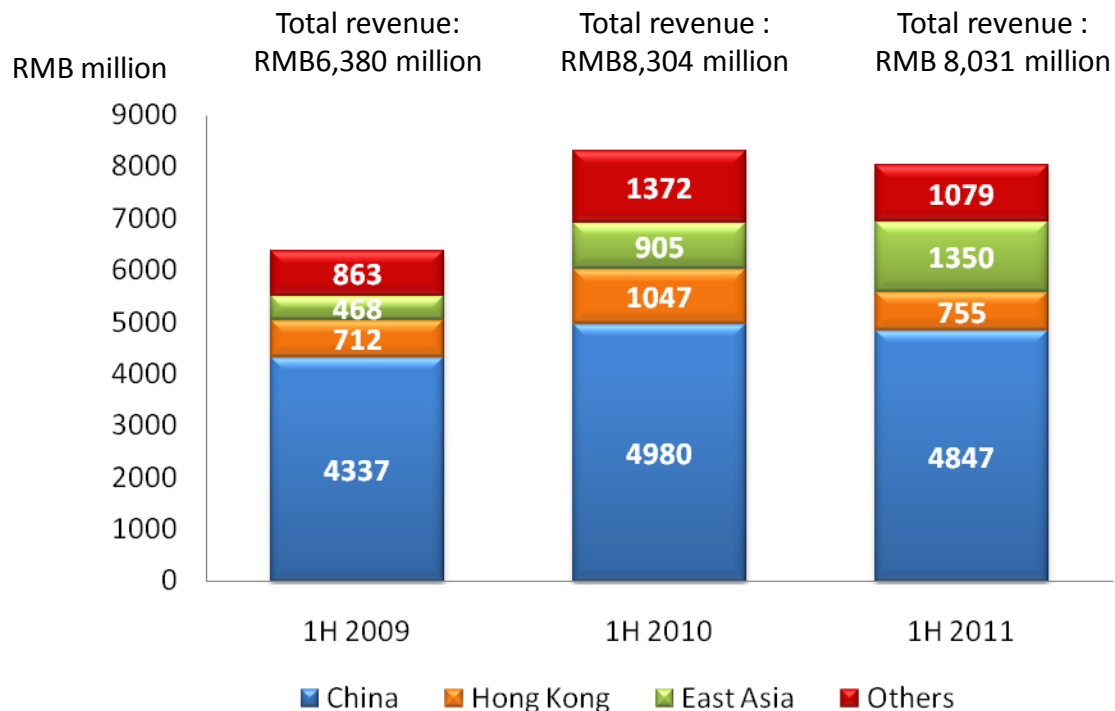


- Domestic customers: approximately 9,000 customers across 30 provinces
- International customers: approximately 900 customers across 20 countries and regions
- Sales to top five customers accounted for 10.8% of total sales in 1H 2011
- Sales to single largest customer accounted for 2.5%



Region Revenue Analysis

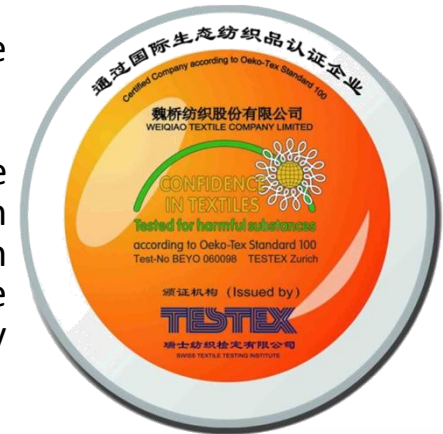
Revenue Breakdown by Region



- A stable overseas market sales network, representing 39.6% of total sales
- Sales revenue from EU and the US markets accounted for 4.12% of total revenue in 1H 2011

Maintain a Leading Position in the Industry

- In terms of sales revenues and total export value, Weiqiao Textile ranked No. 1 in 1H2011 in the cotton textile industry
- A project to enhance the proportion of products which meet the requirements of no twisted yarn, no shuttleless yarn, no thrummy yarn and only combed yarn is implemented during the 12th Five-year Plan period. Weiqiao Textile had already completed this project during the 11th five-year plan period with its modified and high technology equipments
- Weiqiao Textiles and its parent company had successfully investigated and developed textile product which can resist Influenza H3N2
- Weiqiao Textiles and its parent company had successfully investigated and developed high quality fabrics of bedding products which is made of 100% cotton WQ and does not need ironing
- Weiqiao Textiles and its parent company had successfully investigated and developed printed fabrics which can repel insects
- Weiqiao Textiles qualified as an “International Eco-Textile Certificate Enterprise”
- Weiqiao Textile continued to strengthen its capability for technological innovation, and it was granted 61 utility model patents as of 1H2011





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Prospects and Strategies



Prospects



Objectives and Strategies



To optimize capital structure and maximize economic benefits

To enhance corporate governance and quality of the staff force

To expand market share by seizing local and overseas market opportunities

To increase core competitiveness by enhancing technological equipments



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





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Thank you!
Open Forum