

## Weiqiao Textile Announces its 2014 Annual Results

### Seize new opportunities in “new normal” development phase Continued leadership in industry consolidation

#### Financial Summary

- ◆ Revenue was approximately RMB11,211 million, a decrease of approximately 19.2%
- ◆ Gross profit was approximately RMB743 million, a decrease of approximately 38.4%
- ◆ Net Profit attributable to owners of the parent was approximately RMB308 million, a decrease of approximately 51.0%
- ◆ Earnings per share were RMB0.26, a decrease of approximately 50.9%
- ◆ Proposed final dividend of RMB0.0773 per share(including tax)

(Hong Kong, March 23, 2015)– Weiqiao Textile Company Limited (“the Company” or “Weiqiao Textile”) and its subsidiaries, collectively the “Group”) (HKEX: 2698), the largest cotton textile producer in China, announced its annual results for the year ended December 31, 2014 (the “Review Period” or the “Period”).

In 2014, the global economy continued to recover at a moderate pace, with clear divergence in economic performance, while concurrently, China’s economy entered into a “new normal” development phase. Development of the textile industry was generally stable during the year, with a decline in growth rate as compared to 2013, showing a trend of overall steady but slow development.

Export of China’ textile products and the apparel industry in 2014 was affected by the slow recovery in overseas market demand, resulting in a slowdown in growth rate. According to the General Administration of Customs of the PRC, China’s total export of textile products and apparel was approximately US\$298.5 billion in 2014, representing an increase of approximately 5.1% year-on-year which was approximately 6.3 percentage points lower than the same period last year. Export of apparel increased by approximately 5.2% year-on-year to approximately US\$186.3 billion, and export of textile products increased by approximately 4.9% year-on-year to approximately US\$112.2 billion

During the Year, affected by factors such as the adjustment to the cotton policy, the drastic decrease in cotton price and the wait-and-see approach adopted by downstream customers, the sales volume of the Group’s textile products decreased as compared with the same period last year with a decline in selling prices, resulting in a year-on-year decrease in the revenue and net profit of the Group. The Group recorded revenue of approximately RMB11,211 million, representing a decrease of approximately 19.2% as compared with the corresponding period of 2013. Net profit attributable to owners of the parent was approximately RMB308 million, representing a decrease of approximately 51.0%

as compared with the corresponding period of 2013. Earnings per share were RMB0.26. The Board recommended the payment of a final dividend of RMB0.0773 per share (including tax) for the year ended 31 December 2014.

During the Year, the slow recovery of the global economy, the declining cotton price due to the adjustment of cotton policy in China and the wait-and-see approach adopted by the downstream market resulted in reduced demand in both domestic and overseas markets. In response to the changing market conditions, the Group adjusted its production plan in a timely manner, leading to a decrease in the production volume of cotton yarn and grey fabric as compared with the corresponding period of last year. The Group's production volume of cotton yarn and grey fabric were approximately 394,000 tonnes and 978,000,000 meters, representing a decrease of approximately 19.3% and 4.2% as compared with the corresponding period of last year respectively. The production volume of denim was approximately 76,000,000 meters, representing an increase of approximately 4.1% as compared with the corresponding period of last year, mainly due to the increased production volume of middle to high-end denim based on market demands.

Commenting on the company's performance in 2014, Ms. Zhang Hongxia, Chairman of Weiqiao Textile, said, "During the Year under Review, the greatest change faced by the Chinese textile industry was the changes in cotton policy implemented by the PRC government. With the termination of the cotton temporary reserve policy which had been in force for three years and the implementation of the direct subsidy policy in Xinjiang, which is the main cotton production base in China, by the PRC government in September 2014, the domestic cotton price began to drop significantly. Due to the wait-and-see approach adopted by downstream enterprises, Chinese textile enterprises faced downward pressure in the selling prices of their products. The operating results of textile enterprises were affected to some degree in the short term. However, the implementation of the direct subsidy policy will gradually bring the domestic cotton price in line with the market, narrowing the gap between the domestic and overseas cotton prices, which will improve the competitiveness of Chinese textile enterprises internationally in the medium and long run."

