

Weiqiao Textile Announced its 2017 Interim Results

Seized industrial upgrade opportunities, revenue significantly increased

Financial Summary

- ◆ Revenue was approximately RMB8,507 million, representing an increase of approximately 43.4% over the corresponding period of last year.
- ◆ Gross profit was approximately RMB991 million, representing a decrease of approximately 1.2% over the corresponding period of last year.
- ◆ Net profit attributable to owners of the Company was approximately RMB299 million, representing a decrease of approximately 12.8% over the corresponding period of last year.
- ◆ Earnings per share were approximately RMB0.25 (same period last year: approximately RMB0.29).

(Hong Kong, August 28, 2017) – 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, 2017 (the “Review Period” or the “Period”).

In the first half of 2017, the global economy continued to improve. The developed economies recovered at a steady pace, while the PRC economy maintained a reasonable range of growth, showing stronger signs of the stabilized and positive development trend. In terms of the industry, the textile industry also improved with stable growth in output and sales volume. During the Period, the Group proactively took measures to seize market opportunities, strengthened corporate management, focused on technology innovation and stepped up efforts in textile product development and business expansion. During the Period, the Group recorded revenue of approximately RMB8,507 million, representing an increase of approximately 43.4% over the same period in 2016. Net profit attributable to owners of the Company was approximately RMB299 million, representing a decrease of approximately 12.8% over the same period in 2016. Earnings per share was approximately RMB0.25. The Group’s overall gross profit margin was approximately 11.7% for the Period, representing a decrease of approximately 5.2 percentage points over the same period last year.

Promoted technological innovation, gross margin of textile business significantly improved

During the first half of 2017, the Group proactively took measures to seize market opportunities, strengthened corporate management, focused on technology innovation and stepped up efforts in textile product development and business expansion.

For the first half of 2017, the revenue of the Group's textile business amounted to approximately RMB5,498 million, representing an increase of approximately 25.5% as compared with the corresponding period of last year; the gross profit thereof was approximately RMB132 million, representing a decrease of approximately 78.4% as compared to the corresponding period of last year.

For the six months ended 30 June 2017, the proportion of revenue of the textile business contributed by the Group's cotton yarn, grey fabric and denim was 34.4%, 58.2%, and 7.4% respectively, remaining in line with that as recorded in the corresponding period of last year. The respective proportion of the domestic and overseas sales of the Group's textile business remained relatively stable, with the proportion of overseas revenue being approximately 26.4% and the proportion of domestic revenue amounting to approximately 73.6% during the Period.

During the Period under Review, the Group adhered to the “Sanpin Strategy (三品戰略)” of “enriching product varieties, improving product quality and building the brand name (增品種、提品質、創品牌)” as a direction guideline to improve the overall quality of the work. Focusing on “product innovation and management innovation (產品創新, 管理創新)”, we strived to transition from “made by Weiqiao (魏橋制造)” to “created by Weiqiao (魏橋創造)”. Keeping abreast with market trends and leveraging on our advanced equipment and technological edge, the Company made strenuous efforts to develop new products. During the Period, the Group successfully developed several new products such as graphene-compound functional materials (石墨烯復合功能性面料), blended fabric of cotton and bamboo pulp fiber (棉與天竹長絲交織面料), and series of hollow cotton yarn (中空棉紗系列), which have strong market demand and have become new growth drivers for the Group.

Revenue of electricity business significantly increased, production efficiency was further optimized

During the Period under Review, the thermal power assets of the Group performed well. Following the completion of acquisition of the thermal power assets, the Group achieved increases in power generation volume and sales of electricity over the same period of last year. During the Period, despite the further optimization of the productivity of the own power plants, the Group recorded increase in the costs for power generation due to the dramatic increase in coal price, putting pressure on the profitability of the electricity business of the Group.

For the first half of 2017, the revenue of the Group's sales of electricity amounted to approximately RMB3,009 million, representing an increase of approximately 93.6% as compared with the corresponding period of last year; the gross profit thereof was approximately RMB859 million, representing a decrease of approximately 7.5% as compared to the corresponding period of last year.

As at 30 June 2017, the installed capacity of the Group's thermal power assets amounted to 2,820 MW, remaining the same with that as at 31 December 2016. In the first half of 2017, the power generation amount of the Group was approximately 9,222 million kWh, representing an increase of approximately 91.2% as compared with the corresponding period of last year and the volume of electricity sold out amounted to approximately 8,113 million kWh, representing an increase of approximately 119.2% over the corresponding period of last year, which was mainly due to the completion of acquisition of the thermal

power assets by the Group in May 2016. During the Period under Review, the average utilization hours of the power generating units of the Group amounted to approximately 3,498 hours, basically in line with that of approximately 3,412 hours as recorded for the corresponding period last year.

During the Period under Review, the average unit cost of the Group's electricity business was approximately RMB268.6 per MWh, representing an increase of approximately 56.5% from RMB171.6 per MWh as recorded in the corresponding period last year, which was mainly due to the increase in coal price during the Period. The Group will continue to enhance the management of the coal price, make appropriate adjustment to the coal inventory level in light of market changes, and explore new coal supply channels so as to enhance the Group's bargaining power and lower the procurement costs.

Outlook

Ms. Zhang Hongxia, Chairman of Weiqiao Textile, said, "Looking forward to the second half of 2017, facing the challenges and opportunities under the new environment, the Group will continue to focus on innovating management approaches, reducing costs and enhancing efficiency, with technology improvement and optimization of the product portfolio, with an aim to enhance the competitive edge and development potential, striving to move to a higher level in the global textile industrial chain. The Group will also exert efforts to build a multi-layer talent cultivation system that advocates entrepreneurship and craftsmanship, so as to improve the corporate management level and innovation capability. The Group will stick to the strategy of developing middle to high-end products, improving products quality and increasing the number of products catering to the market and consumer needs, so as to continuously improve the gross margin. While exploring both overseas and domestic markets, the Group will place equal emphasis on domestic and export sales and adopt a flexible sales strategy. The Group will arrange cotton procurement in response to the government policy, in an effort to reduce the impact of the fluctuation of raw material costs on the production and operation of the Group. At the same time, the Group will continue to optimize the productivity and operation of the own power plants, with an aim to improve the 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 and sales of cotton yarn, grey fabric and denim, as well as the production and sales of electricity. 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 63,000 people. As at 30 June, 2017, the Group produced approximately 191,000 tons of cotton yarn, 415,000,000 meters of grey fabric and 35,000,000 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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