



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

2008 Annual Results



March 2009

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. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis. Neither Weiqiao Textile Company Limited nor any of its directors has verified the accuracy of the information contained in such sources. They therefore make no representation as to the accuracy of this information. Accordingly, the industry information and statistics contained in this presentation may not be accurate and should not be unduly relied upon.



Agenda

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





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

Financial Review

Financial Review



(RMB million)	For the year ended 31 Dec		Change (%)
	2007	2008	
Turnover	18,590	16,453	(11.5)
Gross profit	2,662	1,431	(46.2)
GP margin (%)	14.3	8.7	(5.6)PPT
OP margin (%)	16.1	8.6	(7.5)PPT
Profit before tax	2,273	721	(68.3)
Profit attributable to shareholders	1,868	596	(68.1)
Diluted earnings per share (RMB)	1.56	0.50	(67.9)
NP margin (%)	10.1	3.6	(6.5) PPT
Final dividend per share (RMB cents)	50.05	15.69	(68.7)



Financial Review



(RMB million)	For the year ended 31 Dec		Change (%)
	2007	2008	
Total assets	26,749	27,296	2.0
Total liabilities	13,276	13,831	4.2
Net asset value	13,473	13,466	(0.1)
Current ratio (times)	1.3	1.0	(0.3)times
Account receivable turnover (days)	18	9	(9) Days
Inventory turnover (days)	82	92	10 days
Account payable turnover (days)	27	63	36 days
Net debt to equity ratio (%)	38.7	42.9	4.2 PPT
Gearing ratio (%)	36.9	33.4	(3.5) PTS



Cost Analysis



(RMB million)	For the year ended 31 Dec		Change (%)
	2007	2008	
COGS	15,927	15,022	(5.7)
Sales and distribution costs	410	346	(15.6)
Administrative expenses	197	193	(2.0)
Other operating expenses	58	104	79.3
Finance costs	726	697	(4.0)





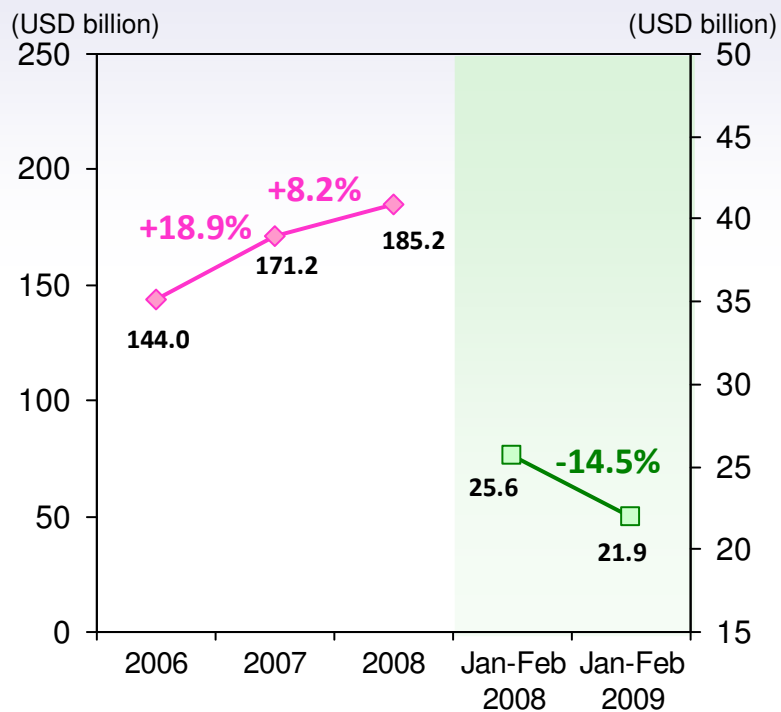
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Weiqiao Textile Company Limited

Industry and Market Analysis

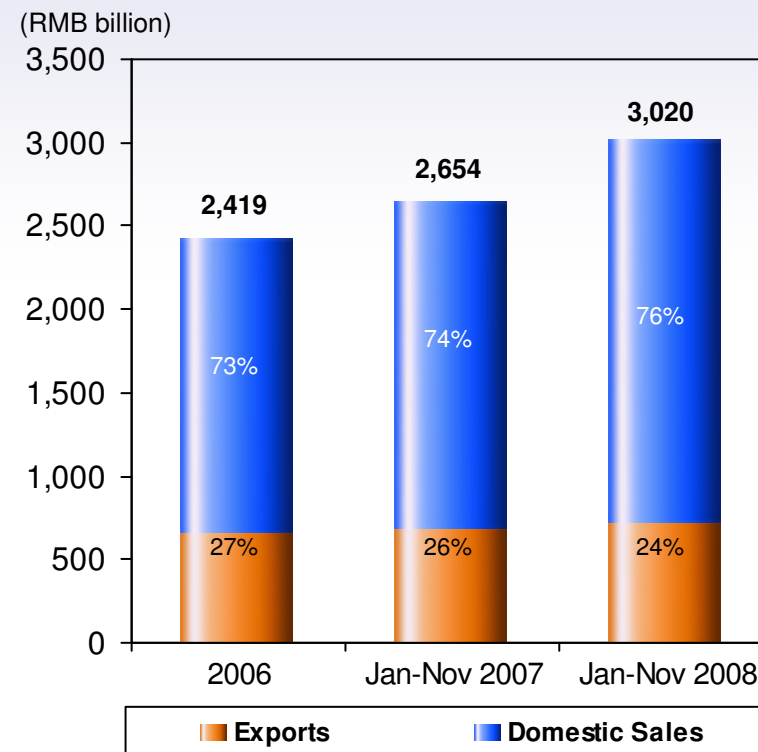


Global Economic Recession – Export Setback & Domestic Demand Relative Stable

China Textile & Apparel Exports growth rate trend



Proportion of Domestic Sales and Exports for China Textile & Apparel industry



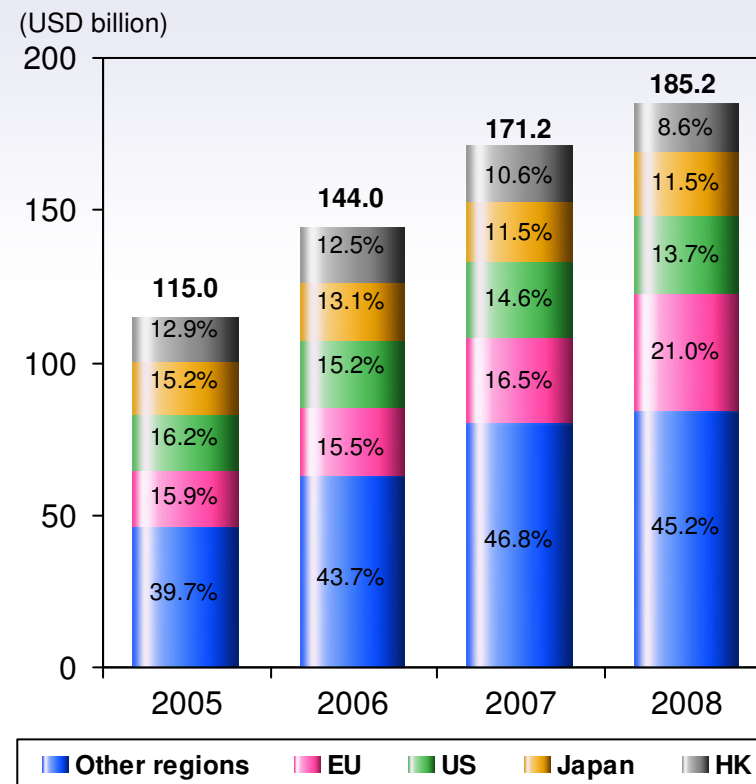
Source: China Customs; Cottonchina.org



Global Economic Recession – Export Setback & Domestic Demand Relative Stable (Cont'd)

