

2017 Annual Results Presentation

March 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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Agenda **Financial Review**



Financial Review

(RMB in millions)	For the year ended 31 December 2016	For the year ended 31 December 2017	Change
Revenue	14,175	16,373	+15.5%
Gross Profit	2,251	1,821	-19.1%
Gross Profit Margin	15.9%	11.1%	-4.8pp
Operating Profit	1,515	945	-37.6%
Operating Profit Margin	10.7%	5.8%	-4.9pp
Net Profit Attributable to Owners of the Company	993	522	-47.4%
Earnings Per Share (RMB)	0.83	0.44	-47.0%
Net Profit Margin	7.0%	3.2%	-3.8pp



Financial Review

(RMB in millions)	As at 31 December 2016	As at 31 December 2017	Change
Total Assets	31,832	28,512	-10.4%
Total Liabilities	14,052	10,553	-24.9%
Net Asset Value	17,781	17,959	+1.0%
Inventory	3,099	2,625	-15.3%
Inventory Turnover (days)	113	72	-41
Interest-bearing Bank Borrowings	4,759	3,262	-31.5%
Current Ratio (times)	2.7	1.7	-1.0
Effective Tax Rate	34.8%	44.9%	+10.1pp



Cost Breakdown

(RMB in millions)	For the year ended 31 December 2016	For the year ended 31 December 2017	Change
Cost of sales	11,924	14,552	+22.0%
SG&A as % of revenue	3.5%	3.2%	-0.3pp
Selling and distribution expenses	165	159	-3.6%
Administrative expenses	319	308	-3.4%
Other expenses	13	56	+330.8%
Finance costs	581	523	-10.0%
Interest income	82	53	-35.4%



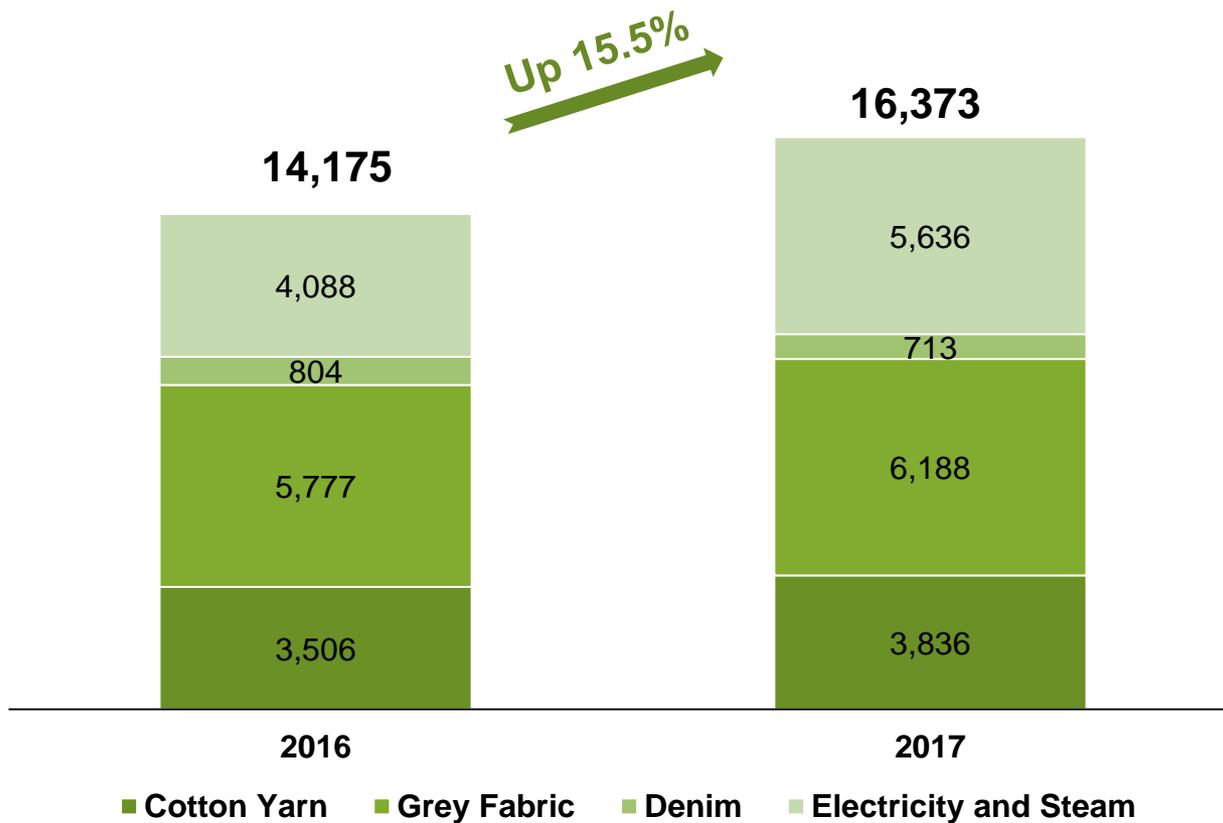
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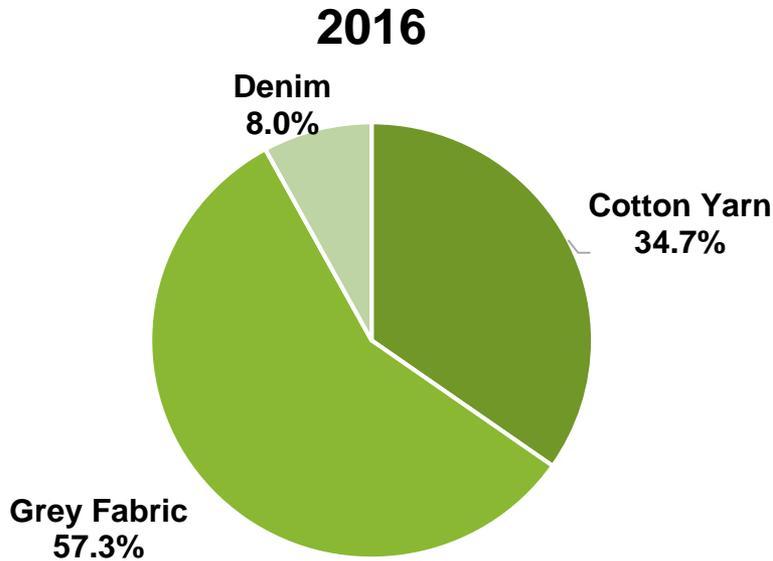
Agenda **Business Review**

