

## Weiqiao Textile Announces its 2015 Annual Results

### Enhanced manufacturing capabilities and optimized product mix, Continued leadership in industry advancement

#### Financial Summary

- ◆ Revenue was approximately RMB9,765 million, a decrease of approximately 12.9%
- ◆ Gross profit was approximately RMB558 million, a decrease of approximately 24.9%
- ◆ Net Profit attributable to owners of the parent was approximately RMB979 million, an increase of approximately 217.9%
- ◆ Earnings per share were RMB0.82, an increase of approximately 215.4%
- ◆ Proposed final dividend of RMB0.2534 per share (including tax)

(Hong Kong, March 21, 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 annual results for the year ended December 31, 2015 (the “Review Period” or the “Period”).

Being affected by various adverse factors including a weak economy, intensified competition in the export market and sluggish growth in domestic demand, the development of the textile industry in China during the Year under Review faced severe challenges, with a dramatic drop in domestic cotton consumption. Meanwhile, the implementation of cotton policy reform by the PRC government led to cotton prices being increasingly market-oriented and narrowed the gap between domestic and overseas prices, showing a volatile and downward trend. In the crop year of 2015/16, despite the improvement in the supply-and-demand condition in the domestic cotton market and the commencement of the destocking cycle, it will still be some time before cotton demand picks up.

During the Year under Review, though the Group has strived to reduce inventory of textile products, given several adverse factors such as the ongoing sluggish market demand for textile products and a declining domestic cotton price, sales price of the Group’s textile products and the sales volume of grey fabric and denim decreased as compared with the corresponding period of last year, leading to a year-on-year decrease in the revenue and squeezing the gross profit margin of the Group’s textile products. The Group recorded revenue of approximately RMB9,765 million for the Year, representing a decrease of approximately 12.9% on a year-on-year basis, and the gross profit margin of the Group’s products was approximately 5.7%, representing a decrease of approximately 0.9 percentage points over the previous year. Net profit attributable to owners of the parent for the Year was approximately RMB979 million, representing an increase of approximately 217.9% over the previous year. Earnings per share were RMB0.82, representing an increase of approximately 215.4% as compared with the corresponding period of last year,

which was mainly attributable to the substantial increase in gains from the sales of electricity due to the significant decrease of unit power generation cost after the completion of the thermal power assets swap by the Group at the end of 2014.

### Business Review

The proportions of revenue generated from the sales of Cotton yarn, grey fabrics and denim were 34.0%, 57.6% and 8.4% respectively. The breakdowns of revenue by products are as follows:

Products	Revenue in 2015 (RMB 000')	Revenue in 2014 (RMB 000')	Change (%)	Sales proportion for 2015 (%)
Cotton yarn	3,322,472	3,719,738	-10.7	34.0
Grey fabric	5,625,137	6,306,286	-10.8	57.6
Denim	817,869	1,185,122	-31.0	8.4
Total	9,765,478	11,211,146	-12.9	100.0

During the Year under Review, the Group adjusted its production plan according to market conditions and its inventory level, and as a result the output of cotton yarn and grey fabric declined as compared with the corresponding period of last year. Cotton yarn output was approximately 332,000 tons, representing a decrease of approximately 15.7% compared with the corresponding period of last year; grey fabric output was approximately 919,000,000 meters, representing a decrease of approximately 6.0% as compared with the corresponding period of last year; denim output was approximately 81,000,000 meters, representing an increase of approximately 6.6% as compared with the corresponding period of last year, mainly due to the increase in the output of middle to high-end denim based on market demand.

For the year ended 31 December 2015, the breakdowns of revenue by regions are as follows:

Regions	Revenue In 2015 (RMB 000')	Revenue In 2014 (RMB 000')	Change (%)	Sales proportion for 2015 (%)
China	7,013,379	6,491,950	8.0	71.8
Hong Kong	1,222,123	1,247,574	-2.0	12.5
Southeast Asia <sup>(1)</sup>	549,340	2,090,629	-73.7	5.6
East Asia <sup>(2)</sup>	498,965	743,209	-32.9	5.1
Others <sup>(3)</sup>	481,671	637,784	-24.5	5.0

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 Southeast Asia, the US, Europe, Taiwan and Africa

For the year ended 31 December 2015, under the backdrop of a slow recovery in the global economy and sluggish domestic and overseas market demand, the Group took initiatives in adjusting its product mix and exploring additional domestic growth opportunities, thus recording growth in domestic sales revenue as compared to the corresponding period of

last year. During the Year, the proportion of the Group's overseas revenue was approximately 28.2%, while the proportion of domestic revenue was approximately 71.8%.