- In 2008, China's textile & apparel exports amounted to USD185.22 billion, a growth of 8.2% over 2007 and a drop of 10.7 ppt in growth rate.
- In 2008, China's textile & apparel exports to:
 - US: yoy increase of 1.8%, a drop of 11.9 ppt in growth rate
 - EU: yoy increase of 37.9%
 - Hong Kong: yoy decrease of 11.9%
 - Japan: yoy increase of 8.3%
 - Other regions: yoy increase of 4.3%

Value of China's Textile & Apparel Exports & Proportion in percentage by Geography

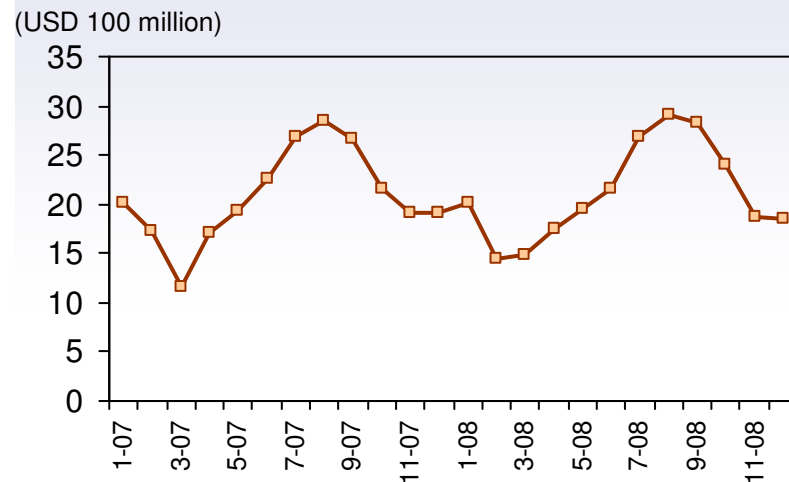


Source: China Customs; National bureau of Statistics of China



Strong RMB Brings Pressure on Exports

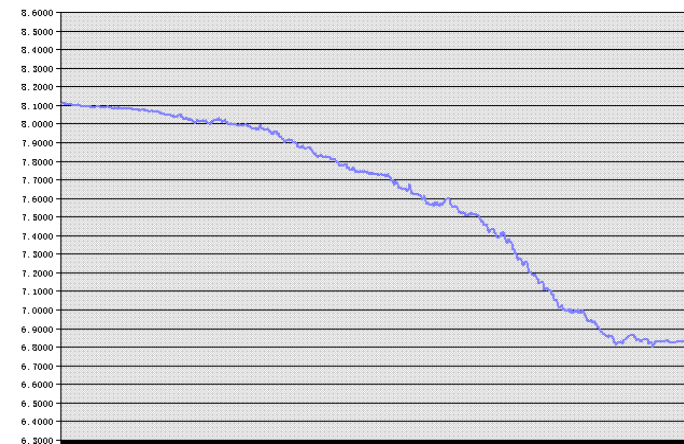
China's textile & apparel exports to US



Source: cottonchina.org

- Financial crisis triggered global economic downturn, resulted in setback of textile and apparel demand
- According to China-US Textile Trade Agreement, quota limit would be cancelled from 2009, reducing textile trade barriers

RMB versus US Dollar since exchange rate reform



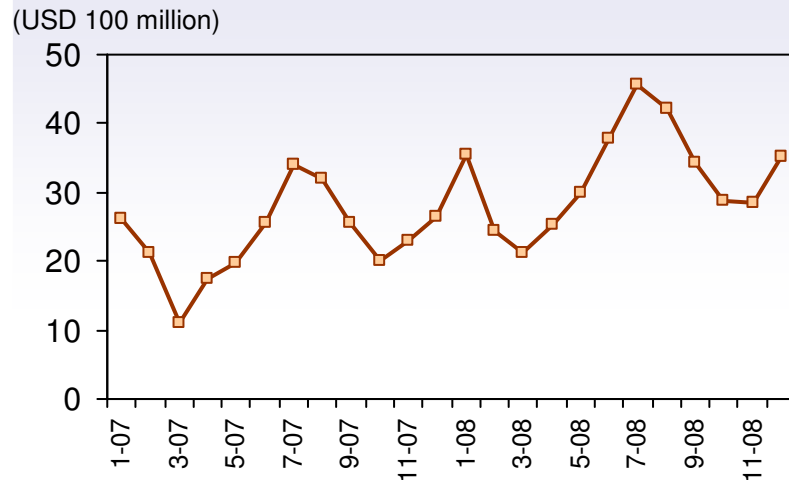
Source: The People's Bank of China

- The RMB exchange rate has been strengthening since the reform of the exchange rate regime.
- For the year 2008, the appreciation rate of RMB was 6.8%, the exchange rate versus the US Dollar remained at the level of RMB6.83 per US Dollar in February 2009



Strong RMB Brings Pressure on Exports (Cont'd)

China's textile and apparel exports to EU



Source: cottonchina.org

- The “China-EU Textile Trade Memorandum of Understanding” took effect from 1 January 2008 which stimulated the increase in exports of textile and apparel from China to EU
- Consumption in Europe weakened with the worsening of global financial crisis

RMB versus Euro since exchange rate reform



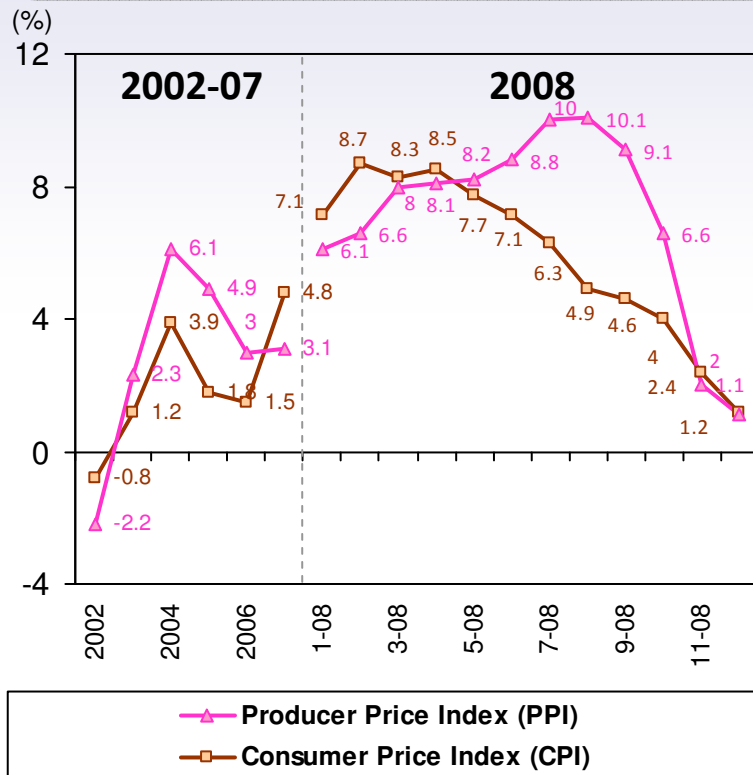
Source: The People's Bank of China

- The appreciation of RMB shifts gradually from US Dollar to the Euro in 2H 2008.
- On 2 September, the mid-point of the exchange rate breached the critical level of RMB10 against the Euro the first time ever and had appreciated 10.3% during 2008