Sales Analysis

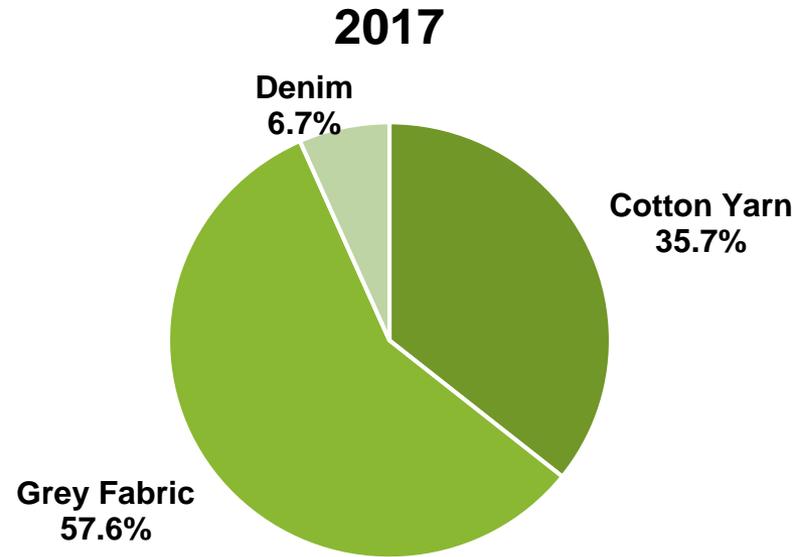
(RMB in millions)



Textile Business: Sales Analysis (by product)

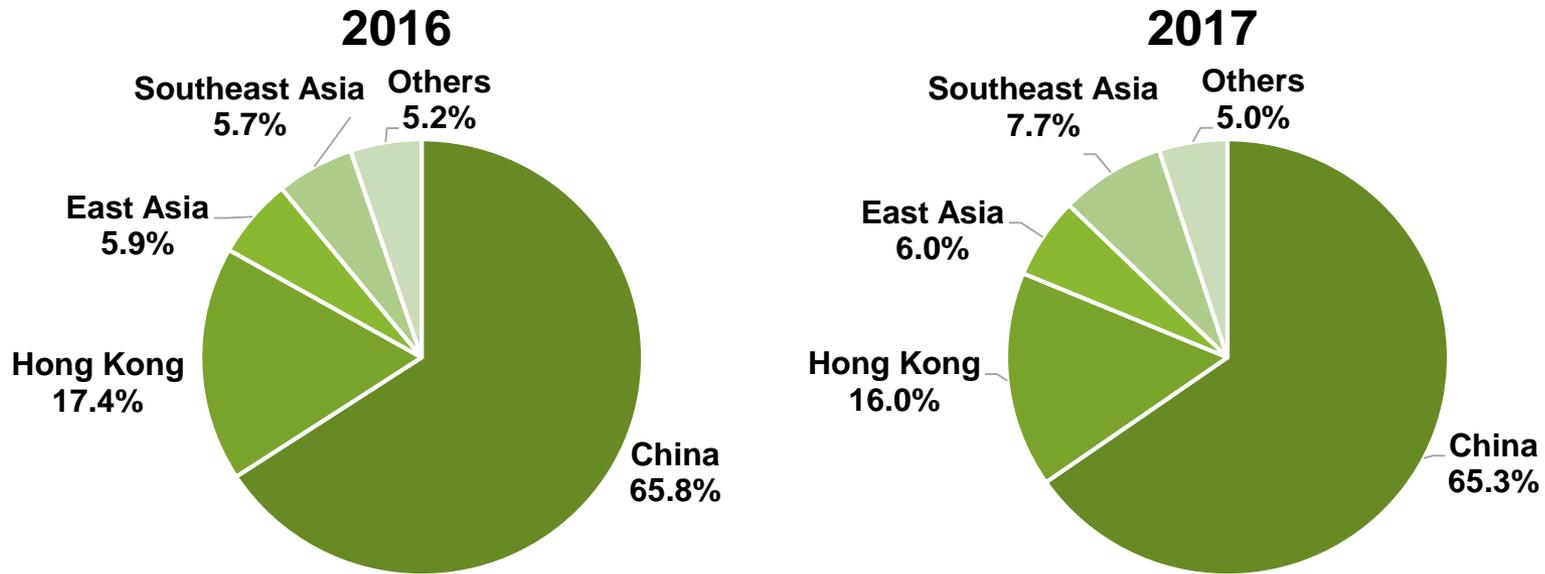


In 2016, textile sales were RMB10.09 billion



In 2017, textile sales were RMB10.74 billion

Textile Business: Sales Analysis (by region)

