

2018 Interim Results Presentation

August 2018



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



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**



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Weiqiao Textile Company Limited



Agenda Financial Review



Financial Review

(RMB in millions)	Six months ended 30 June 2017	Six months ended 30 June 2018	Change
Revenue	8,507	8,410	-1.1%
Gross Profit	991	878	-11.4%
Gross Profit Margin	11.7%	10.4%	-1.3pp
Operating Profit	534	494	-7.5%
Operating Profit Margin	6.3%	5.9%	-0.4pp
Net Profit Attributable to Owners of the Company	299	303	+1.3%
Earnings Per Share (RMB)	0.25	0.25	Flat
Net Profit Margin	3.5%	3.6%	+0.1pp



Financial Review

(RMB in millions)	As at 31 December 2017	As at 30 June 2018	Change
Total Assets	28,512	28,462	-0.2%
Total Liabilities	10,553	10,381	-1.6%
Net Asset Value	17,959	18,081	+0.7%
Inventory	2,625	2,414	-8.0%
Inventory Turnover (days)	72	61	-11 days
Interest-bearing Bank Borrowings	3,262	3,020	-7.4%
Current Ratio (times)	1.7	1.8	+0.1 time
Effective Tax Rate	44.9%	38.8%	-6.1pp



Cost Breakdown

(RMB in millions)	Six months ended 30 June 2017	Six months ended 30 June 2018	Change
Cost of sales	7,515	7,532	+0.2%
SG&A as % of revenue	3.0%	2.8%	-0.2pp
Selling and distribution expenses	100	92	-8.0%
Administrative expenses	126	119	-5.6%
Other expenses	32	21	-34.4%
Finance costs	299	219	-26.8%
Interest income ^{Note}	51	20	-60.8%

Note: Interest income included accrued interest income from immediate holding company of approximately RMB33,510,000 for the six months ended 30 June 2017 (six months ended 30 June 2018: nil)



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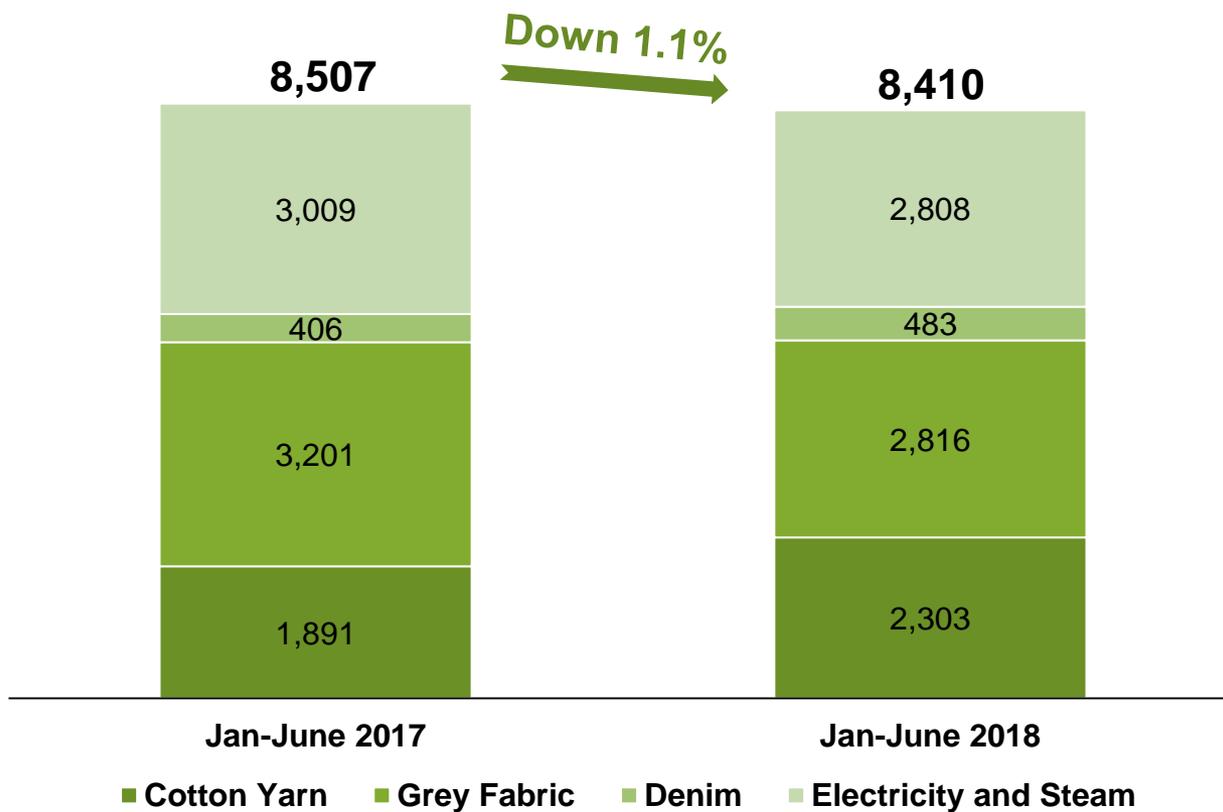