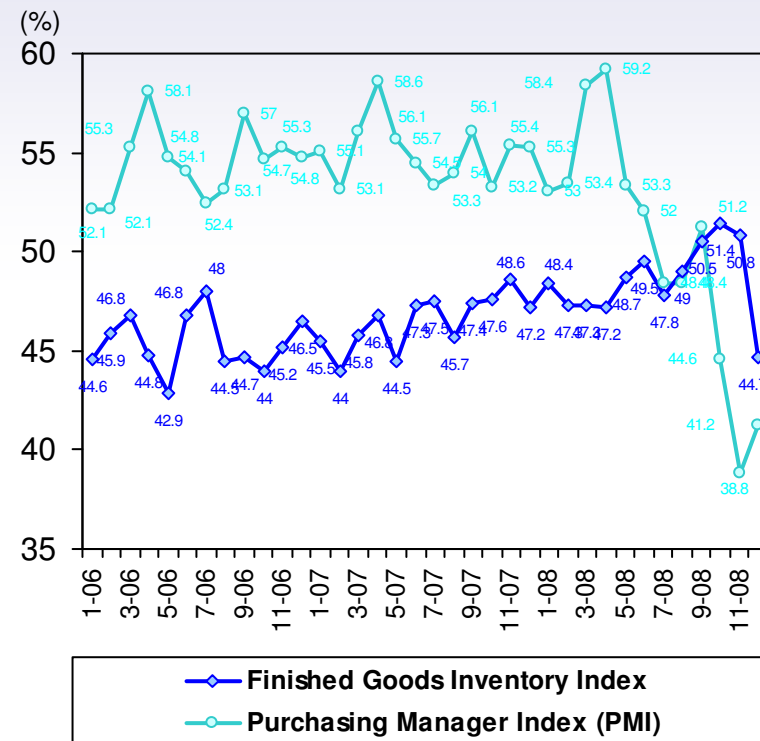
Strong PPI Trend versus CPI

Consumer Price Index (CPI) and Producer Price Index (PPI)