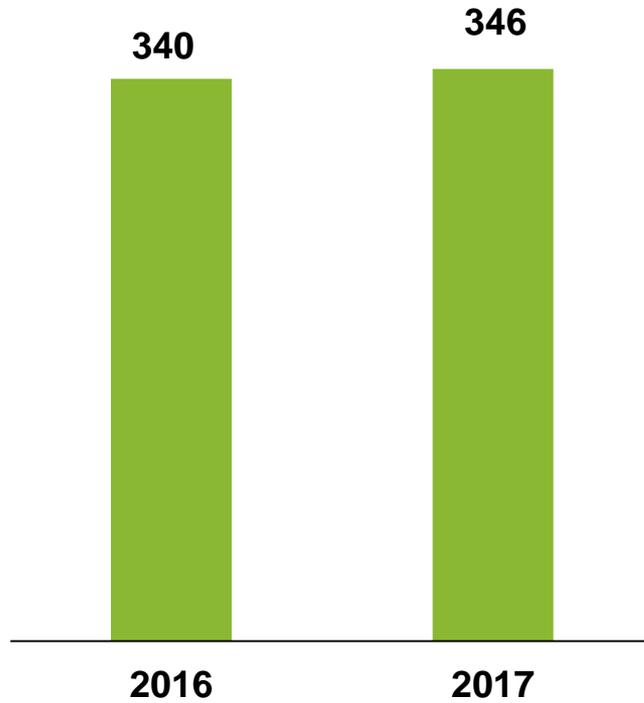


Proportion of domestic and overseas sales remained relatively flat. In 2017, overseas sales accounted for 34.7% of total sales, domestic sales accounted for 65.3% of total sales.

Textile Business: Gross Profit Margin Analysis

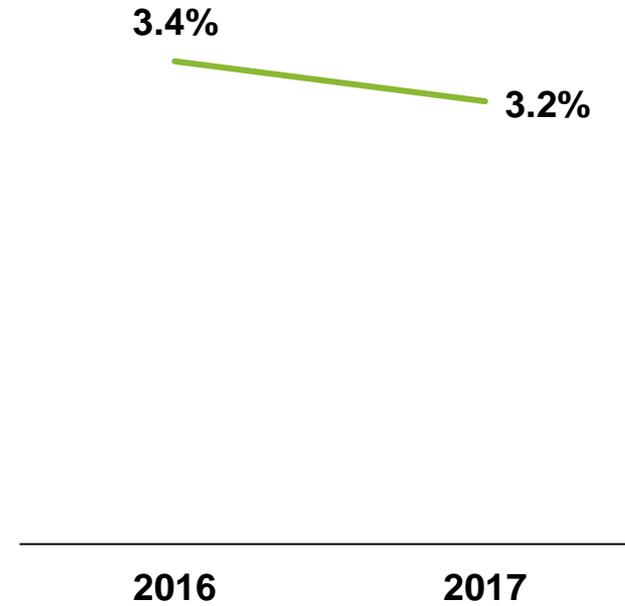
Gross Profit

(RMB in millions)



In 2017, gross profit was RMB346 million
In 2016, gross profit was RMB340 million

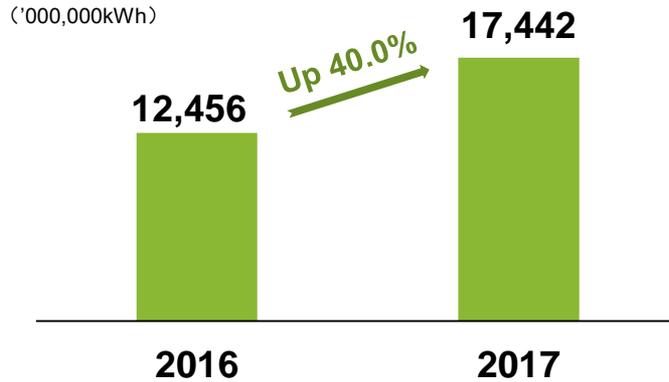
Gross Profit Margin



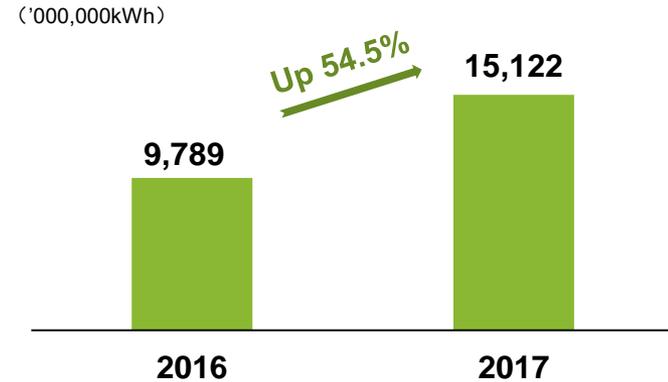
In 2017, gross profit margin was 3.2%
In 2016, gross profit margin was 3.4%