Agenda
Business Review

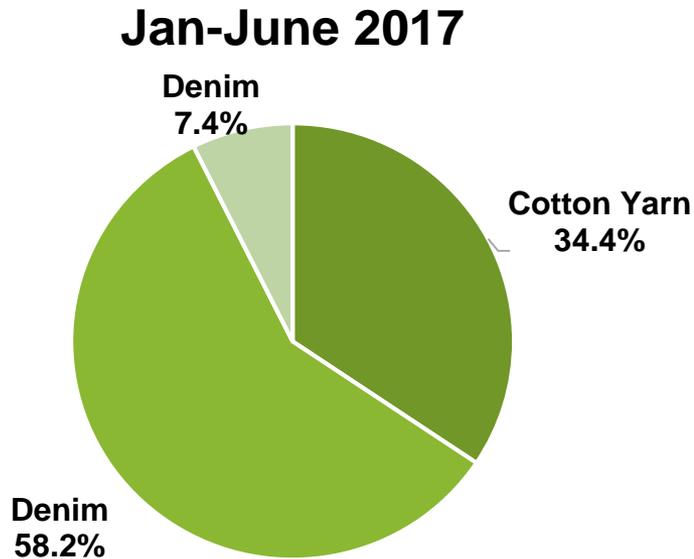
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Sales Analysis

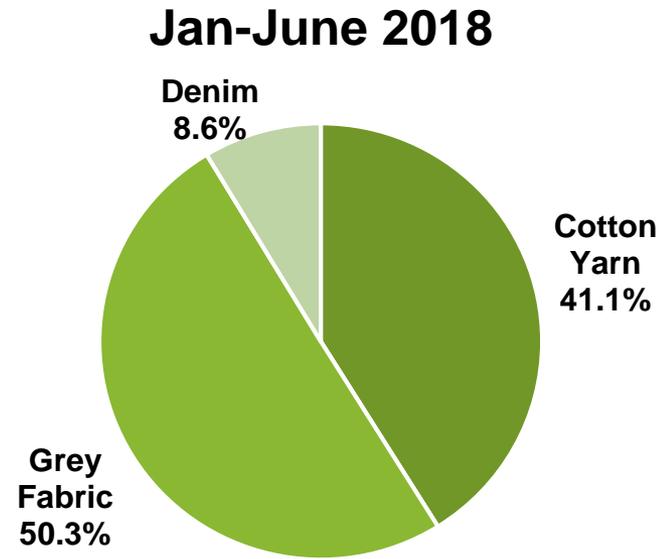
(RMB in millions)



Textile Business: Sales Analysis (by product)