Source: National Bureau of Statistics of China

Purchasing Manager Index (PMI) and Finished Goods Inventory Index

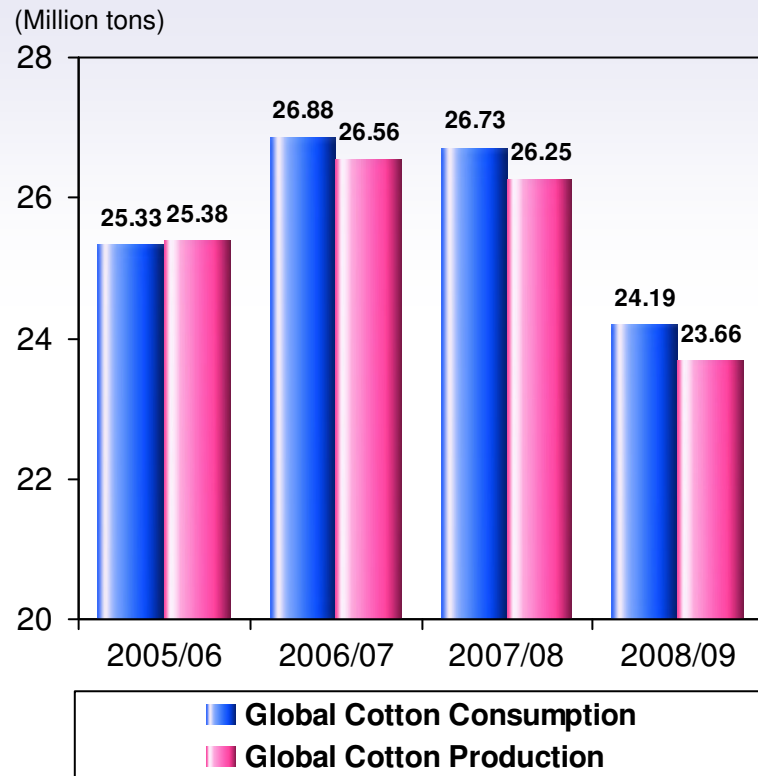


Source: China Federation of Logistics and Purchasing



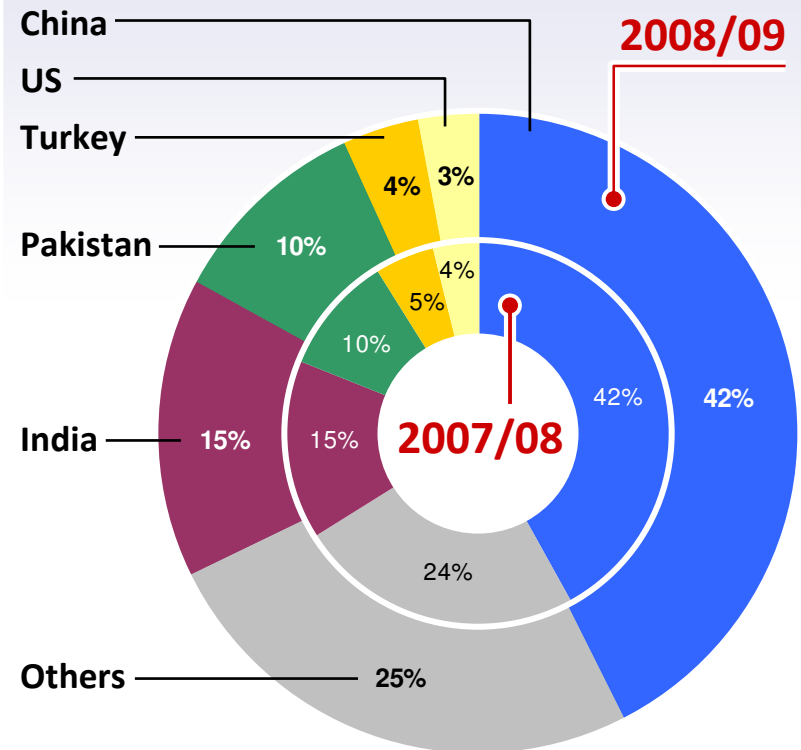
Global Cotton Demand Analysis

Global cotton output and consumption



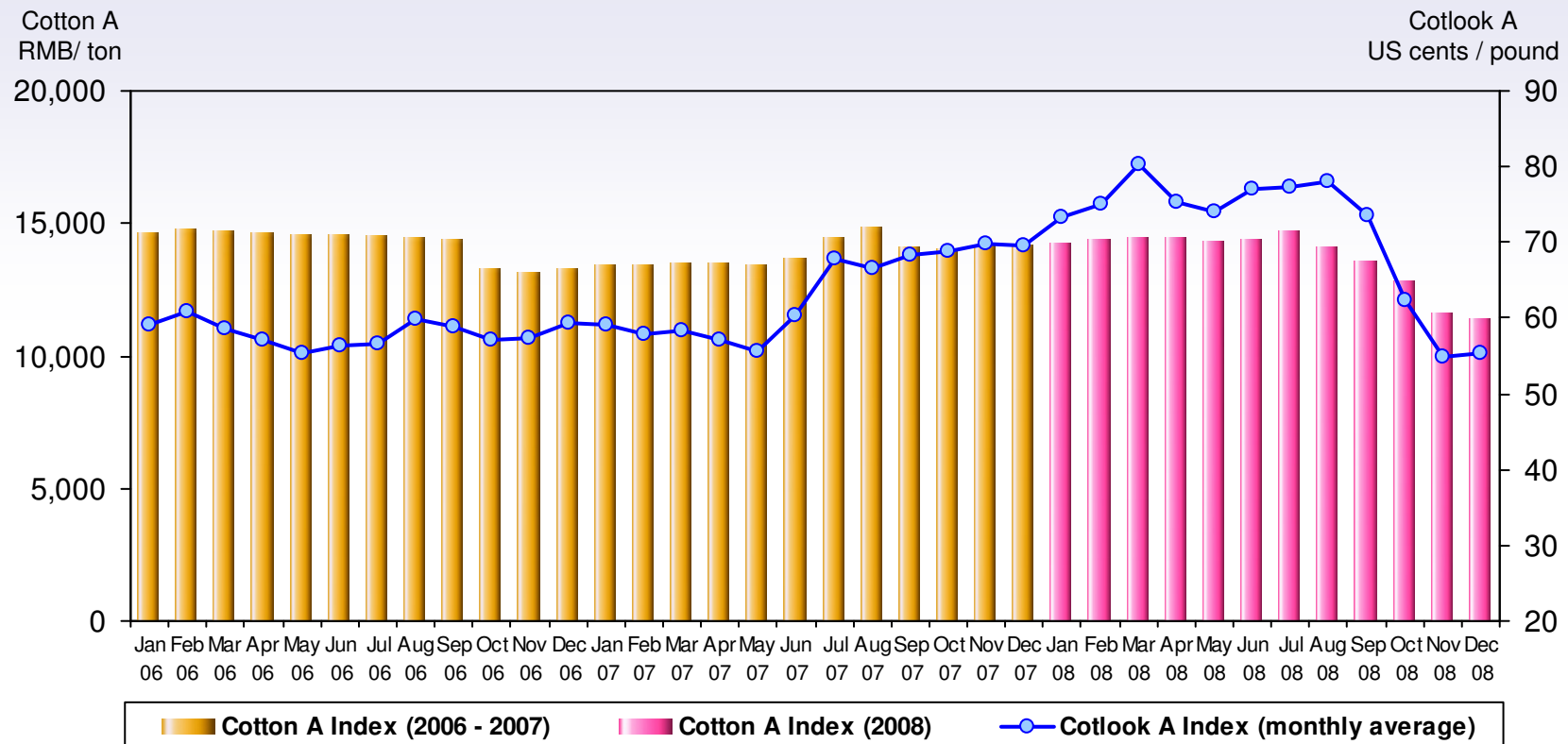
Source: USDA

Breakdown of Global Cotton Consumption



Cotton Price Trend Analysis

Cotton Price: Cotton A Index and Cotlook A Index from Jan 2006 to Dec 2008

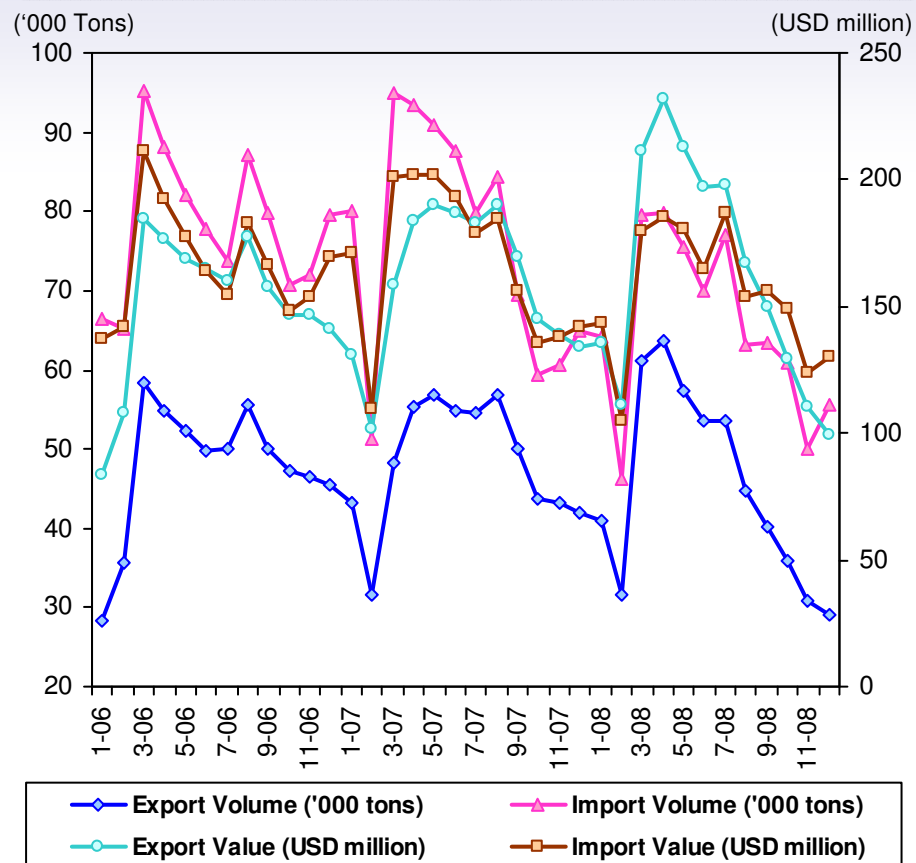


Source: cncotton.com, cottonchina.org



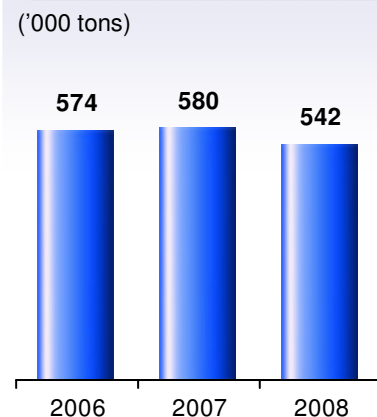
Import and Export of Cotton Yarn: Volume & Value

