



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

## 2006 Interim Results Presentation

September 11, 2006

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# Agenda

- ① Financial Review
- ② Industry and Market Analysis
- ③ Business Review
- ④ Strategy and Objectives

# Financial Review



# Financial Review

| (RMB in millions)                          | 1H2005 | 1H2006       | Change (%)      |
|--------------------------------------------|--------|--------------|-----------------|
| <b>Turnover</b>                            | 6,916  | <b>9,264</b> | <b>34.0</b>     |
| <b>Gross profit</b>                        | 1,199  | <b>1,435</b> | <b>19.7</b>     |
| <b>GP margin (%)</b>                       | 17.3   | <b>15.5</b>  | <b>-1.8 pts</b> |
| <b>Operating profit</b>                    | 929    | <b>1,256</b> | <b>35.6</b>     |
| <b>Profit before tax</b>                   | 738    | <b>927</b>   | <b>25.7</b>     |
| <b>Profit attributable to shareholders</b> | 472    | <b>601</b>   | <b>27.3</b>     |
| <b>Basic earnings per share (RMB)</b>      | 0.54   | <b>0.51</b>  | <b>-0.03</b>    |
| <b>NP margin (%)</b>                       | 6.9    | <b>6.5</b>   | <b>-0.4 pt</b>  |

# Financial Review

| (RMB in millions)                         | 1H2005 | 1H2006 |
|-------------------------------------------|--------|--------|
| <b>Total assets</b>                       | 17,901 | 25,731 |
| <b>Total liabilities</b>                  | 11,463 | 14,701 |
| <b>Net assets value</b>                   | 6,438  | 11,031 |
| <b>Current ratio (times)</b>              | 1.0    | 1.0    |
| <b>Account receivable turnover (days)</b> | 19     | 15     |
| <b>Inventory turnover (days)</b>          | 88     | 77     |
| <b>Account payable turnover (days)</b>    | 67     | 47     |
| <b>Net debt to equity ratio (%)</b>       | 71     | 48     |
| <b>Gearing ratio (%)</b>                  | 64     | 57     |

# Costs Analysis

(RMB in millions)

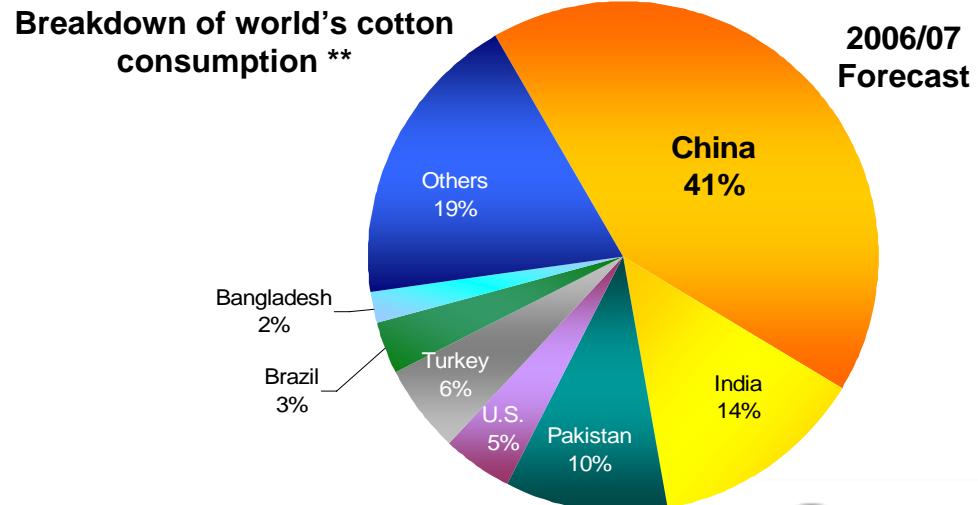
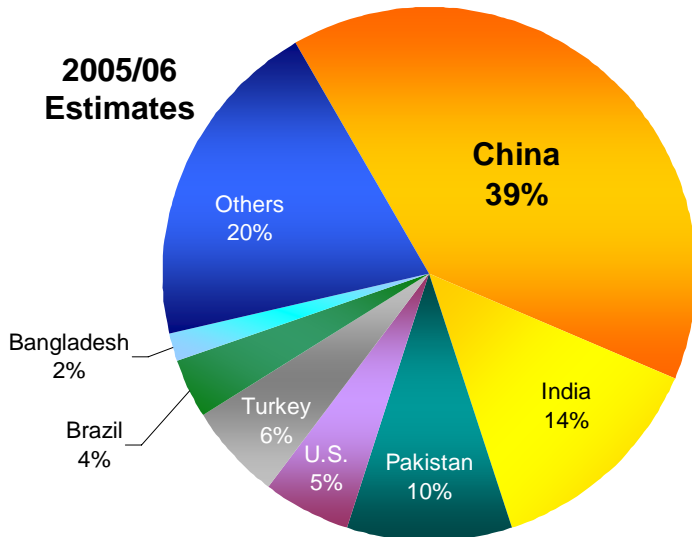
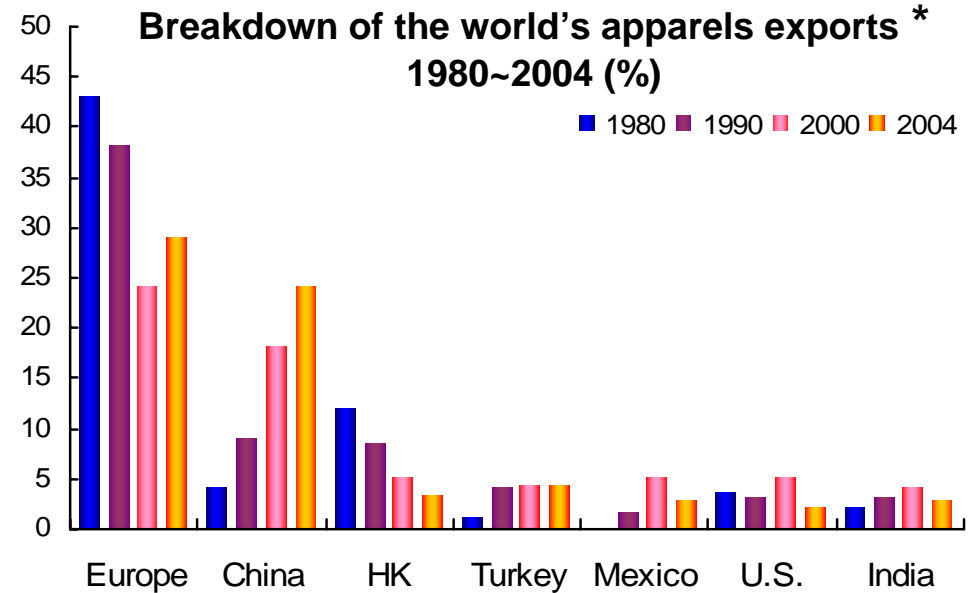
|                                   | 1H2005 | 1H2006 | Change (%) |
|-----------------------------------|--------|--------|------------|
| <b>COGs</b>                       | 5,717  | 7,829  | 36.9       |
| <b>Sale and distribution cost</b> | 185    | 162    | -12.5      |
| <b>Administrative expenses</b>    | 102    | 100    | -1.9       |
| <b>Other operating expenses</b>   | 43     | 38     | -11.8      |
| <b>Finance costs</b>              | 192    | 329    | 71.6       |