### **Business Review**

During the Year under Review, Chinese textile enterprises faced a number of challenges, mainly, persistent decline in cotton price, rising labor costs, shrinking downstream demand and declining sales price of products. China's textile industry has slowed from high growth into medium-to-low growth, and entered into a new stage of deepening structural adjustment and accelerated transformation and upgrades. Facing the market changes and challenges, Weiqiao Textile strived to control its production costs at a reasonable level by leveraging on its competitive advantages including global cotton procurement and self-generated electricity and steam supplies, while maintaining stable production operations by implementing a flexible sales and pricing strategy. Meanwhile, the Company leveraged on its advantages in scale and research and development, made full utilization of its advanced production facilities and accelerated the upgrade and refinement of its product portfolio as it continued to increase the proportion of middle to high-end products.

The proportions of revenue generated from the sales of Cotton yarn, grey fabrics and denim were 33.2%, 56.2% and 10.6% respectively. The breakdowns of revenue by products are as follows:

Products	Revenue in 2014 (RMB000')	Revenue in 2013 (RMB000' )	Change (%)	Sales proportion for 2014 (%)
Cotton yarn	<b>3,719,738</b>	5,095,886	-27.0	33.2
Grey fabric	<b>6,306,286</b>	7,528,629	-16.2	56.2
Denim	<b>1,185,122</b>	1,256,127	-5.7	10.6
Total	<b>11,211,146</b>	13,880,642	-19.2	100.0

For the year ended 31 December 2014, the proportion of revenue contributed by the Group's cotton yarn decreased, while the proportion of revenue contributed by grey fabric increased, mainly due to the Group's aggressive efforts in product mix adjustment and the flexible sales strategy, which led to only a slight decrease in grey fabric revenue. The increase in the proportion of revenue contributed by denim was mainly due to our market demand-oriented approach, as the Group's enhanced efforts in sales of middle to high-end denim allowed the sales volume of denim to remain relatively stable.

For the year ended 31 December 2014, the breakdowns of revenue by regions are as follows:

Regions	Revenue In 2014 (RMB 000')	Revenue In 2013 (RMB 000')	Change (%)	Sales proportion for 2014(%)
China	<b>6,491,950</b>	7,401,069	-12.3	57.9
Southeast Asia <sup>(1)</sup>	<b>2,090,629</b>	1,027,457	103.5	18.7
Hong Kong	<b>1,247,574</b>	3,305,286	-62.3	11.1
East Asia <sup>(2)</sup>	<b>743,209</b>	1,068,374	-30.4	6.6
Others <sup>(3)</sup>	<b>637,784</b>	1,078,456	-40.9	5.7
Total	<b>11,211,146</b>	13,880,642	-19.2	100.0

Note (1): Southeast Asia includes Vietnam, Thailand, Malaysia, Indonesia, the Philippines and Burma.

Note(2): East Asia includes Japan and South Korea

Note(3): Others mainly include the US, Europe, Taiwan and Africa

For the year ended 31 December 2014, under the circumstances of a slow recovery in the global economy and sluggish market demand both domestically and abroad, the Group took initiatives in adjusting product mix and expanding to both domestic and overseas markets, creating a relative stable geographical mix. During the Year, the proportion of the Group's overseas revenue was approximately 42.1%, while the proportion of domestic revenue was approximately 57.9%.