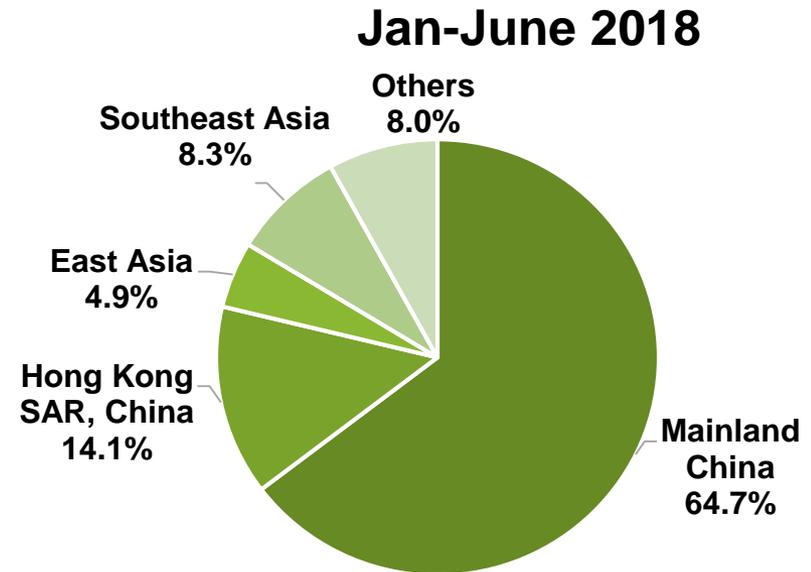
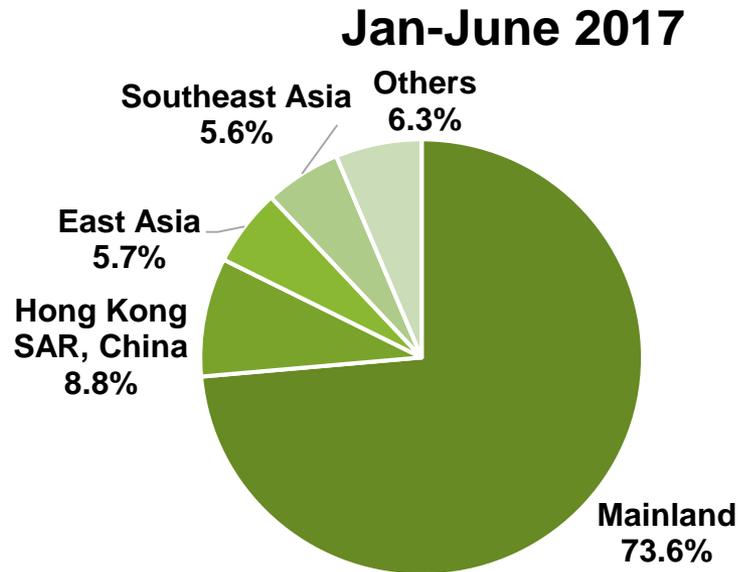


In 1H 2017, textile sales were RMB5.5 billion



In 1H 2018, textile sales were RMB5.6 billion

Textile Business: Sales Analysis (by region)

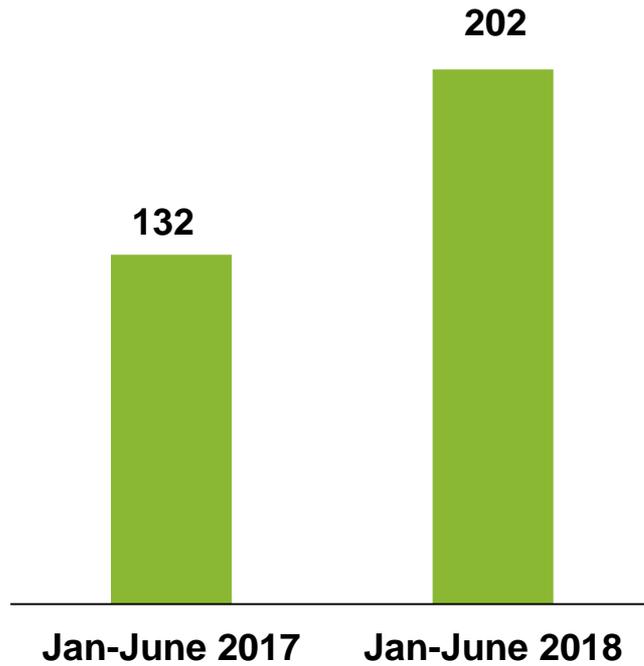


Proportion of domestic and overseas sales remained relatively flat. In 1H 2018, overseas sales accounted for 35.3% of total sales, domestic sales accounted for 64.7% of total sales.