# Industry Review



# China Solidifies Leading Position in Global Textile Market

- ① Largest market share in :
  - ① World's cotton production and consumption
  - ① Textile and apparel exports
- ② Accounted for 24% of world's total textile & garment exports in 2005\*



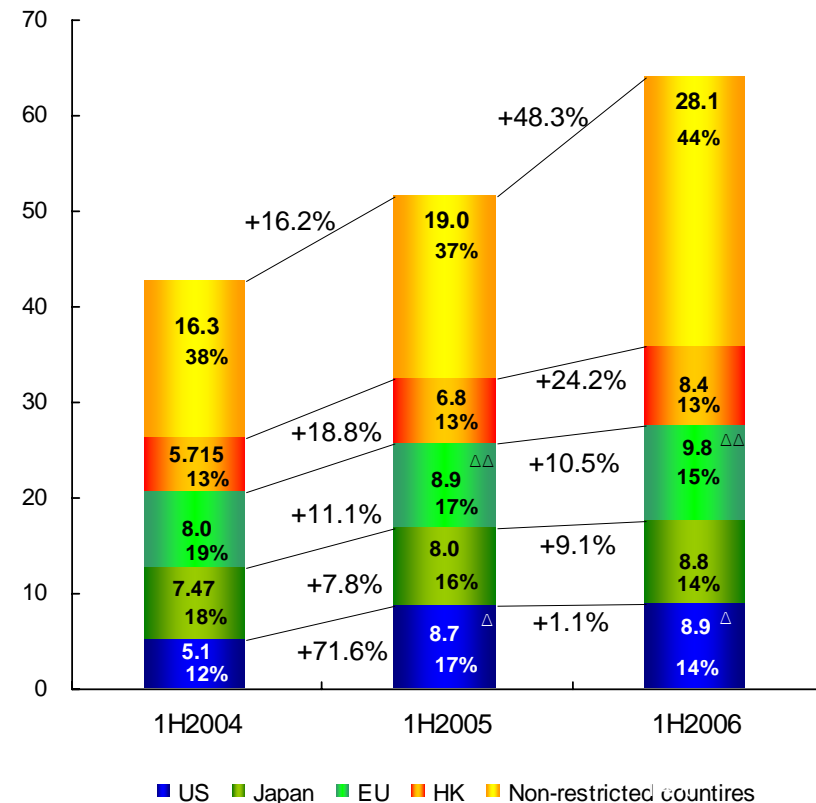
\*Sources: WTO Report 2006, WTO (exclude intra-EU trading; If include intra-EU trading, China accounted for 31%);

\*\*Source: U.S.Department of Agriculture Statistics 2006

# Textile and Apparel Exports: Challenges amid Growth

- ⑦ Despite protectionism, exports of textile and apparel realised a 24% growth in 1H2006, reached US\$64 billion
  - ⑦ EU: Safeguard measures will be abolished in 2007
  - ⑦ US: Safeguard measures will be abolished in 2008
- ⑦ Anti-dumping measures will be abolished in 2013
  - ⑦ Long-term demand remained strong despite trade barriers
  - ⑦ Industry will focus on the technology upgrading for the production of highly value-added products

Value of China's textile exports (in US\$ billion) and percentage change by countries

