

Weiqiao Textile Announces its 2016 Interim Results

**Seized market opportunities and optimize product mix,
Improve internal management and enhanced innovation capabilities**

Financial Summary

- ◆ Revenue was approximately RMB4,380 million, a year-on-year decrease of approximately 9.9%
- ◆ Gross profit was approximately RMB74 million, a year-on-year decrease of approximately 63.9%
- ◆ Net Profit attributable to owners of the parent was approximately RMB343 million, a year-on-year increase of approximately 9.2%
- ◆ Earnings per share were RMB0.29, a year-on-year increase of approximately 11.5%

(Hong Kong, August 22, 2016) – 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 unaudited interim results for the six months ended June 30, 2016 (the “Review Period” or the “Period”).

In the first half of 2016, the global economy recovered slowly with persistently sluggish demand. The overall domestic economy maintained stable development momentum, with steady advances in supply-side structural reform and economical upgrades and transformation as well as the characteristics of the “new normal” being more evident. On the industry side, demand for textile products from domestic and overseas markets remained weakened, and the sales price of Chinese textile products hovered at a low level.

During the Period under Review, affected by weakened domestic and overseas demands for textile products, volatile fluctuations in cotton price, coupled with partial sale of inventory by the Group in the first half of the year, the gross profit of textile products of the Group decreased significantly. However, the profits from the sales of electricity recorded substantial increase due to the increase in electricity generation volume and the slight decrease of unit power generation cost as a result of the Group’s thermal power assets. During the Period, the Group recorded revenue of approximately RMB4,380 million, representing a decrease of approximately 9.9% over the same period in 2015. Net profit attributable to owners of the parent was approximately RMB343 million, representing an increase of approximately 9.2% over the same period in 2015. Earnings per share were RMB0.29. The Group’s gross profit margin was approximately 1.7% for the Period, representing a decrease of approximately 2.5 percentage points over the same period last year.

Business Review

During the first half of 2016, the Group undersold part of its inventory products according to market opportunities. As a result, the gross profit of textile products of the Group decreased significantly. Despite this, the profits from the sales of electricity recorded a substantial

increase due to the increase in electricity generation volume and the slight decrease of unit power generation cost benefitting from the Group's own thermal power assets and the completion of the acquisition of thermal power assets in May 2016.

During the Period, the approximate percentage of revenue contributed by the Group's cotton yarn, Grey fabric and denim are 34.4%、55.9% and 9.7%, respectively, the same with that as recorded in the corresponding period of last year. The following table shows the breakdown of revenue by products for the six months ended 30 June 2016 and the corresponding period of 2015, respectively:

Products	Six-month period ended 30 June 2016 (RMB 000')	Six-month period ended 30 June 2015 (RMB 000')	Change (%)	Sales proportion for 2016 (%)
Cotton yarn	1,505,070	1,607,485	-6.4	34.4
Grey fabric	2,447,894	2,778,322	-11.9	55.9
Denim	427,134	473,577	-9.8	9.7
Total	4,380,098	4,859,384	-9.9	100.0

During the Period under Review, the Group adjusted its production plans timely according to market conditions. The Group's cotton yarn output was approximately 168,000 tons, representing an increase of approximately 4.3% compared with the corresponding period of last year; grey fabric output was approximately 406,000,000 meters, representing a decrease of approximately 9.4% as compared with the corresponding period of last year; denim output was approximately 39,000,000 meters, representing an increase of approximately 5.4% as compared with the corresponding period of last year.

The following table shows the geographic breakdown of revenue for the six months ended 30 June 2016 and the corresponding period of 2015, respectively:

Regions	Six-month period ended 30 June 2016 (RMB 000')	Six-month period ended 30 June 2015 (RMB 000')	Change (%)	Sales proportion for 2016 (%)
Mainland China	3,033,653	3,301,927	-8.1	69.3
Hong Kong	599,733	678,562	-11.6	13.7
East Asia ⁽²⁾	368,975	279,206	32.2	8.4
Southeast Asia ⁽¹⁾	196,139	399,875	-50.9	4.5
Others ⁽³⁾	181,598	199,814	-9.1	4.1

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 Southeast Asia, the US, Europe, Taiwan and Africa

For the six months ended 30 June 2016, the respective proportion of the Group's domestic and overseas revenue remained relatively stable, with the proportion of overseas revenue being approximately 30.7% and the proportion of domestic revenue reaching approximately 69.3% for the Period.

All production bases of the Group are located in Shandong Province, the PRC. Production of the Group was steady and all facilities were functioning in good conditions during the Period under Review. During the Period under Review, in order to further strengthen business management, improve operation efficiency and enhance performance

assessment, the Group established four wholly-owned subsidiaries based on the division of various production bases and business sectors, among which, three subsidiaries are engaged in production and sales of textile products while the other one is engaged in the operation of the Group's own power assets. The changes in the Group's management structure, reporting procedures and assessment system caused a change in the composition of its reportable segments for the current period, and generation and sales of electricity was identified as a new reportable segment. The Directors believe that continuous improvement of internal management mechanism and operation efficiency will lay a solid foundation for the longterm development and help to boost the operating results of the Group.