Jan 2006 to Dec 2008

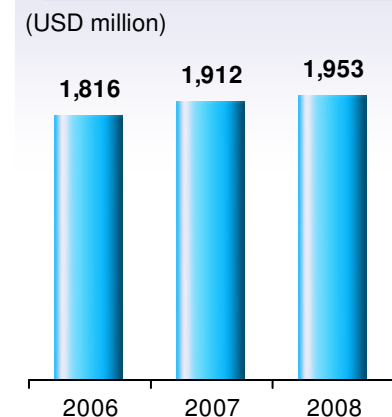


Source: cottonchina.org

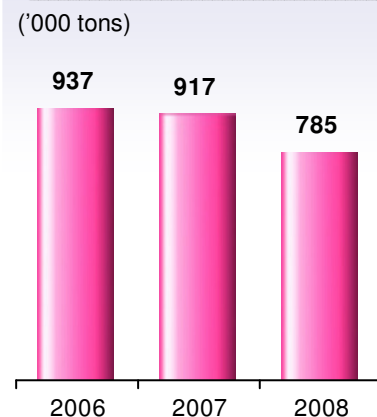
Export Volume



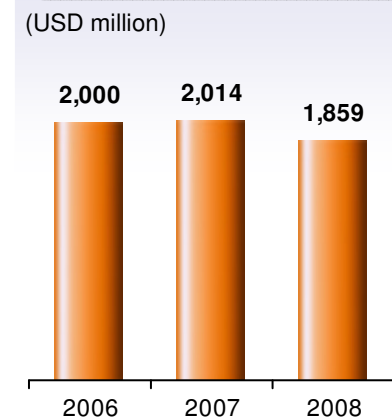
Export Value



Import Volume

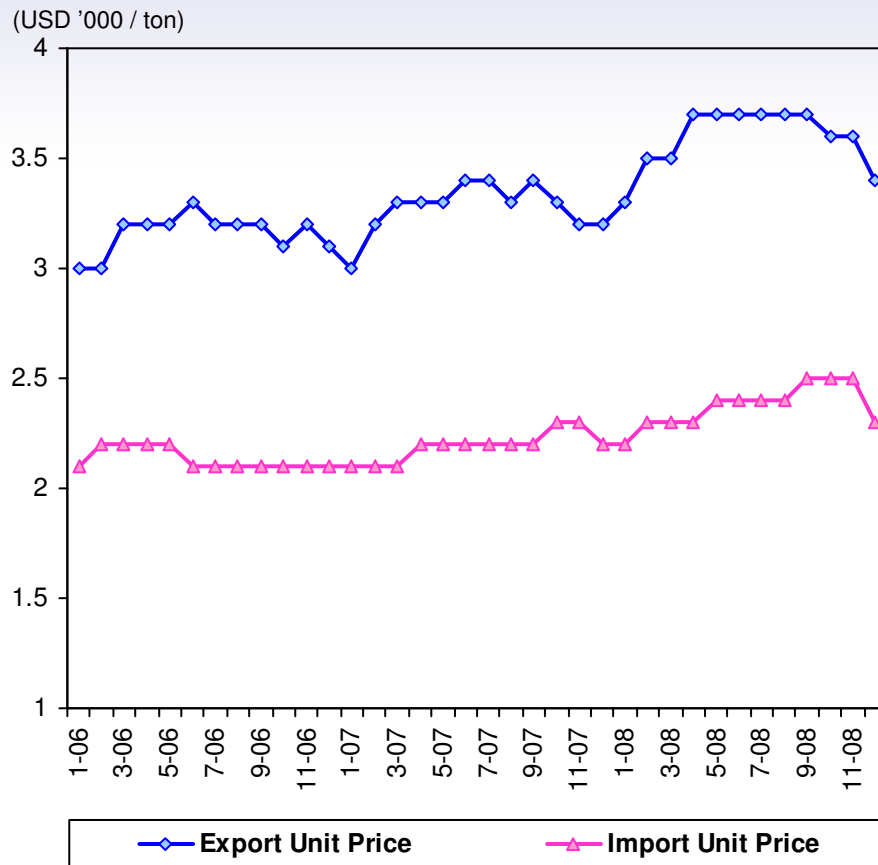


Import Value



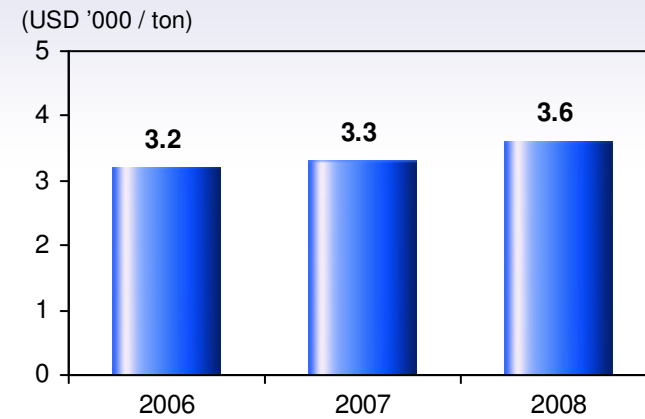
Import and Export of Cotton Yarn: Price

Jan 2006 to Dec 2008

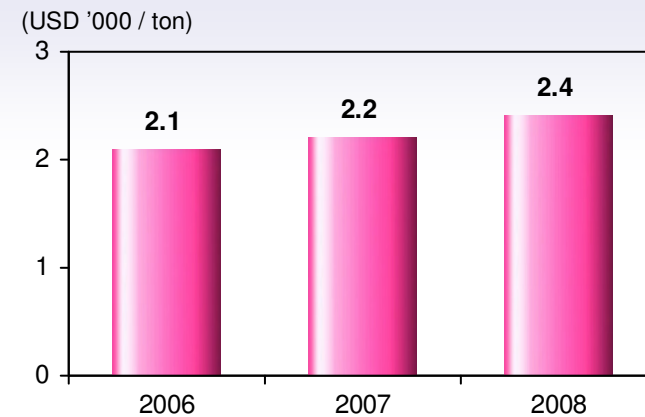


Source: cottonchina.org

Average Export Unit Price

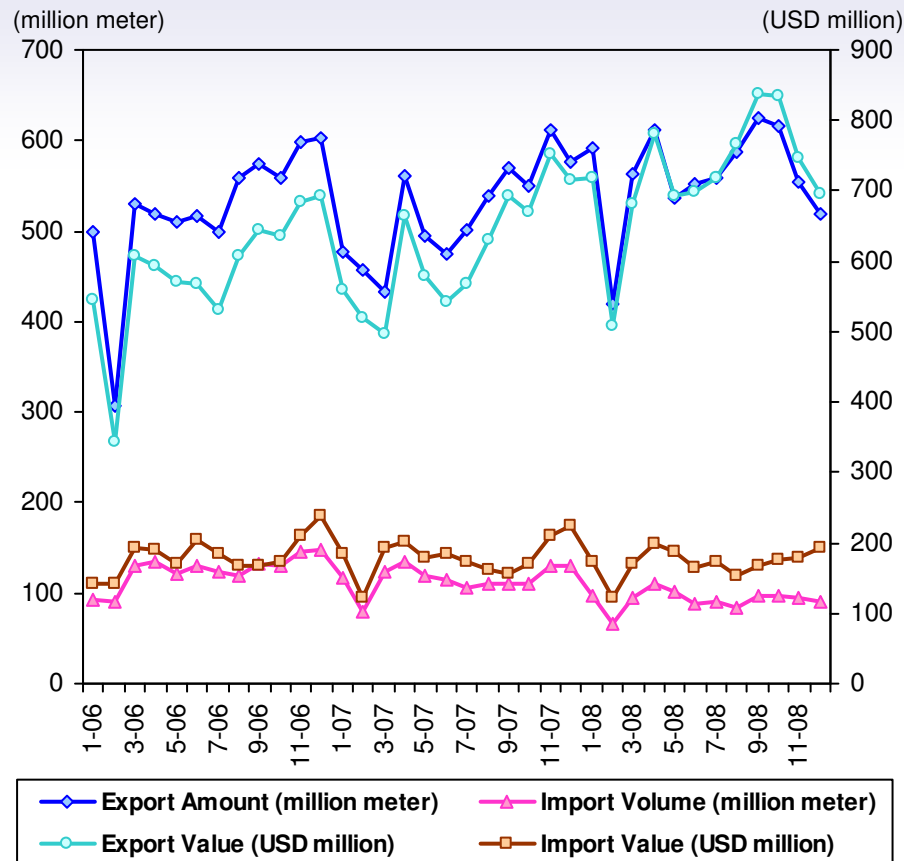


Average Import Unit Price



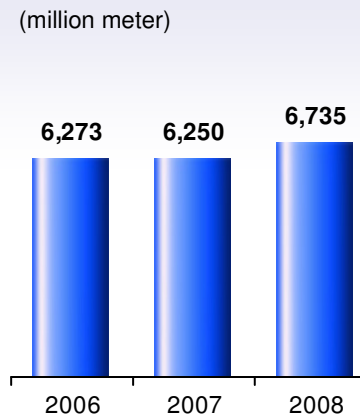
Import and Export of Grey Fabric: Volume & Value