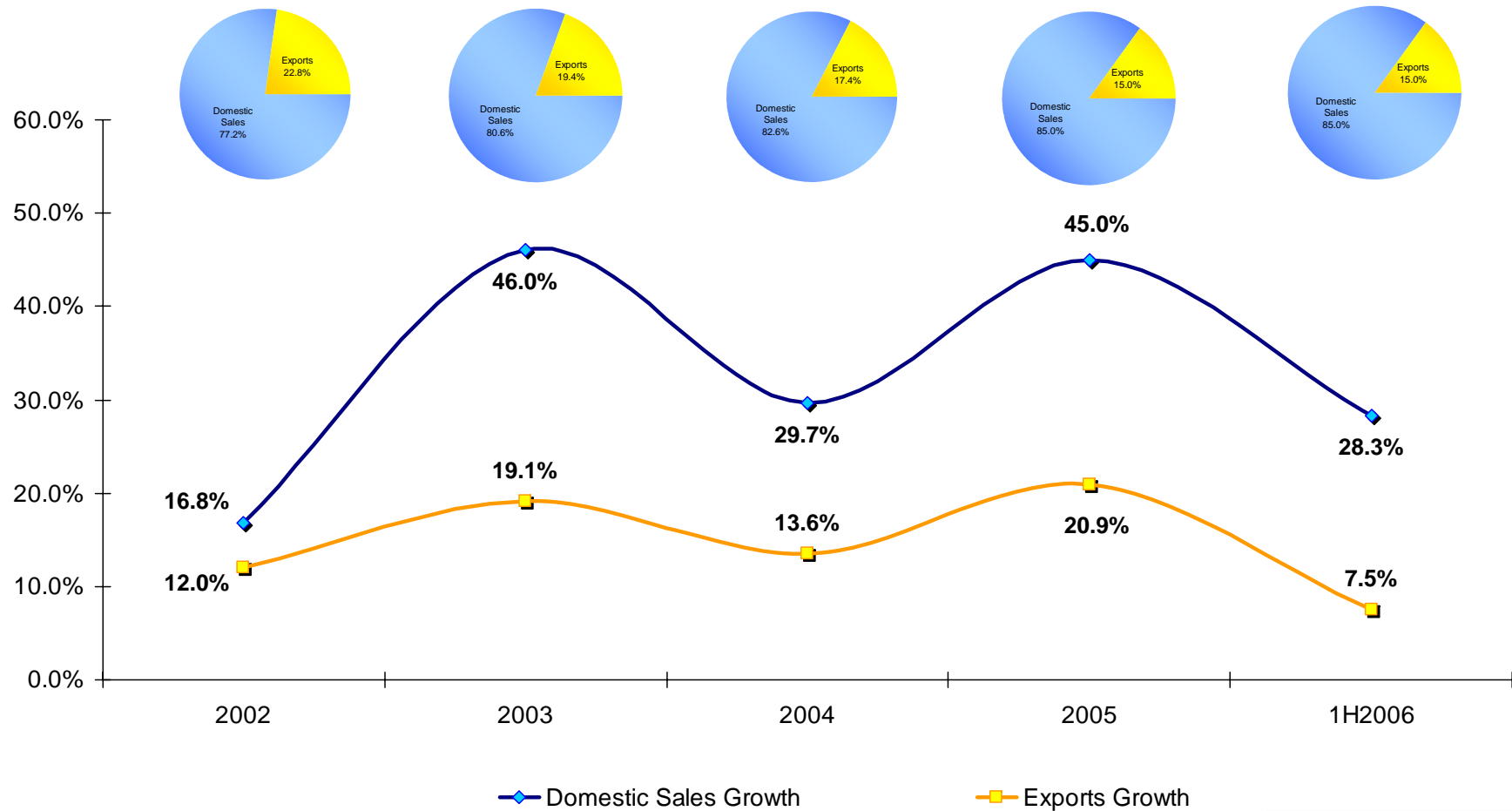


△ Restraints on exports to US accounted for US\$2.26 billion or 26% (1H2005); US\$1.54 billion or 17% (1H2006)

△△ Restraints on export to EU accounted for US\$1.99 billion or 22%(1H2005); US\$1.4 billion or 14% (1H2006)

# Industry Outlook: Stable Exports and Increasing Domestic Sales

Growth rate of domestic sales and exports (YOY) and weighting of textile products