Other Income and Gains

For the six months ended 30 June 2016, other income and gains of the Group were approximately RMB1,053 million, representing an increase of approximately 34.0% from approximately RMB786 million for the corresponding period of last year. This increase was mainly due to the increase of the gains from the sales of electricity resulting from the increase in sales volumes of electricity and further reduced costs for unit power generation due to a decrease in coal price during the Period.

For the six months ended 30 June 2016, the Group's sales of electricity amounted to approximately RMB1,554 million, representing an increase of approximately 26.8% as compared with the corresponding period of last year with a gross profit of approximately RMB929 million, representing an increase of approximately 32.1% as compared to the corresponding period of last year. The increase in revenue and gross profit of sales of electricity as compared with the corresponding period of last year was mainly attributable to the increase in electricity generation volume and external sales volume as a result of the Group's own thermal power assets during the Period. Concurrently, the decreased coal price during the Period resulted in a slight decrease in the unit power generation cost.

Selling and Distribution Expenses

For the six months ended 30 June 2016, the Group's selling and distribution expenses was approximately RMB67 million, representing an increase of approximately 3.1% as compared with approximately RMB65 million as recorded in the corresponding period of last year. Among these expenses, transportation costs increased by approximately 18.4% to approximately RMB45 million from approximately RMB38 million for the same period of last year, which was mainly due to the increase in the fees for transportation resulting from an increase of the sales volume of products of the Group during the Period. Salary of the sales staff was approximately RMB8 million, representing a decrease of approximately 33.3% from approximately RMB12 million for the corresponding period of last year. It was the decrease in revenue of the Group during the Period that led to a corresponding decrease in the salary of such sales staff. Sales commission was approximately RMB4 million, representing an increase of approximately 33.3% from approximately RMB3 million for the same period of last year, which was primarily due to the increase in commission ratio due to the Group's efforts in exploring emerging markets.

Administrative Expenses

For the six months ended 30 June 2016, the administrative expenses of the Group was approximately RMB183 million, representing an increase of about 8.3% from approximately RMB169 million for the corresponding period of last year. The increase was primarily attributable to the increase of corresponding administrative expenses resulting from the

payment of relevant stamp duties for the establishment of several subsidiaries which divided the business units of the Company during the Period.

Finance Costs

For the six months ended 30 June 2016, finance costs of the Group were approximately RMB272 million, representing a decrease of approximately 10.8% from approximately RMB305 million for the corresponding period of last year, among which, the interest expenses amounted to approximately RMB272 million, representing a decrease of approximately 13.1% as compared with approximately RMB313 million for the corresponding period of last year, which was mainly attributable to the repayment of part of the bank loans by the Group during the Period and the decrease in the borrowing interest rate of the Group. Meanwhile, due to the depreciation of Renminbi, an exchange gain of approximately RMB11 million was recorded by the Group during the Period, while an exchange gain of approximately RMB8 million was recorded for the corresponding period of last year.

Outlook

Ms. Zhang Hongxia, Chairman of Weiqiao Textile, said, “Looking forward to the second half of 2016, despite all the challenges faced by the industry such as uncertainties around the growth of the global economy, lackluster demand in the textile product market, rising labor costs and shortage in quality cotton supply, the Chinese textile product and apparel industry is well posed to maintain overall stable operation. Facing the challenges and opportunities under the new environment, Weiqiao Textile will continue to focus on innovating management approaches, reducing costs and enhancing efficiency, improving productivity and increasing the added value of the products. The pilot intelligent plant of the Group which is located in the industrial park at Zoupin County will be completed and put into operation in November 2016. The number of the workers per ten thousand spindles will be reduced to fewer than ten by then, effectively reducing labor costs as well as improving intelligence and automation level. The Group will also exert efforts to build a multi-layer talent cultivation system that advocates entrepreneurship and craftsmanship, so as to improve its management and innovation capability. The Group will stick to the strategy of developing middle to high-end products, improving product quality and increasing the number of products catering to the market and consumer needs, so as to constantly improving its gross margin. While exploring both domestic and overseas markets, the Group will place equal emphasis on domestic and export sales and adopt a flexible sales strategy. The Group will take a flexible approach to purchase cotton in response to the government policy, in an effort to reduce impact of volatile in raw material costs on the production and operation of the Group. The Group will continue to fulfill its social responsibilities of energy saving and environmental protection with high standards and strict requirements, in pursuit of an energy effective growth approach with low investment, low energy consumption, low emission and high efficiency, so as to lay a solid foundation for sustainable development of the Group. At the same time, the Group will continue to optimize the productivity and operation of its own power plants, with an aim to improve its overall profitability and create greater return for its shareholders.”

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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 68,000 people. As at June 30, 2016, the Group produced approximately 168,000 tons of cotton yarn, 406,000,000 meters of grey fabric and 39,000,000 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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