Textile Business: Gross Profit Margin Analysis

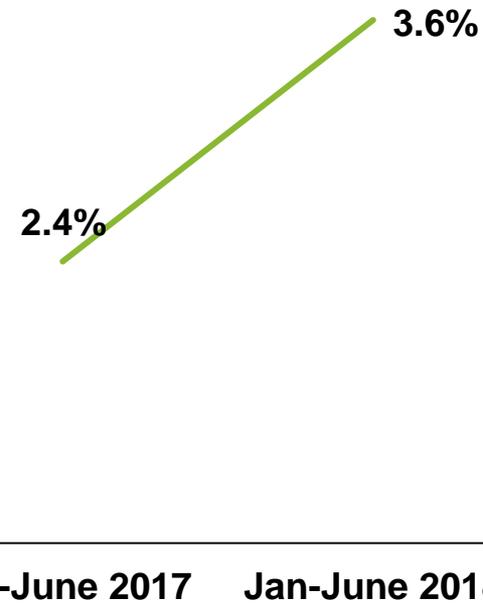
Gross Profit

(RMB in millions)



In 1H 2018, gross profit was RMB202 million
In 1H 2017, gross profit was RMB132 million

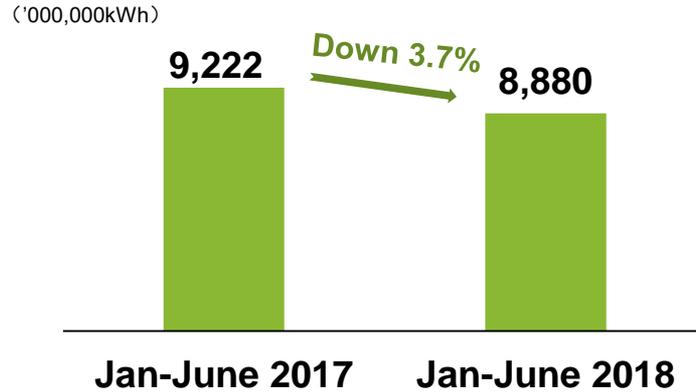
Gross Profit Margin



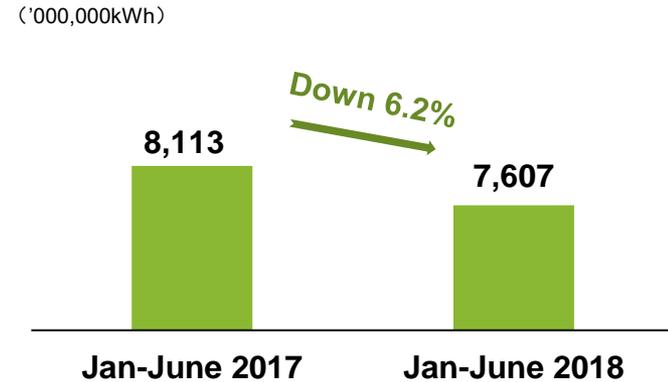
In 1H 2018, gross profit margin was 3.6%
In 1H 2017, gross profit margin was 2.4%