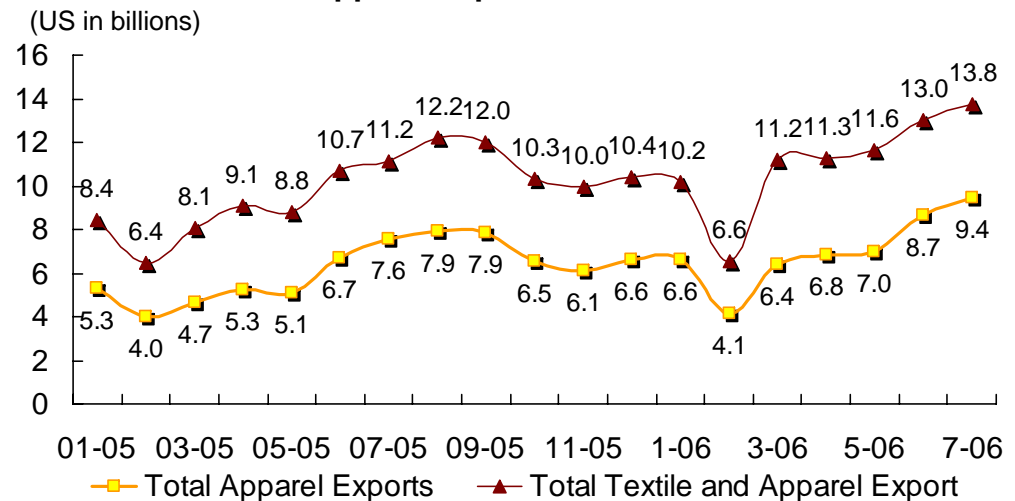


# 1H2006 Industry Review: Growth in Exports and Strong Domestic Demand

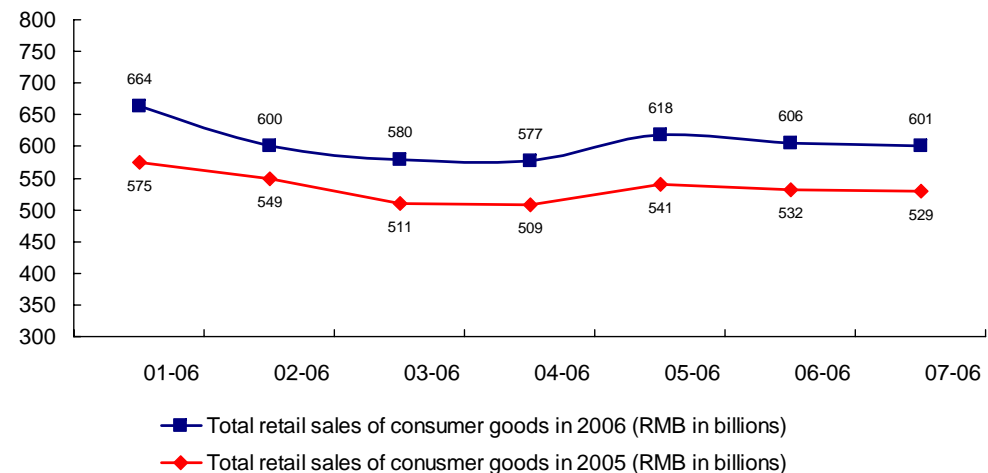
Textile and apparel exports reached US\$ 64.032 billion in 1H2006

- Domestic Demand
  - GDP climbed 10.9% to RMB 9,144.3 billion in 1H2006
  - Total retail sales of consumer goods amounted to RMB3,644.8 billion in 1H2006