Electricity and Steam Business – Annual Comparison

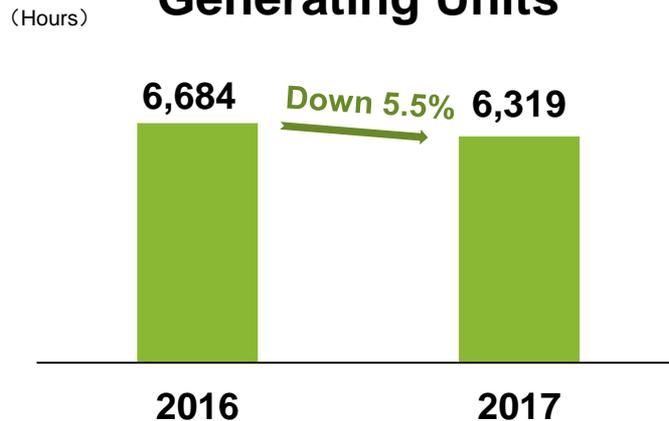
Power Generation



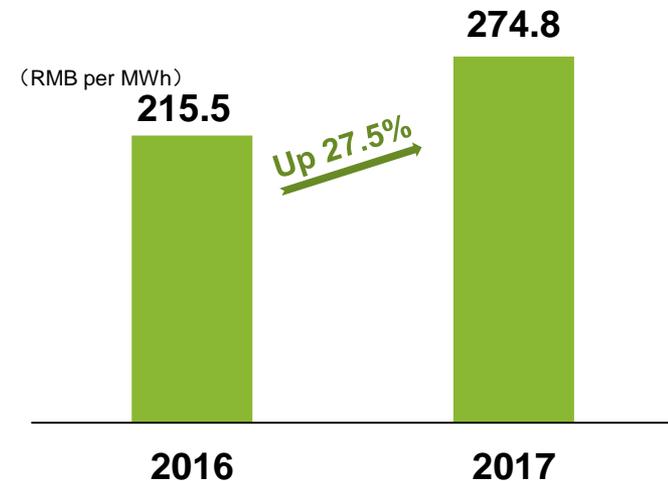
Sales of Electricity



Average Utilization Hours of Power Generating Units



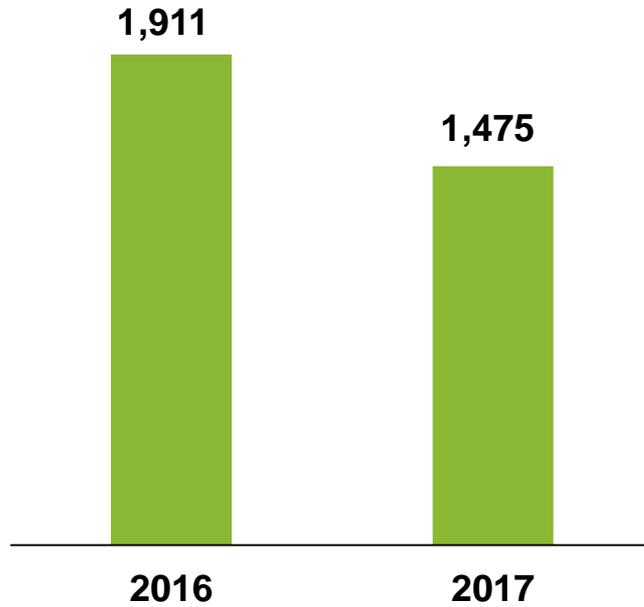
Average Unit Costs



Electricity and Steam Business – Profit Margin Analysis

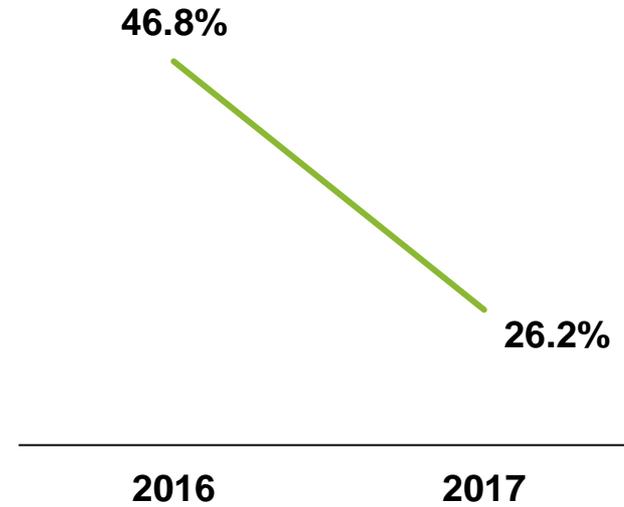
Gross Profit

(RMB in millions)



In 2017, gross profit was RMB1.48 billion
In 2016, gross profit was RMB1.91 billion