Electricity and Steam Business – Annual Comparison

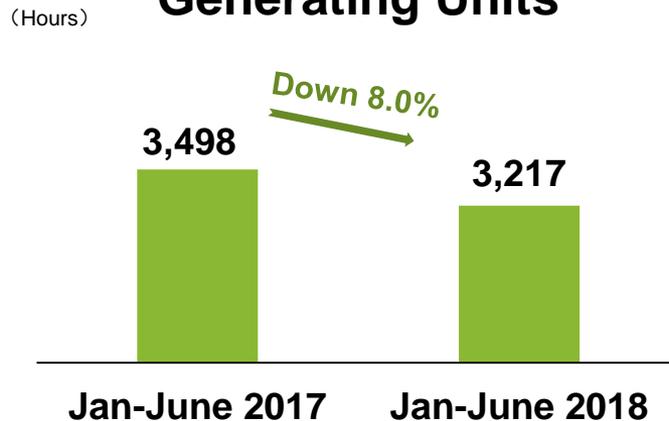
Power Generation



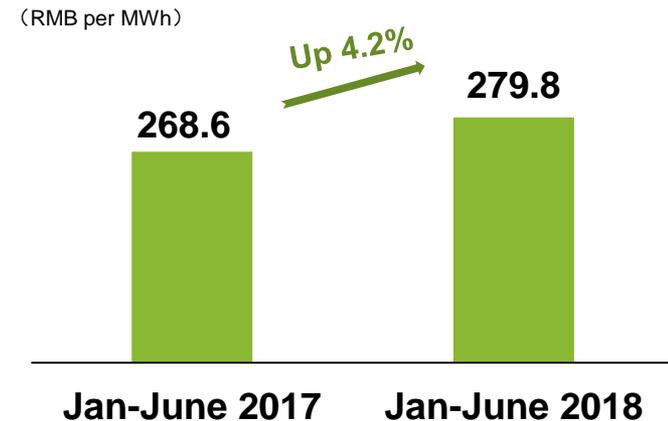
Sales of Electricity



Average Utilization Hours of Power Generating Units



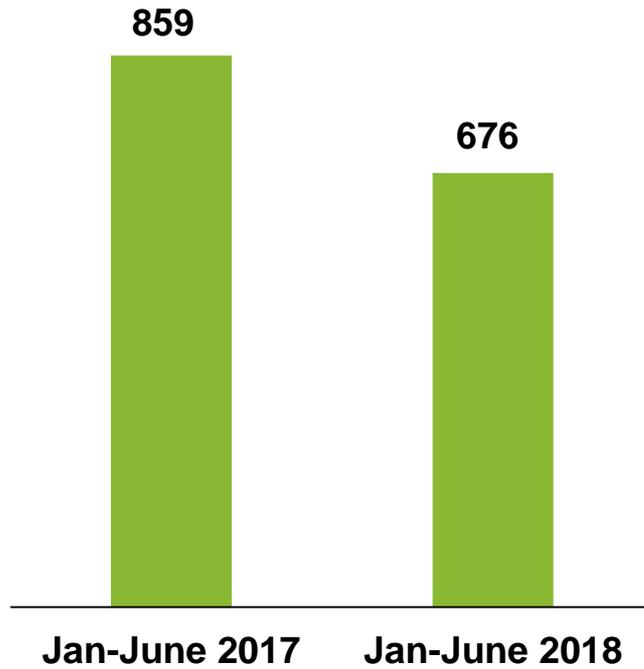
Average Unit Costs



Electricity and Steam Business – Profit Margin Analysis

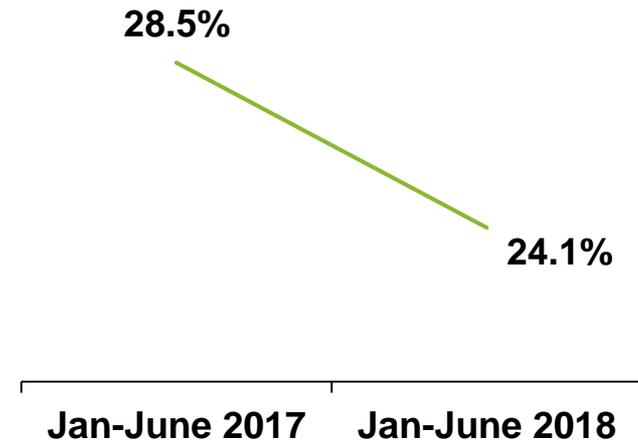
Gross Profit

(RMB in millions)



In 1H 2018, gross profit was RMB676 million
In 1H 2017, gross profit was RMB859 million

Gross Profit Margin



In 1H 2018, gross profit margin was 24.1%
In 1H 2017, gross profit margin was 28.5%