Textile and apparel exports from Jan 2005 to Jul in 2006

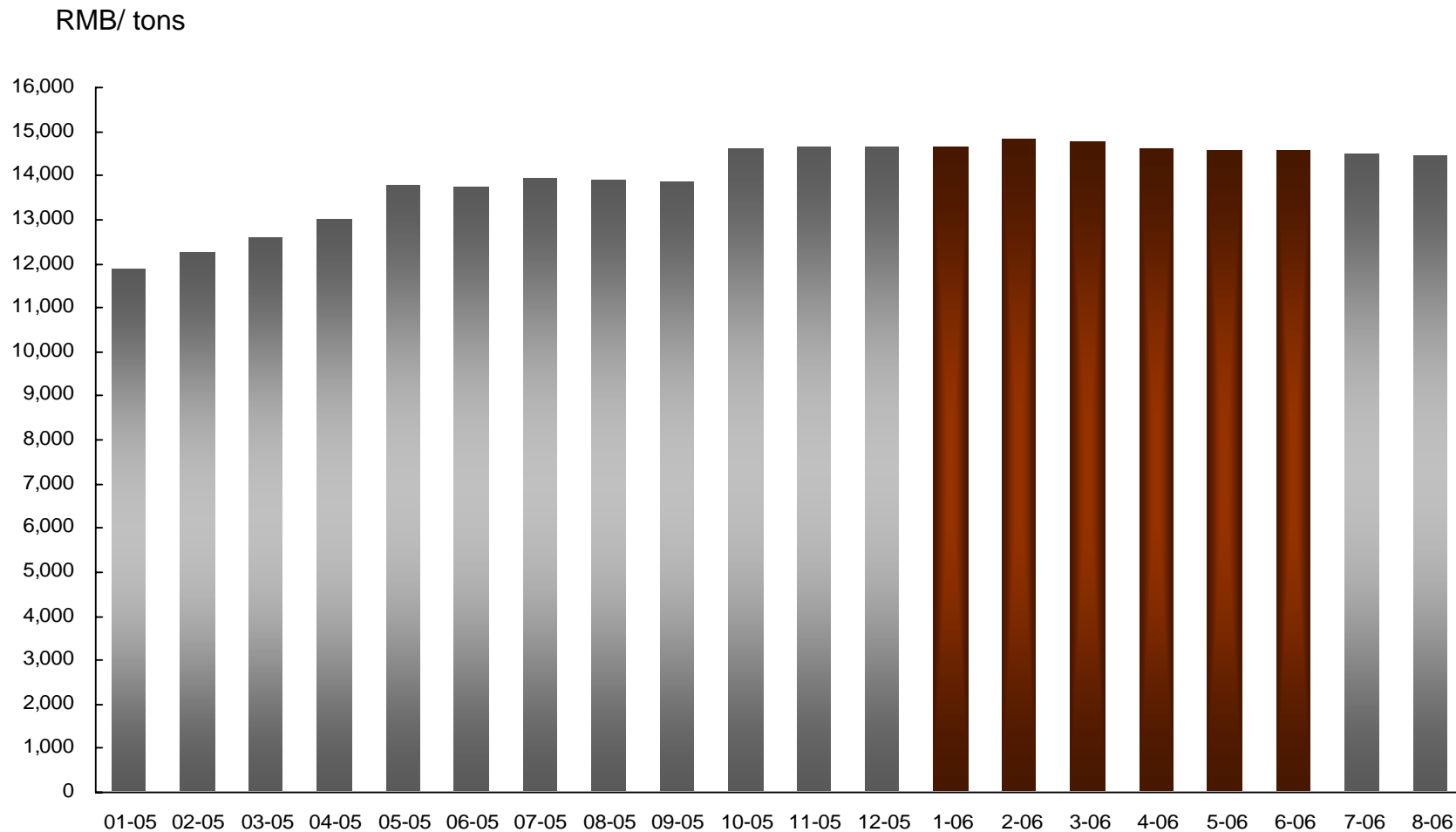


05/06 Total retail sales of consumer goods in PRC 05/06



# Raw Materials: Stable Cotton Prices

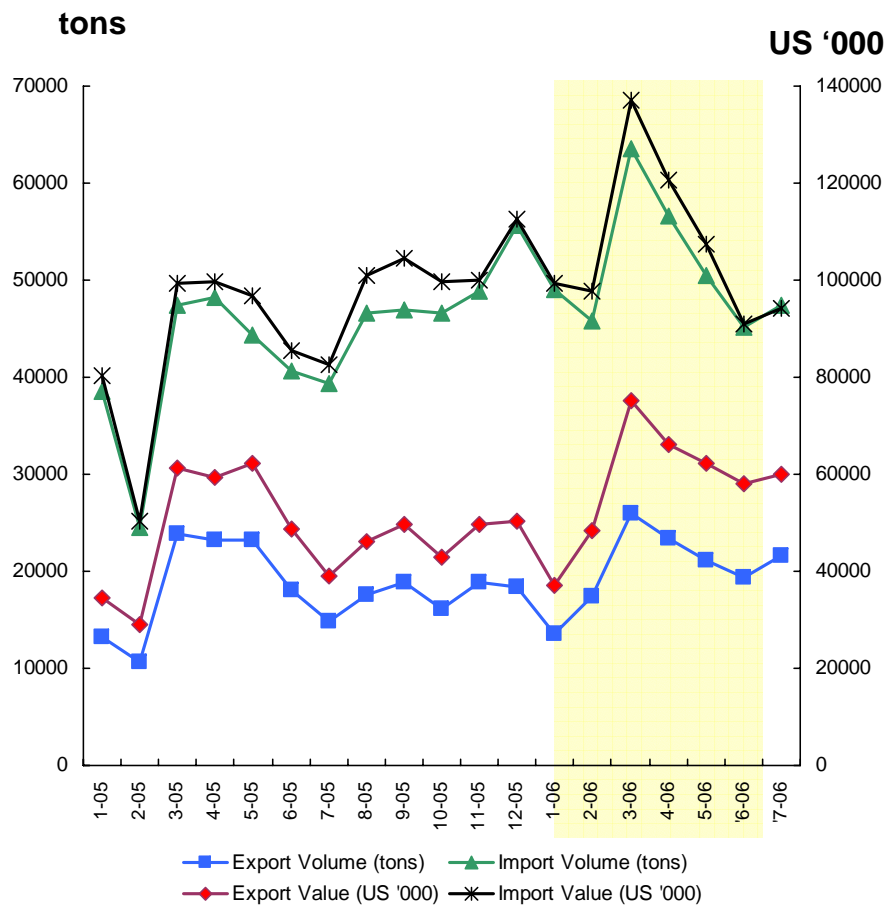
## Domestic Cotton Prices (Cotton A Index) Jan 2005 to Aug 2006