Gross Profit Margin



In 2017, gross profit margin was 26.2%
In 2016, gross profit margin was 46.8%



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Industry & Market Analysis

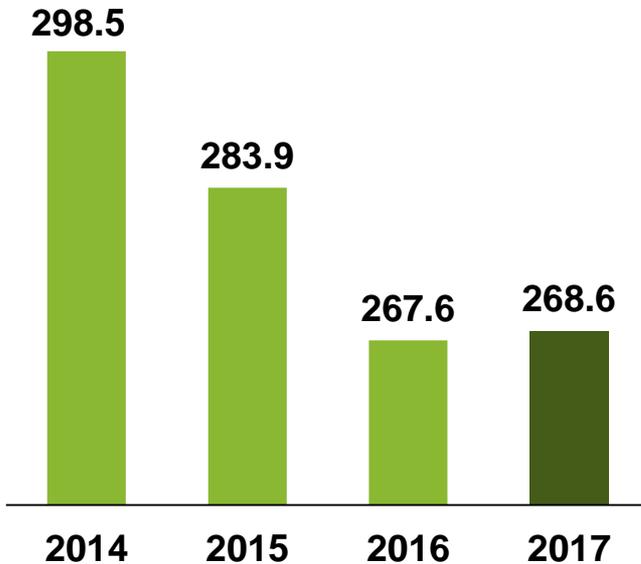


China's Textile and Apparel Industry Analysis

Flat Exports but Stable Growth in Domestic Demand

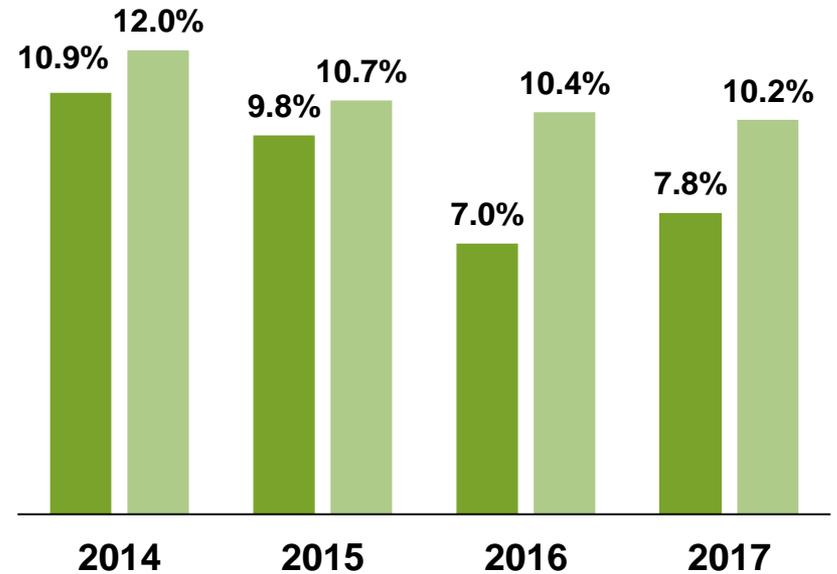
China's Textile and Apparel Exports' Value

(USD in billions)



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

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



- Growth of retail sales of apparel, footwear, and textile products
- Growth of retail sales of consumer goods

Source: China Customs, CottonChina.org

China's Textile and Apparel Exports Analysis (by region)

□ In 2017, China's textile and apparel exports were 268.6 billion, flat compared to the same period last year

□ In 2017, China's textile and apparel were exported to:

U.S.: up 1.0% YoY

E.U.: down 1.1% YoY

Japan: flat

H.K.: down 12.6% YoY

Vietnam: up 8.6% YoY

Bengal: up 6.2% YoY

Others: up 1.8% YoY

Value of China's Textile and Apparel Exports (by regions)



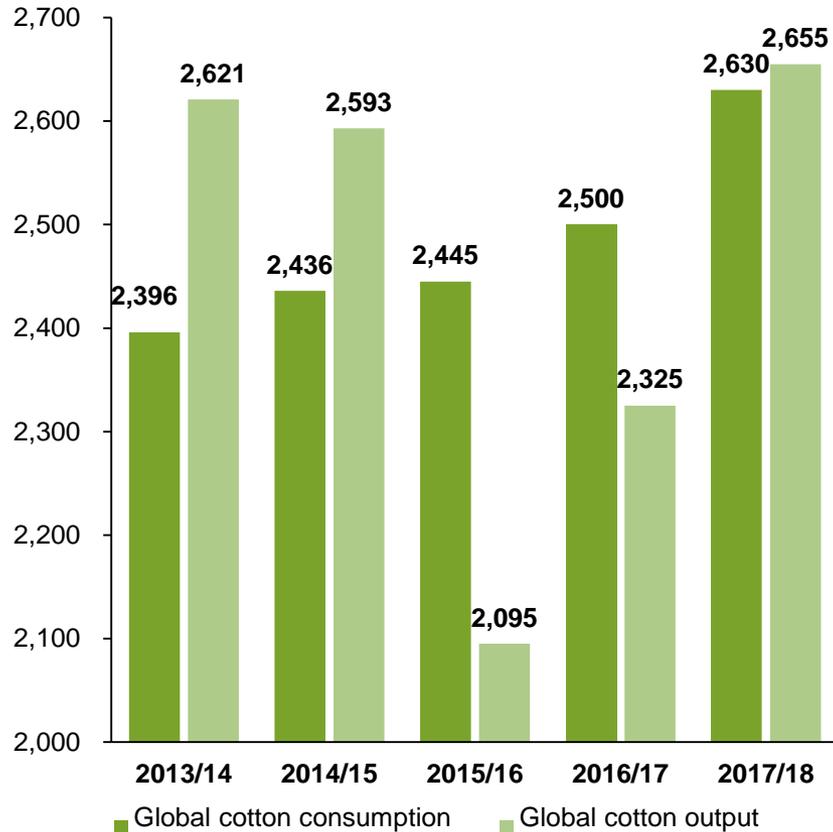
Source: China Customs, National Bureau of Statistics,
China Chamber of Commerce for Import and Export of Textile and Apparel



Global Cotton Market – Supply and Demand

Global Cotton Output and Consumption Forecast by USDA (March)