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Industry & Market Analysis

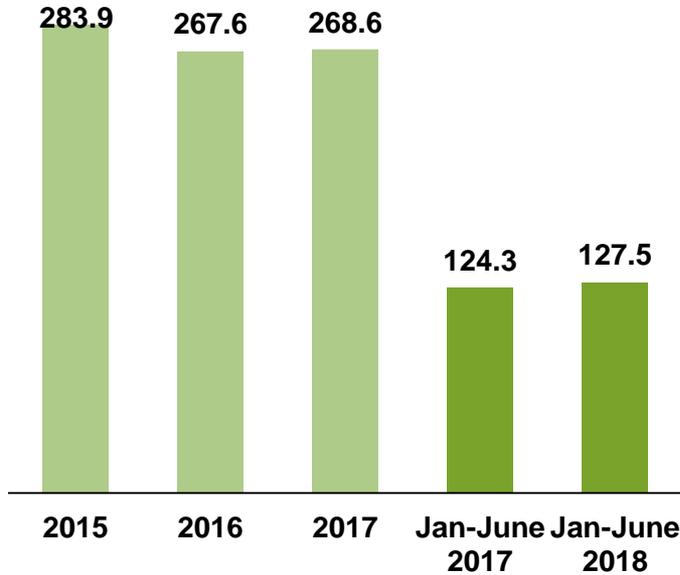


China's Textile and Apparel Industry Analysis

Flat Exports but Stable Growth in Domestic Demand

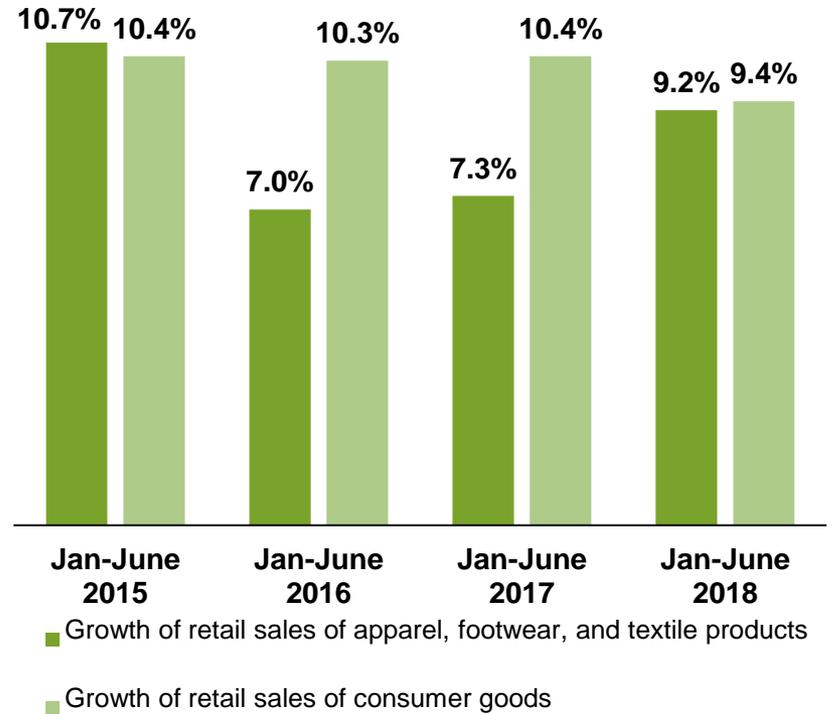
China's Textile and Apparel Exports' Value

(USD in billions)



Growth Rate of retail sales of consumer goods V.S.