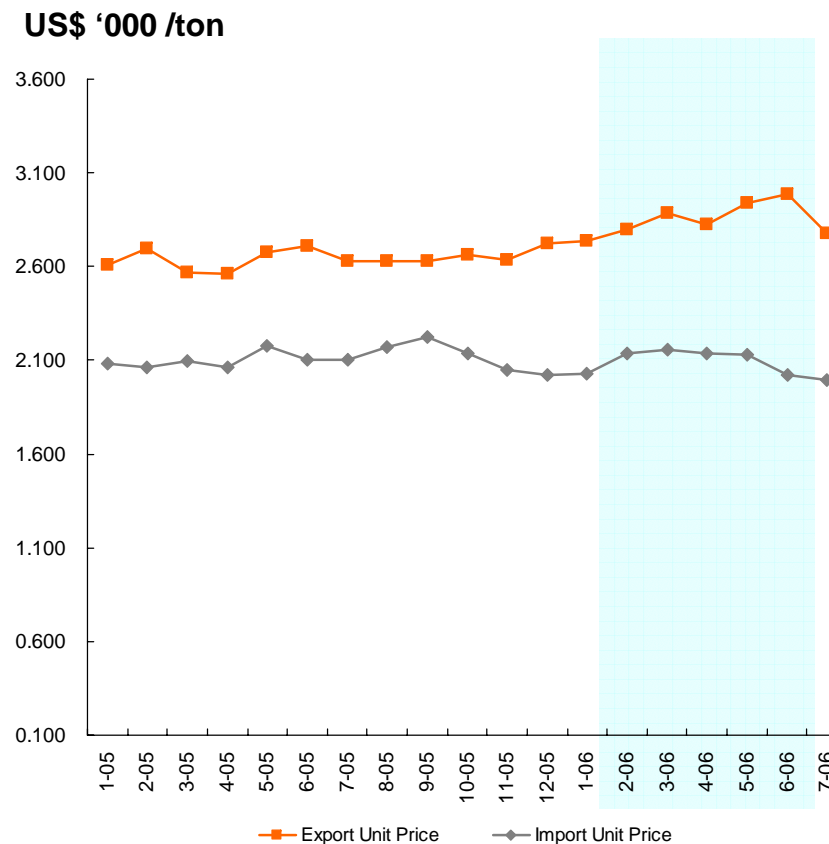
Source: Cncotton.com

# Cotton Yarn: Increasing Demand and Stable Prices

Export volume and value of cotton yarn  
Jan 2005 to Jul 2006



Export volume and unit price of cotton yarn  
Jan 2005 to Jul 2006

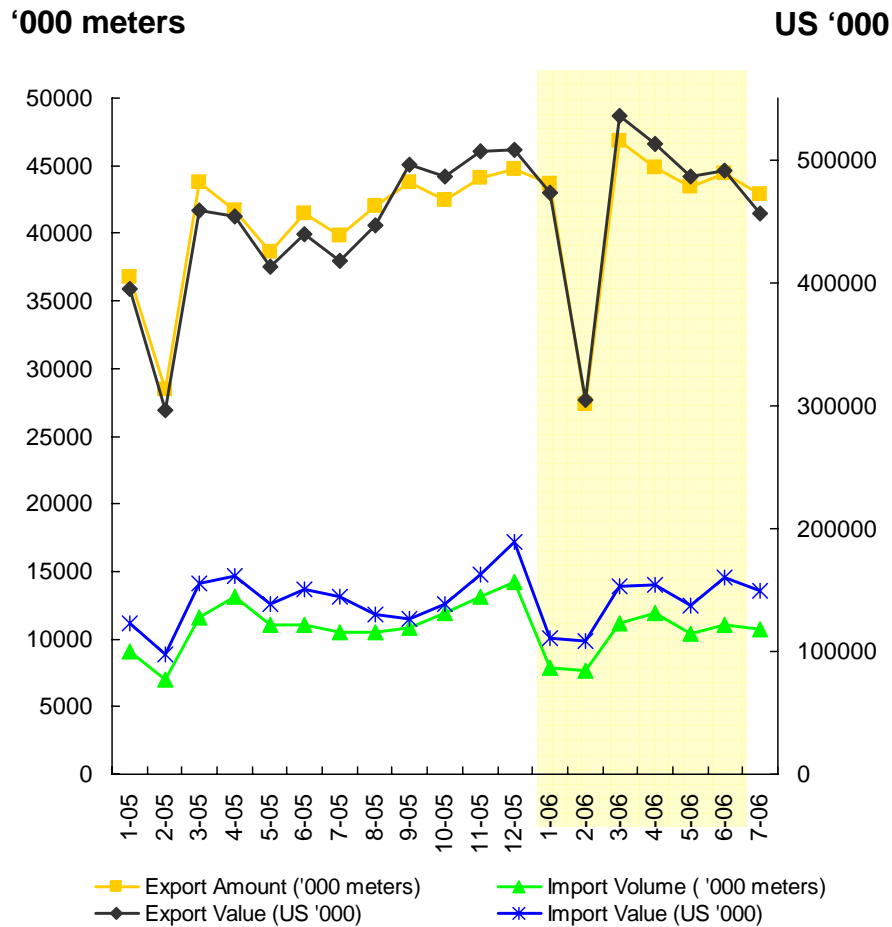


Source: China Cotton Textile Association

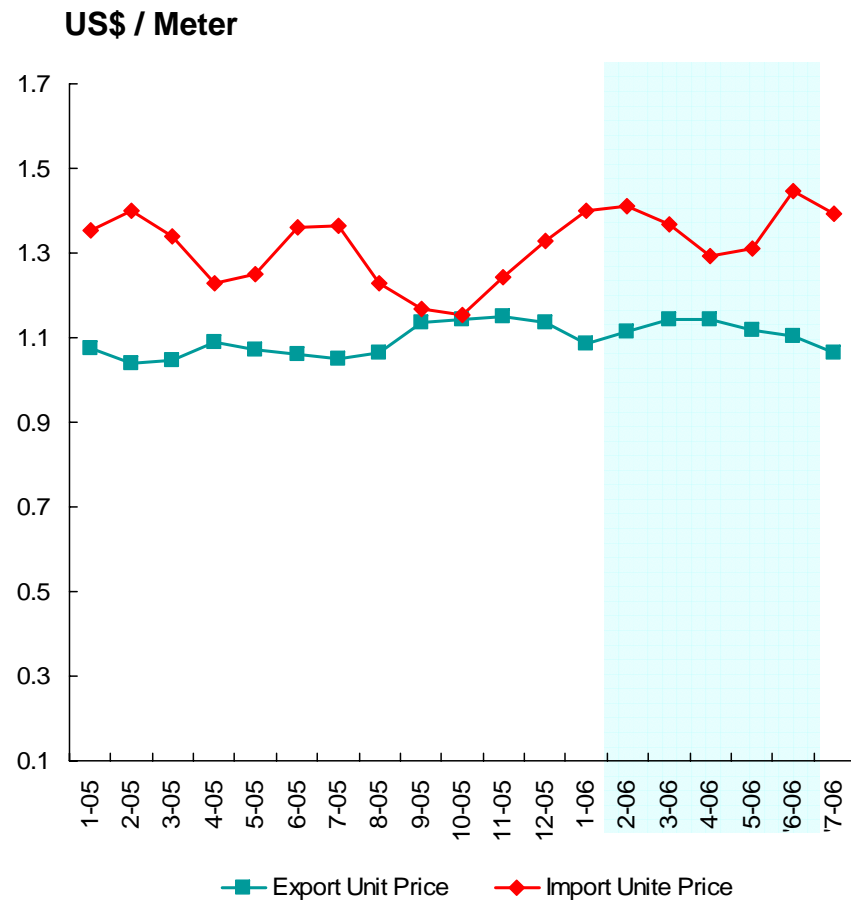


# Grey Fabric : Continuous Demand and Stable Prices

Export volume and value of grey fabric  
1 Jan 2005 to Jul 2006



Unit price of import and export grey fabric  
1 Jan 2005 to Jul 2006



Source: China Cotton Textile Industry Association

# Challenges: Exchange Rate, Tax Rate, Interest Rate and Production cost

## ① RMB Exchange Rate

- ① Gradual increase in export prices
- ① Procurement focus shifting to high value-added products
- ① Lower borrowing costs in US dollars

## ② Increased Interest Rate

- ① Increased finance expenses