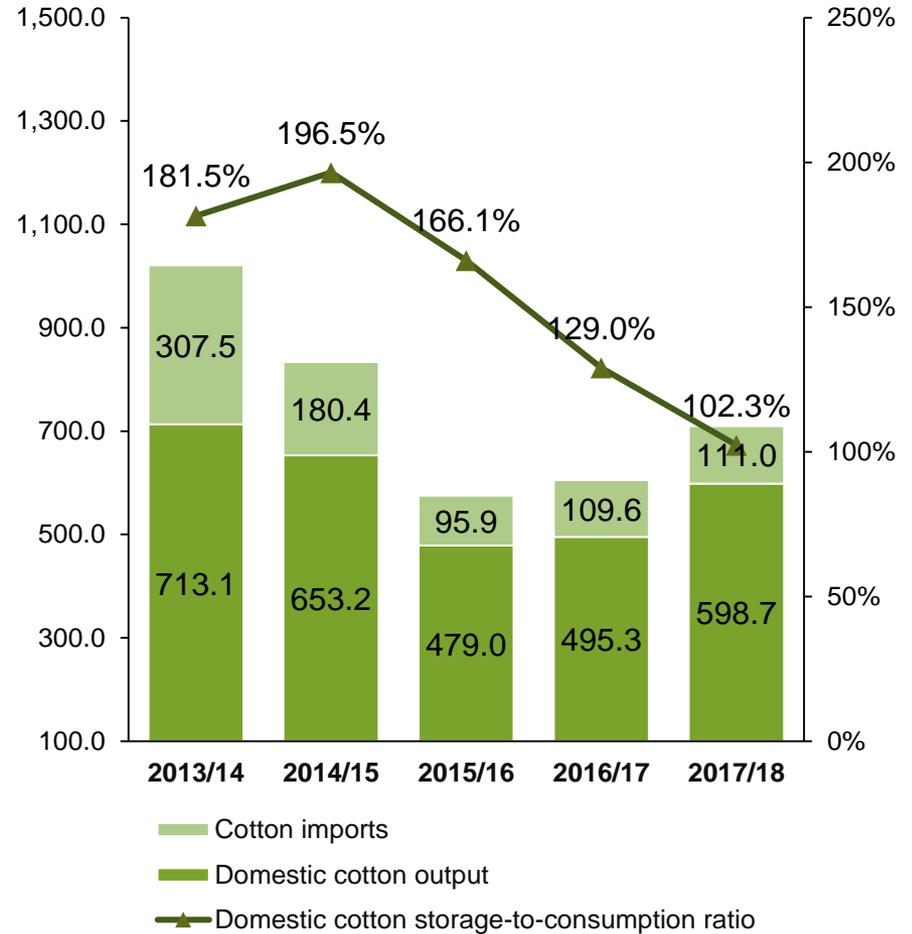
(In 10,000 tons)



Source: USDA

Domestic Cotton Supply and Demand Forecast

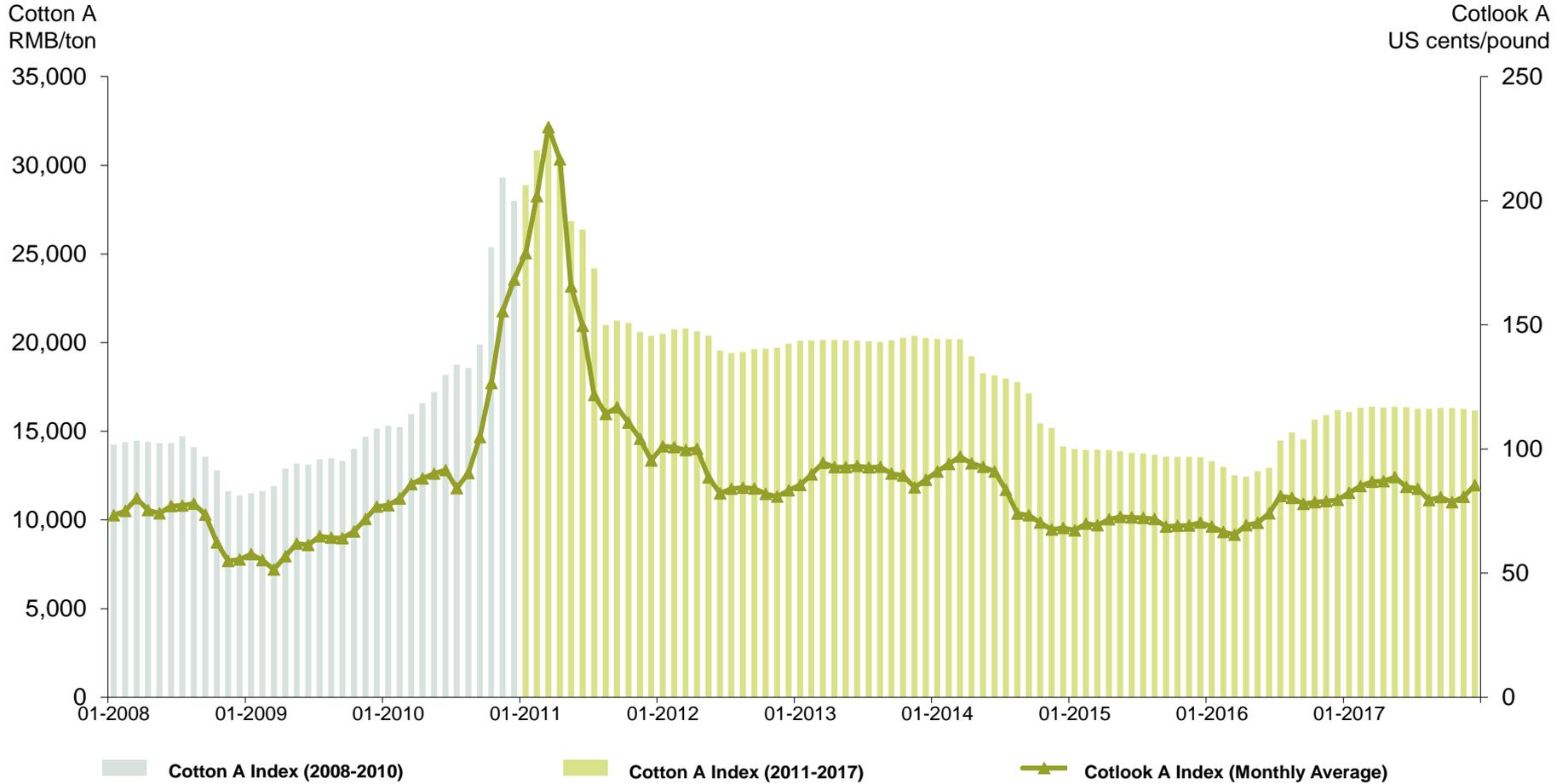
(In 10,000 tons)