Growth Rate of retail sales of apparel, footwear, and textile products



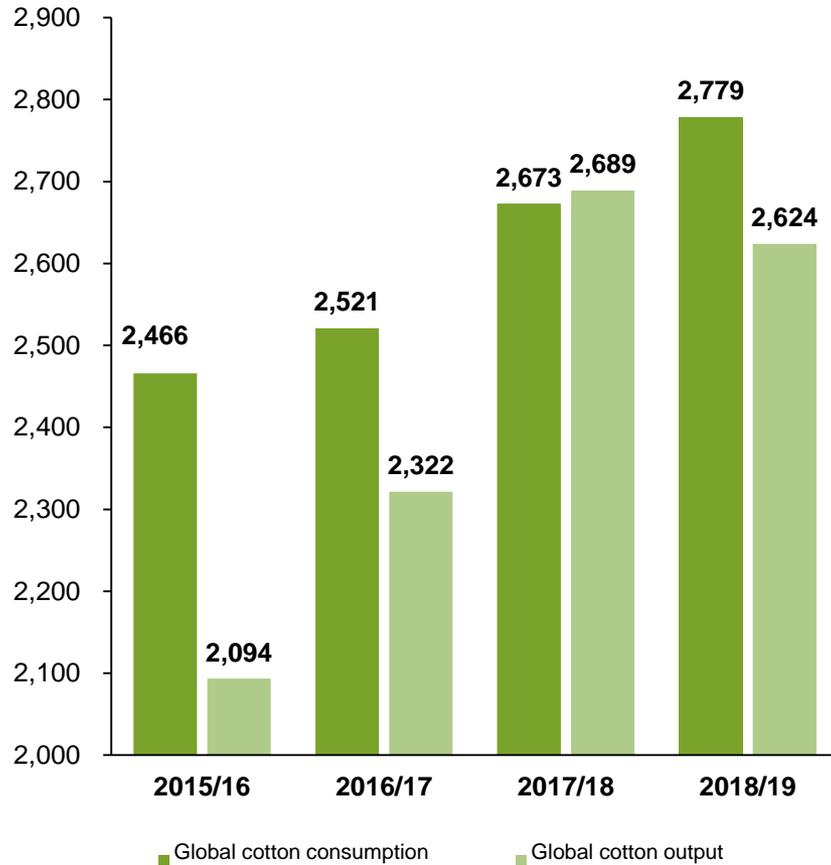
Source: China Customs, CottonChina.org



Global Cotton Market – Supply and Demand

Global Cotton Output and Consumption Forecast by USDA (August)

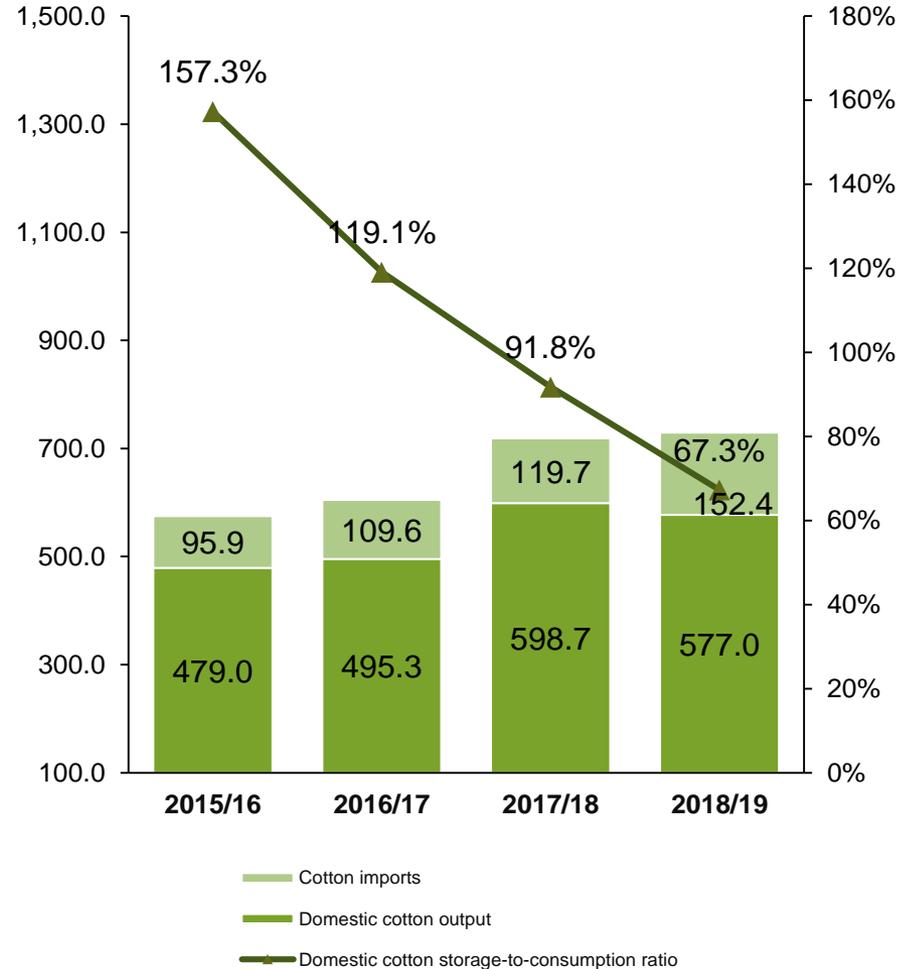
(In 10,000 tons)