## ③ Tax Rate

- ① Possible adjustment in export tax rebate will put pressure on textile manufacturers strongly rely on export

## ④ Energy Prices and Labour Costs

# Business Review

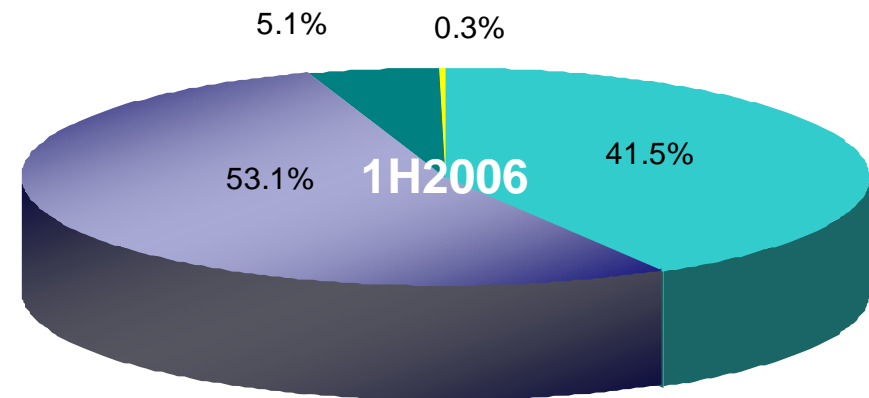


# Overall Increase in Sales

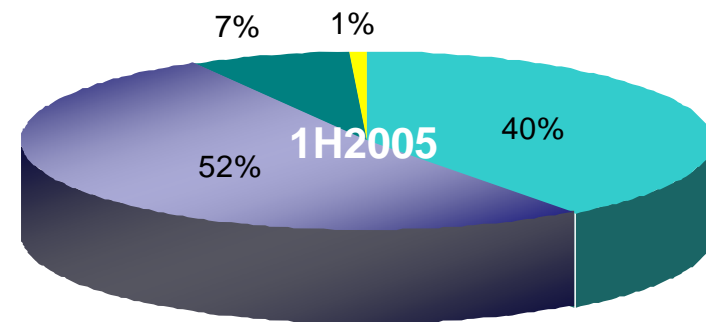
- ② Sales of cotton yarn and grey fabric increased 40.4% and 36.3% compared with first half of 2006

| RMB in millions    | 1H2005       | 1H2006       | Change(%)   |
|--------------------|--------------|--------------|-------------|
| Cotton yarn        | 2,739        | 3,843        | 40.4        |
| Grey fabric        | 3,607        | 4,915        | 36.3        |
| Denim              | 515          | 474          | -8.0        |
| Others             | 55           | 32           | -41.8       |
| <b>Total Sales</b> | <b>6,916</b> | <b>9,264</b> | <b>34.0</b> |