Jan 2006 to Dec 2008

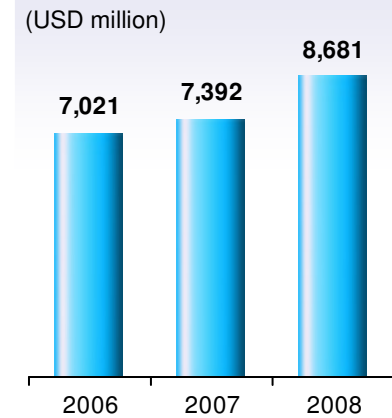


Source: cottonchina.org

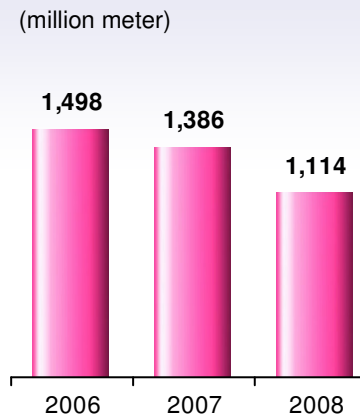
Export Volume



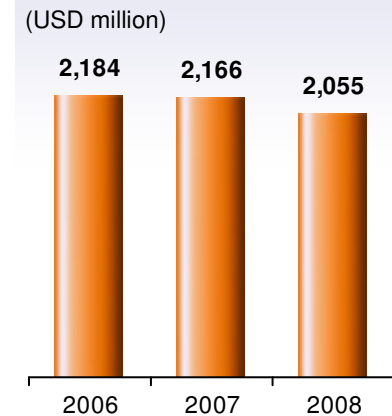
Export Value



Import Volume

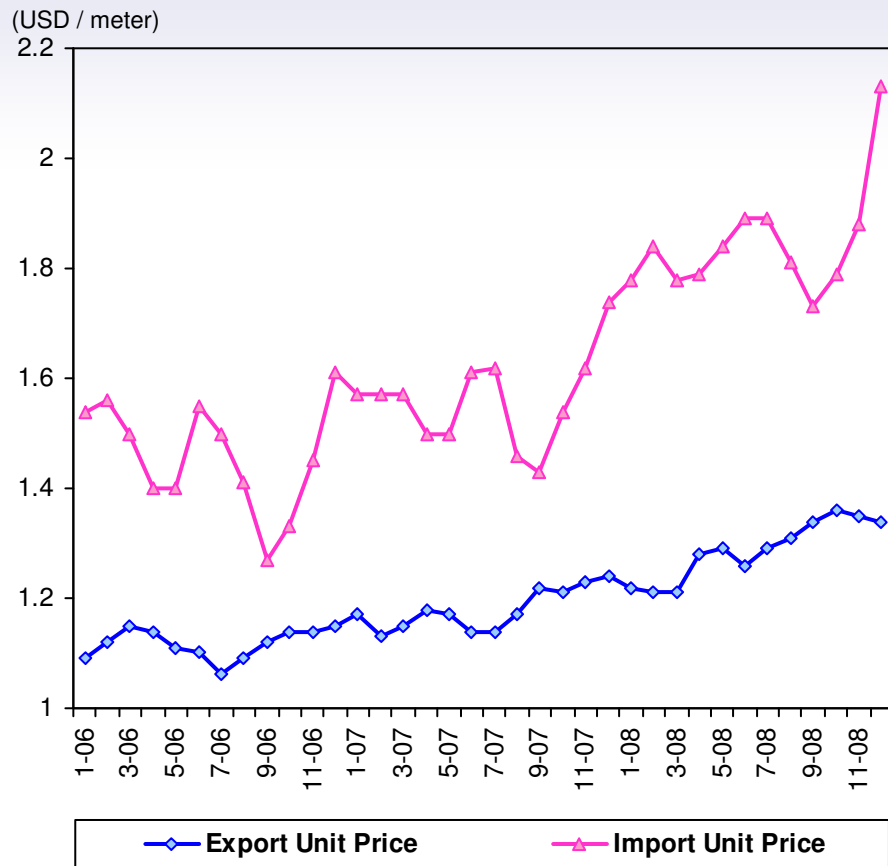


Import Value



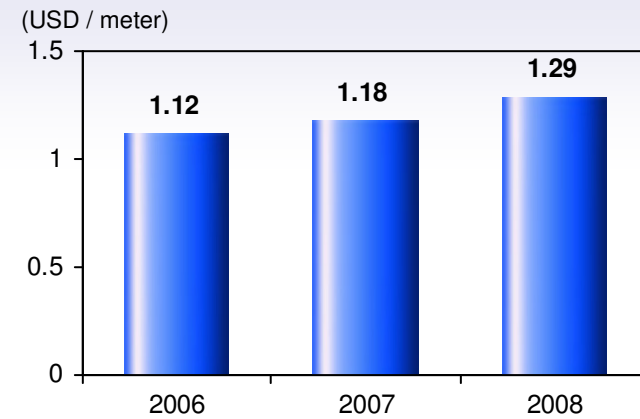
Import and Export of Grey Fabric: Price

Jan 2006 to Dec 2008

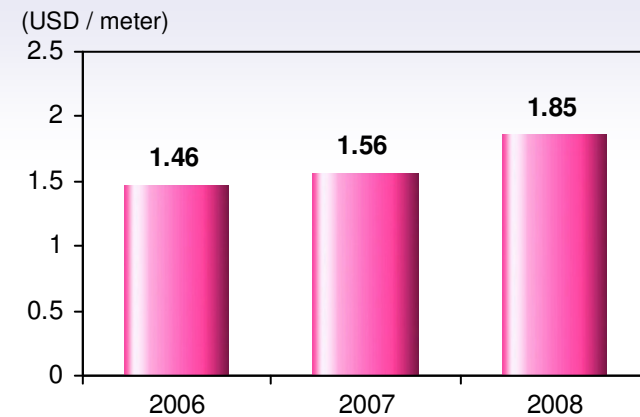


Source: cottonchina.org

Average Export Unit Price