### Selling and Distribution Expenses

For the year ended 31 December 2014, the Group's selling and distribution expenses dropped by approximately 22.1% to approximately RMB159 million from approximately RMB204 million for the corresponding period of last year. Among those expenses, transportation costs decreased by approximately 23.4% to approximately RMB95 million from approximately RMB124 million in 2013, which was mainly due to the decrease in the fees for transportation resulting from a decrease of the sales volume of the products of the Group during the Year. Salary of the sales staff was approximately RMB24 million, representing a decrease of approximately 17.2% as compared with approximately RMB29 million of last year. It was the decrease in revenue of the Group during the Year that led to a corresponding decrease in the salary of such sales staff. Sales commission was

approximately RMB11 million, representing a decrease of approximately 35.3% as compared with approximately RMB17 million for the corresponding period of last year, which was primarily due to the decrease of overseas revenue, leading to a decline in commission payouts.

### **Administrative Expenses**

For the year ended 31 December 2014, the administrative expenses of the Group were approximately RMB298 million, representing an increase of approximately 4.9% from approximately RMB284 million for the corresponding period of last year. Such increase was primarily due to the Group's inclusion of depreciation costs incurred by idle properties in the administrative expenses according to accounting standards, and an increase in salary of the administrative staff during the Year.

### **Finance Costs**

For the year ended 31 December 2014, finance costs of the Group were approximately RMB638 million, representing an increase of approximately 12.7% as compared with approximately RMB566 million of last year, among which, the interest expenses amounted to approximately RMB629 million, representing an increase of approximately 13.3% as compared with approximately RMB555 million for the corresponding period of last year, which was mainly attributable to the increase in the amount of the Group's average borrowings and a rising interest rate.

### **Net Profit Attributable To Owners Of The Parent And Earnings Per Share**

For the year ended 31 December 2014, net profit attributable to owners of the parent was approximately RMB308 million, representing a decrease of approximately 51.0% from approximately RMB629 million for the corresponding period of last year.

For the year ended 31 December 2014, earnings per share of the Company were RMB0.26.

### **Outlook**

Ms. Zhang Hongxia said, "Looking ahead, the global economy will continue on a recovery path and the global textile market may continue to achieve slight growth in 2015. To this end, Weiqiao Textile will continue to adjust its product mix according to clients' need, gradually increase the share of middle to high-end products, and improve the gross profit margin of products by developing diversified and functional products. The Group will source cotton globally and improve cost controls in-line with changes in the market for raw textile materials. The Group will also strive to reduce costs and improve efficiency by leveraging on new technology, advanced concepts and scientific management model. While focusing on reducing the gearing ratio, financial costs and solvency risk, Weiqiao Textile will further enhance its ability to manage risks. The Group will make better use of its cash held in 2015, with an aim to create higher value. In addition, the thermal power assets acquired through swap agreement in 2014 will effectively reduce our production costs, and also reduce energy consumption during the production process to better protect the local environment. By leveraging on its positive brand image, extensive operational experience and solid financial position, the Group is confident that it can improve its core competitiveness, seize strategic opportunities arising from changes in the industry, and maintain and reinforce its position as the preferred supplier for international cotton textile buyers both in China and across the globe."

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## About Weiqiao Textile

Weiqiao Textile Company Limited, a non-state-owned enterprise, is the largest cotton textile producer in the PRC, specializing in the production, sales and distribution of cotton yarn, grey fabric and denim. During the past ten years, the Group developed large-scale production capabilities by capitalizing on China's rapid economic growth. It has achieved a strong position in the global textile markets by employing advanced technology in state-of-the-art facilities. Weiqiao Textile is located in Shandong, China's second largest cotton producing province. The Group has four production bases in Weiqiao, Binzhou, Weihai and Zouping and employs approximately 74,000 people. As at December 31, 2014, the Group produced approximately 394,000 tons of cotton yarn, 978,000,000 meters of grey fabric and 76,000,000 meters of denim.

## Disclaimer

This press release distributed herewith includes forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that Weiqiao Textile expects or anticipates will or may occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements. Weiqiao Textile's actual results or developments 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, project delay, project approval, cost estimates and other risks and factors beyond our control. In addition, Weiqiao Textile makes the forward-looking statements referred to herein as of today and undertakes no obligation to update these statements.

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