Source: USDA

Domestic Cotton Supply and Demand Forecast

(In 10,000 tons)



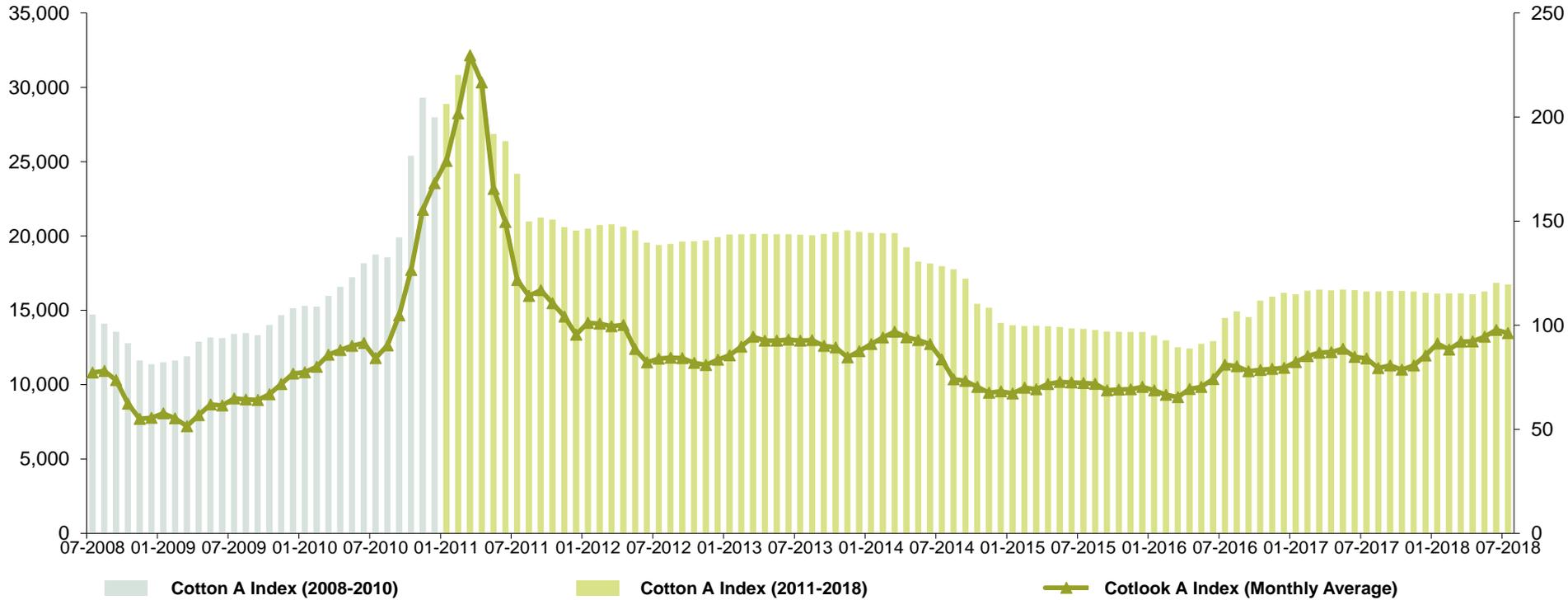


Global Cotton Price Market Analysis

Cotton A Index and Cotlook A Index from July 2008 to July 2018

Cotton A
RMB/ton

Cotlook A
US cents/pound



USDA forecasted China's cotton output in the 2018/19 cotton crop year would be 5,770 thousand tons, and cotton consumption would be 9,253 thousand tons

Source: cottonchina.org, cncotton.com



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Prospects and Strategies



General Strategy

Seize opportunities arising from industry transformation and upgrade to accelerate the transition from old to new growth drivers

Operational strategies



Promote intelligent manufacturing, refine management, and improve operational efficiency



Adopt green and sustainable development to fulfill social responsibilities such as energy conservation and environmental protection



Adhere to the middle-to-high end product strategy and increase investment in technology

Adopt market-oriented approach to create maximum returns for shareholders



Thank You