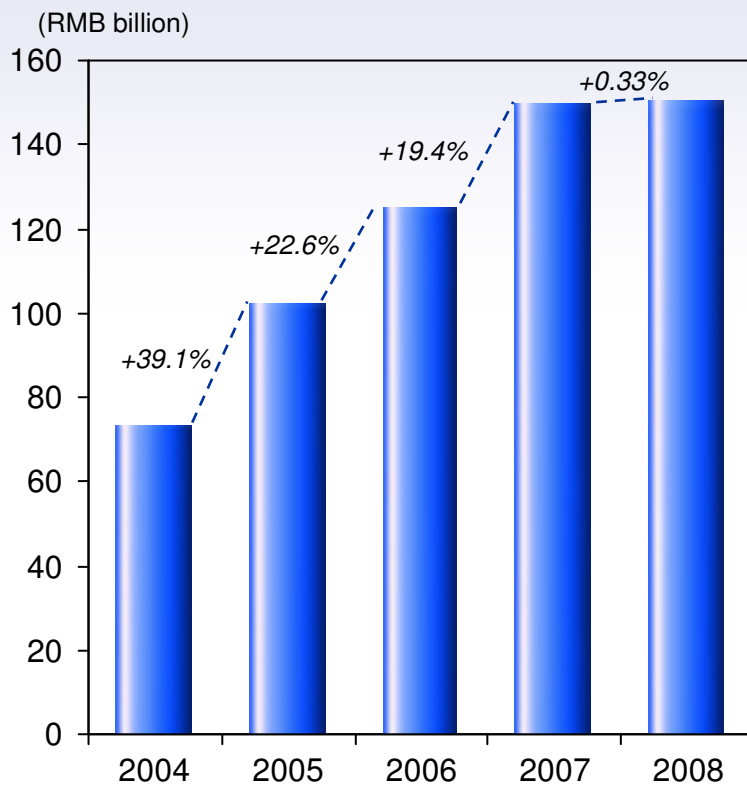


Average Import Unit Price



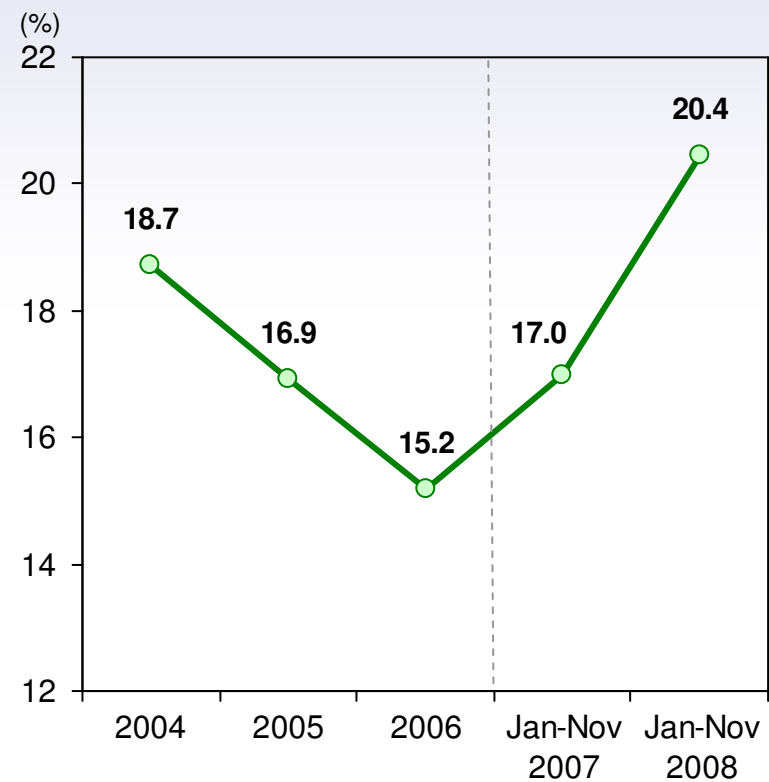
Fixed Asset Investment and Proportion of Loss-making Enterprises in Textile Industry

Fixed Asset Investment of Textile Industry from 2004 to 2008



Source: China Cotton Textile Association

Proportion of Loss-making Textile Enterprises from 2004 to Jan-Nov 2008





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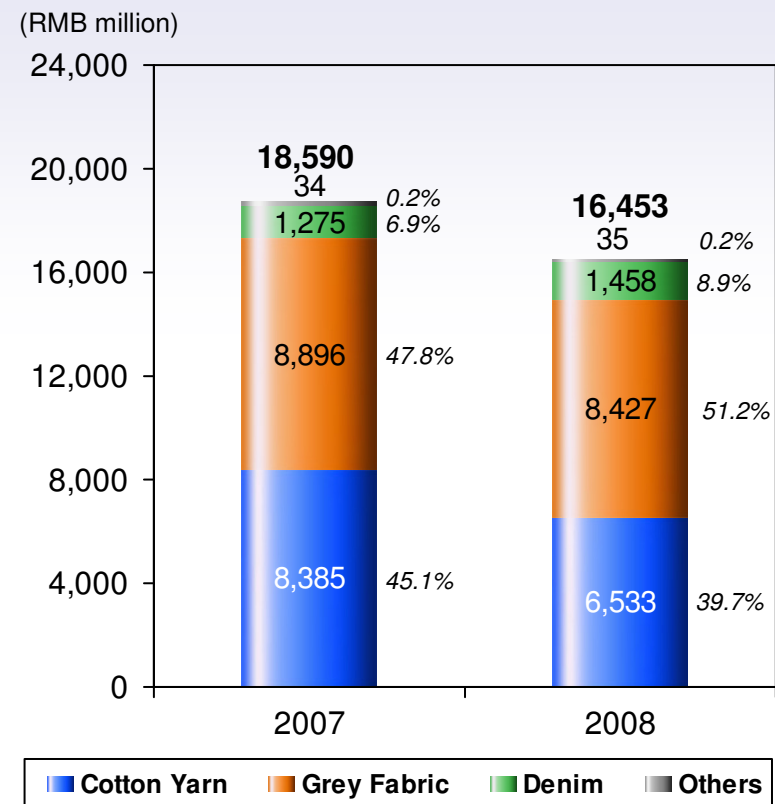
Business Review