Global Cotton Price Market Analysis

Cotton A Index and Cotlook A Index from Jan 2008 to Dec 2017



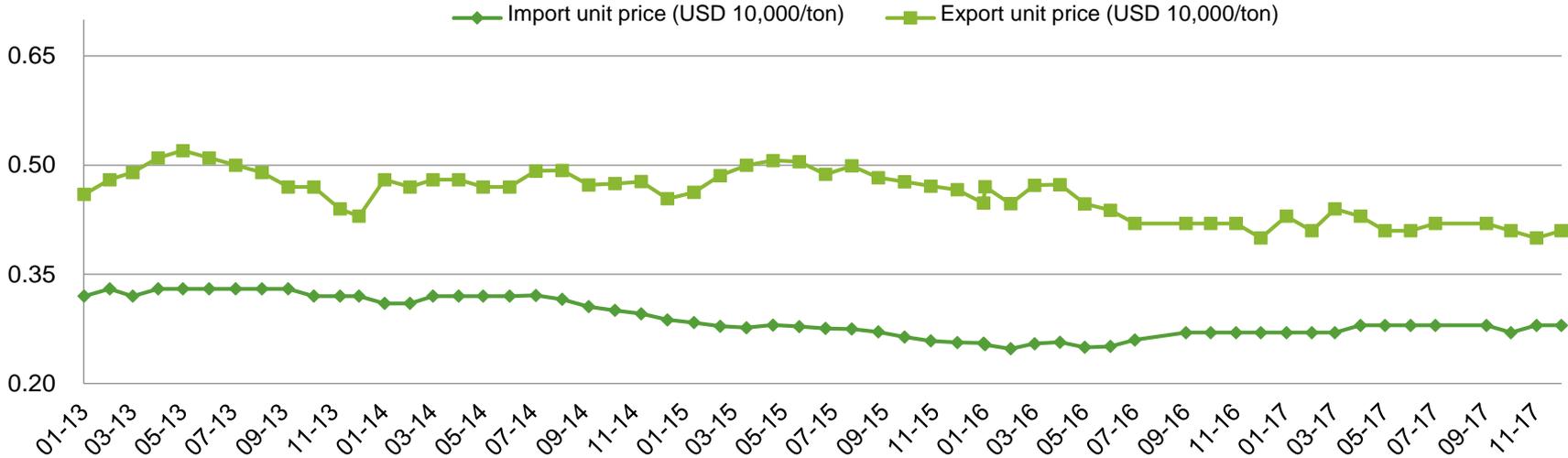
USDA forecasted China's cotton output in the 2017/18 cotton crop year would be 5,987 thousand tons, and cotton consumption would be 8,709 thousand tons

Source: cottonchina.org, cncotton.com

Cotton Yarn Imports & Exports – Unit Price, Volume, Value

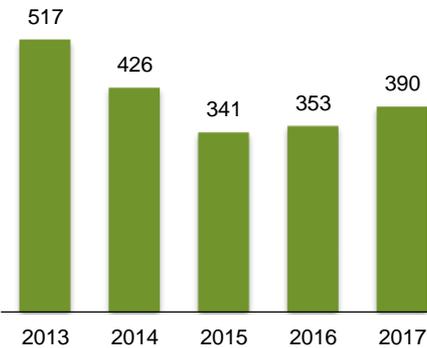
Import and Export Price (2013 –2017)

USD 10,000/ton



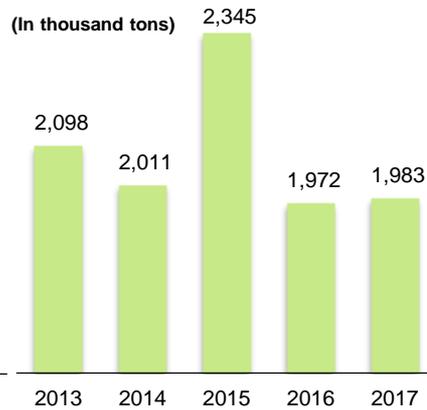
Export Volume

(In thousand tons)



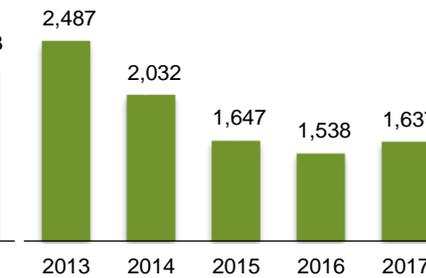
Import Volume

(In thousand tons)