### **Other Income and Gains**

For the year ended 31 December 2015, other income and gains of the Group were approximately RMB1,871 million, representing an increase of approximately 107.7% from approximately RMB901 million for the corresponding period of last year. Such increase was mainly due to the decrease in coal price during the Year and the higher efficiency of the thermal power assets acquired by the Group through the swap at the end of 2014 that significantly reduced the unit power generation cost of the Group, thus raising the gains from sales of electricity and steam substantially.

For the year ended 31 December 2015, the Group's revenue generated from the sales of electricity and steam amounted to approximately RMB2,733 million, representing an increase of approximately 29.8% over the corresponding period of last year, mainly attributable to the increase in electricity generated, and external sales volume increased accordingly, due to the higher operating efficiency of the thermal power assets acquired by the Group through the swap.

### **Selling and Distribution Expenses**

For the year ended 31 December 2015, the Group's selling and distribution expenses dropped by approximately 16.4% to approximately RMB133 million from approximately RMB159 million for the corresponding period of last year. Among these expenses, transportation costs decreased by approximately 16.8% to approximately RMB79 million from approximately RMB95 million for the same period of last year, which was mainly due to the decrease in the fees for transportation resulting from a decline in unit freight during the Year. Salary of the sales staff was approximately RMB24 million, remaining same as that of the corresponding period of last year. Sales commission was approximately RMB7 million, representing a decrease of approximately 36.4% from approximately RMB11 million for the same 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 2015, the administrative expenses of the Group were approximately RMB328 million, representing an increase of approximately 10.1% from approximately RMB298 million for the corresponding period of last year. Such increase was primarily due to an increase in idle assets as a result of adjustments in the production plan by the Group according to the market demand, leading to an increase in the depreciation expense which shall be recorded in the administrative expenses.

### **Finance Costs**

For the year ended 31 December 2015, finance costs of the Group were approximately RMB619 million, representing a decrease of approximately 3.0% from approximately RMB638 million for the corresponding period of last year, among which, the interest expenses amounted to approximately RMB609 million, representing a decrease of approximately 3.2% as compared with approximately RMB629 million for the corresponding period of last year, which was mainly attributable to the decrease in the bank loans and the slight decrease in the borrowing interest rate of the Group during the Year.

## Outlook

Ms. Zhang Hongxia, Chairman of Weiqiao Textile, said “Looking into 2016, China’s textile industry still faces both challenges and opportunities. Weiqiao Textile will continue to explore the domestic and overseas markets, optimize the structure of production capacity, enhance product innovation and improve the level of equipment automation. In terms of overall strategy, Weiqiao Textile will further explore middle to high-end markets according to market demands. The Group will reinforce investments in research and development and step up efforts in building its talent reserves, with an aim to strengthen our innovative capabilities. With respect to operations, the Group will make better use of the resources available, source cotton globally and improve cost controls in line with changes in the market for raw textile materials, so as to reduce the impact of cotton price fluctuations on our operating results. Furthermore, adhering to its strategy of placing equal emphasis on domestic sales and overseas exports, the Group will optimize its trade structure. Leveraging on our consistently high quality products and scale advantages, the Group will improve our order delivery capability and bargain power. Efforts will be stepped up to promote intelligent upgrades of equipment, increase labor efficiency and reduce labor costs. The Group will continue to improve its operating results leveraging on the operation of the thermal power assets. The Group will strictly comply with the requirements of energy conservation and environmental protection, in an effort to promote green manufacturing. By leveraging 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 industry changes, and maintain and reinforce its position as the preferred supplier of cotton textile products 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 69,000 people. As at December 31, 2015, the Group produced approximately 332,000 tons of cotton yarn, 919,000,000 meters of grey fabric and 81,000,000 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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