Group's major products  
as a percentage of total sales %



■ Cotton yarn    ■ Grey fabric  
■ Denim        ■ Others



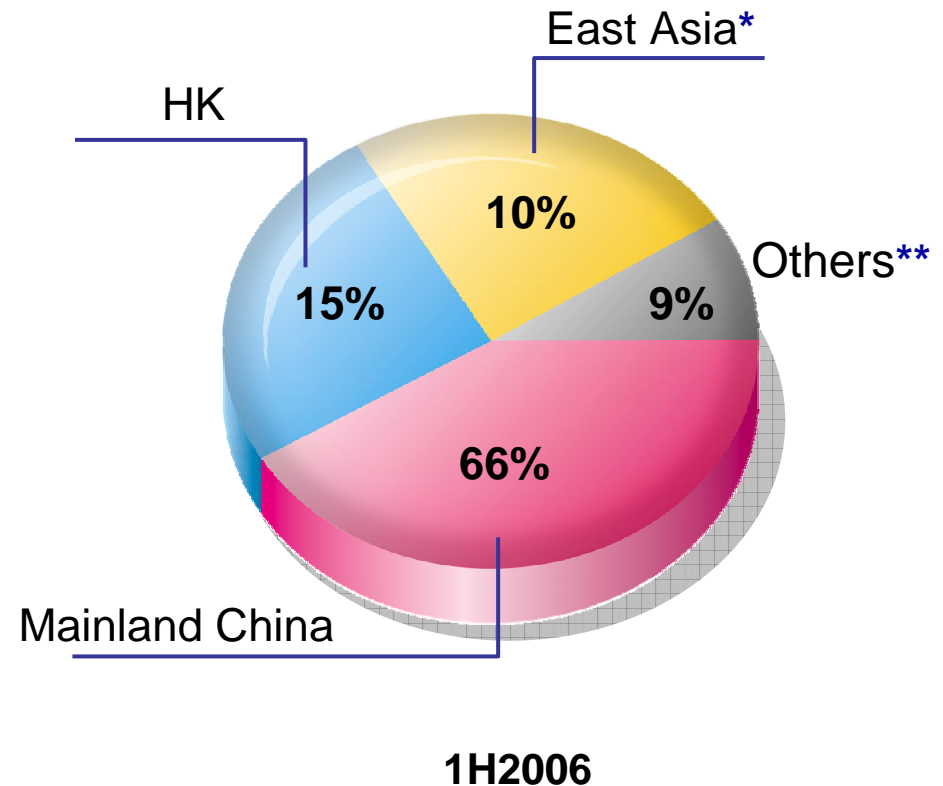
■ Cotton yarn    ■ Grey fabric    ■ Denim    ■ Others

# Breakdown of Gross Margin

|                    | 1H2005<br>RMB '000 | GP Margin<br>(%) | 1H2006<br>RMB '000 | GP<br>Margin<br>(%) |
|--------------------|--------------------|------------------|--------------------|---------------------|
| <b>Cotton yarn</b> | 668,996            | 24.4             | 459,123            | 12.0                |
| <b>Grey fabric</b> | 382,871            | 10.6             | 876,854            | 17.8                |
| <b>Denim</b>       | 136,229            | 26.4             | 95,750             | 20.2                |
| <b>Others</b>      | 10,962             | 20.0             | 3,623              | 11.2                |
| <b>Total</b>       | 1,199,058          | 17.3             | 1,435,350          | 15.5                |

# Extensive Customer Base

- Engaged in upstream business, particularly focus on the Mainland China and South East Asia region
- Domestic customers: approximately 7,000 across 30 provinces
- Overseas customers: approximately 680 across 20 countries and regions
- Revenue from EU and US together accounted for 4% of the total revenue in 1H2006
- Sales to top five customers in 1H2006 maintain at the same level when compared to 1H2005
- Sales to the largest customer accounted for less than 5%



\* Include Japan and South Korea

\*\* Mainly include Taiwan, Thailand, US and several Europe countries

# Continuous Growth in Production Volume

|                                  | 1H2005  | 1H2006  | Change (%) |
|----------------------------------|---------|---------|------------|
| <b>Cotton yarn (tons)</b>        | 296,000 | 407,000 | 37.5       |
| <b>Grey fabric ('000 meters)</b> | 687,000 | 752,000 | 9.5        |
| <b>Denim ('000 meters)</b>       | 59,000  | 81,000  | 37.0       |

# Use of Proceeds from New Shares Placing in 2006

- ⑦ Completion of placing of 68,936,500 new H shares in March 2006
- ⑦ Placing price per share: HKD 12.05

**HKD millions**

|                                                                                   | <b>Planned Usage</b> | <b>Actual Usage</b> |
|-----------------------------------------------------------------------------------|----------------------|---------------------|
| Increase production capacity of existing high value-added cotton textile products | 784                  | 784                 |
| General working capital                                                           | 45                   | 45                  |
| <b>Total</b>                                                                      | <b>829</b>           | <b>829</b>          |

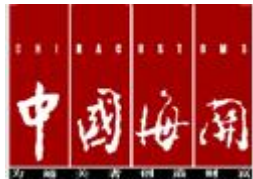
# Industry Leader



No.78 and only textile company in the “Top 100 Listed Companies in the PRC” by Fortune magazine



A constituent stock of both HSCEI and MSCI China Index



No. 100 in the “Top 200 PRC Companies in Imports in 2005”  
No. 87 in the “Top 200 PRC Companies in Exports in 2005”  
No. 1 in the “Top 10 PRC Companies in Textile Exports in 2005”  
No. 1 in the “Top 10 PRC Companies in Textile Imports in 2005”



Weiqiao Textile’s grey fabric recognized by AQSIQ as “China Brandname Products”

**The Largest Cotton Textile Manufacturer in the World**

# Strategy and Objectives



# Market Opportunities

- ① Vigorous demand for textile products in the global markets
- ① Approaching to a fair playfield for the global textile industry
- ① Chinese economy growth driven by domestic demand
- ① upgrading of the whole textile industry
- ① Relatively stable cotton prices



# Objectives and Strategy

- ① Maintain high economy of scale and bargaining power
- ② Increase the proportion of high-end products in the product mix
- ③ Maintain stable energy supply and enhance operating efficiency
- ④ Strong internal cash flow can support CAPEX
- ⑤ Achieve goals set at the beginning of the year



**Become the Largest & Strongest Cotton Textile Manufacturer in the World**

# Q&A