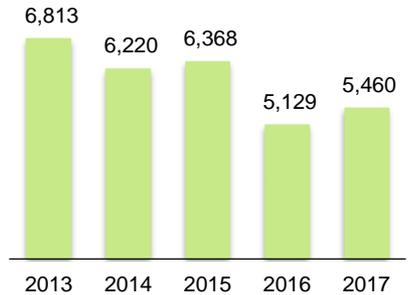
Export Value

(USD in millions)



Import Value

(USD in millions)

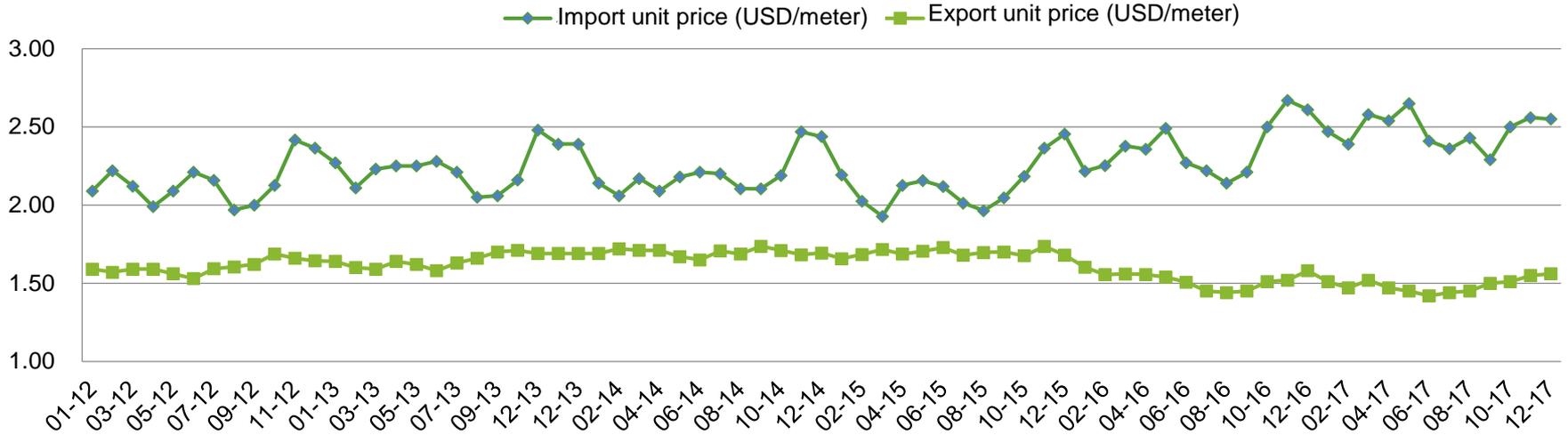


Source: cottonchina.org

Grey Fabric Imports & Exports – Unit Price, Volume, Value

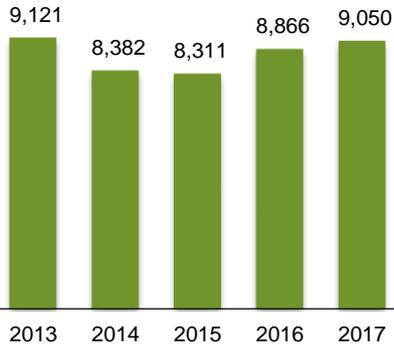
Import and Export Price (2012–2017)

USD 10,000/meter



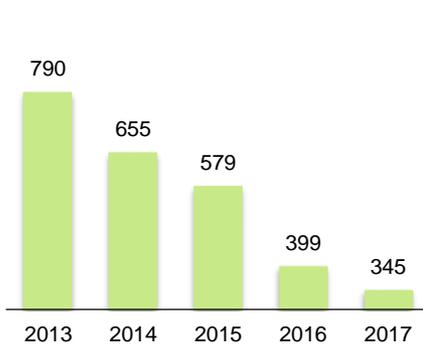
Export Volume

(In million meters)



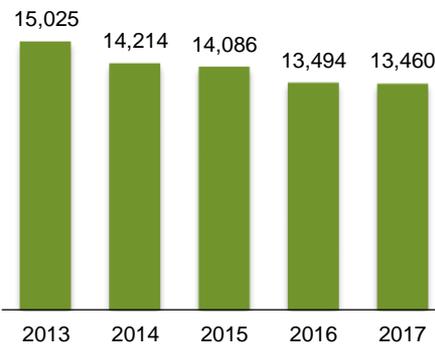
Import Volume

(In million meters)



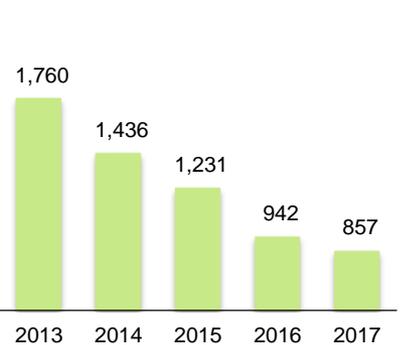
Export Value

(USD in millions)



Import Value

(USD in millions)



Source: cottonchina.org



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Agenda

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



Refine management, improve operational efficiency, and reduce production costs



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



Further strengthen capital management and optimize debt structure

Adopt market-oriented approach to create maximum returns for shareholders



Thank You