Revenue Analysis by Product Category

- The sales of cotton yarn, grey fabric and denim accounted for 39.7%, 51.2% and 8.9% of total sales respectively in 2008

(RMB million)	2007	2008
Cotton Yarn	8,385	6,533
Grey Fabric	8,896	8,427
Denim	1,275	1,458
Others	34	35
Total Revenue	18,590	16,453

Sales Breakdown by Product



Gross Profit Margin by Segments



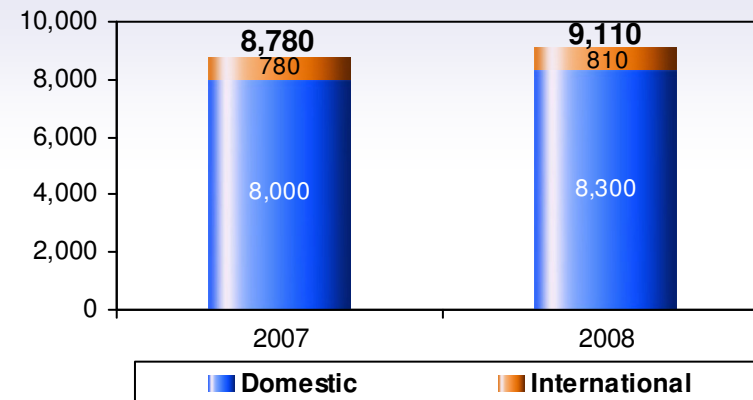
(RMB million)	<i>For the year ended 31 Dec</i>			
	2007	GP Margin (%)	2008	GP Margin (%)
Cotton yarn	1,119	13.3	550	8.4
Grey fabric	1,275	14.3	679	8.1
Denim	260	20.4	201	13.8
Others	8	22.3	1	2.0
Total	2,662	14.3	1,431	8.7



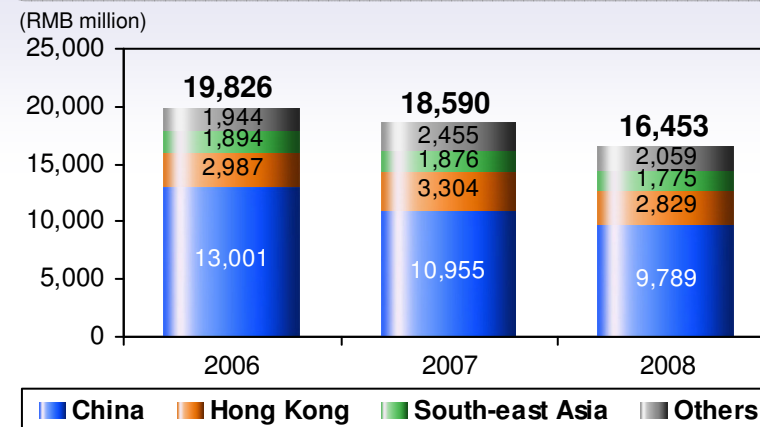
Strong Customer Base

- Domestic Customer: approximately 8,300 customers across 30 provinces
- International Customer: approximately 810 clients across 20 countries and regions
- Secured overseas market sales network, representing 40.5% of total sales
- Revenue from EU and the US market accounted for 4.6% of total revenue in 2008
- Sales to top five customers accounted for 14.5% of total sales in 2008
- Sales to single largest customer accounted for 4.7%

No. of Customers



Revenue Breakdown by Region



Acquisition of Power Plant for Cost-saving and Stable Energy Supply

- In 1H2008, the Company completed the acquisition of thermal power assets from Shandong Weiqiao Chuangye Group Company Limited. Total installed electricity generation capacity 600 MW, amounted to RMB2,210,000,000 (equivalent to HK\$2,376,344,000)
- On 4 September 2008, the Company agreed to acquire thermal power asset from Gaoxin Thermal Power, at a total consideration of RMB1,599,017,500. The Company will settle the payment by transferring the ownership of Weiqiao First Thermal Power Plant and supplying electricity to Gaoxin Thermal Power
- Reasons and advantages of the acquisition:
 - ➔ Cost saving
 - ➔ To increase energy reserves and to accommodate the Company's future operational needs for electricity and steam
 - ➔ Proper closing down and suspending of assets of Weiqiao First Thermal Power Plant
 - ➔ Sales of remaining electricity will bring extra income to the Company

Information about thermal power asset acquired during FY2008	Installed electricity generation capacity (MW)
Weihai Power Plant	120
Zouping Power Plant	480
Gaoxin Thermal Power	420



Maintain a Leading Position in the Industry



- Shandong Weiqiao Chuangye Group nominated in Forbes “Top 10 China’s Enterprises List in 2008”
- No. 1 in 2008 Top 100 Yarn Export Enterprise in the PRC
- No. 1 in 2008 Top 100 Fabric Export Enterprise in the PRC
- Weiqiao Textile’s grey fabric recognized by AQSIQ as “China Brandname Products”
- Weiqiao Textile’s combed yarn recognized by AQSIQ as “China Brandname Products”





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Prospects and Strategies



Prospects



Macroeconomic environment

Industry

Opportunities	Challenges
<ul style="list-style-type: none"> RMB4 trillion stimulus package to boost domestic consumption and stimulate economic growth 	<ul style="list-style-type: none"> Financial crisis remains a threat to the global economy, resulted in global consumption setback
<ul style="list-style-type: none"> Relatively stable exchange rate for RMB versus USD and Euro 	<ul style="list-style-type: none"> Increasing risk of deflation in domestic economy
<ul style="list-style-type: none"> Implementation of a relaxed monetary policy 	<ul style="list-style-type: none"> Keen domestic competition as exporters turned to local sales
<ul style="list-style-type: none"> Increase in VAT rebate for export 	<ul style="list-style-type: none"> Relative production overcapacity
<ul style="list-style-type: none"> Textile industry named one of the Top Ten Revitalization Industries 	<ul style="list-style-type: none"> High inventory level that are yet to be digested
<ul style="list-style-type: none"> Relative Stable cotton and energy costs 	
<ul style="list-style-type: none"> Intensified competition speeds up industry consolidation 	
<ul style="list-style-type: none"> Industrial upgrading favorable to the improvement of profit margin in the long run 	



Objectives & Strategies

- To adopt a principle of “Reduction in profits rather than giving up market share”
- To upgrade production technology
- To optimize product mix
- To ensure steady supply of energy and to strengthen operating efficiency
- To strengthen financial cost control and optimize corporate governance structure
- To retain our strong customer base and sales networks in order to reap maximum gains when the market recovers



**TO BE THE
LARGEST & STRONGEST
COTTON TEXTILE MANUFACTURER
IN THE WORLD**





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