

Weiqiao Textile Announced 2018 Interim Results

Gross profit from the sales of textile products increased 53.0% year-on-year, net profit attributable to owners of the Company increased 1.3% year-on-year

Financial Summary

- ◆ Revenue was approximately RMB8,410 million, representing a decrease of approximately 1.1% over the corresponding period of last year.
- ◆ Net profit attributable to owners of the Company was approximately RMB303 million, representing an increase of approximately 1.3% over the corresponding period of last year.
- ◆ Earnings per share were approximately RMB0.25 (same period last year: approximately RMB0.25).

(Hong Kong, August 17, 2018) – 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, 2018 (the “Review Period” or the “Period”).

In the first half of 2018, driven by the further recovery in the global economy and the positive performance of the PRC economy, market demand for textile products gradually recovered. The Chinese textile industry maintained a stable operation, which was characterized with high quality development. During the Period, the Group achieved its high-quality development by proactively taking measures to seize market opportunities, accelerating the shift in growth drivers and constantly improving corporate efficiency. During the Period, the Group recorded revenue of approximately RMB8,410 million, representing a decrease of approximately 1.1% as compared with the corresponding period of 2017. Net profit attributable to owners of the Company was approximately RMB303 million, representing an increase of approximately 1.3% as compared with the corresponding period of 2017. Earnings per share were RMB0.25.

Pushed forward the implementation of intelligent manufacturing, gross margin of textile business significantly improved

For the six months ended 30 June 2018, the revenue of textile products was approximately RMB5,602 million, representing an increase of approximately 1.9% over the corresponding period of last year mainly due to the increase in sales volume in Hong Kong SAR, China, the Southeast Asia and other emerging markets as the Group took proactive initiatives to explore the emerging markets. The gross profit from the sales of textile products of the Group increased by approximately 53.0% from the corresponding period of last year to approximately RMB202 million. The gross profit margin was approximately 3.6%, representing an increase of approximately 1.2 percentage points over the corresponding period of last year, which was mainly due to higher profit driven by the increase in price of textile products during the Period.

During the Period under Review, the Group adjusted the production plans timely according to the market conditions. The output of the Group's cotton yarn was approximately 208,000 tons, representing an increase of approximately 8.9% compared with the corresponding period of last year; the output of grey fabric was approximately 435 million meters, representing an increase of approximately 4.8% as compared with the corresponding period of last year; the output of denim was approximately 35 million meters, which was in line with the corresponding period of last year.

The Group vigorously pushed forward the implementation of intelligent manufacturing by establishing the world-leading "Textile + AI" (「紡織+AI」) artificial intelligent yarn spinning workshop which provides "fully automatic production", "intelligent control system" and "online monitoring information system", enabling us to realize "continuous weaving under the mode of lights-out production", and effectively pushing forward the transformation and upgrade of the Group. Meanwhile, in order to satisfy market demands for differentiated products, the Group developed a series of new high-tech and high added-value products through in-depth research and technology innovation, thus enhancing its product competitiveness. For example, the Group successfully launched a number of functional fabrics including smart thermostat fiber, anti-static, hollow-cotton, double-wrapped and super elastic functional denim as well as the one-time weaved, duvet-filled comforter shell fabric, creating new growth drivers for the Group.

Fully implemented ultra-low emissions for all power generating units, productivity was further optimized

For the first half of 2018, the revenue of the Group's sales of electricity and steam amounted to approximately RMB2,808 million, representing a decrease of approximately 6.7% as compared with the corresponding period of last year, which was mainly due to a slight decrease in power output as some of the power generating units were under maintenance as scheduled and the increase in self-consumed electricity for the production of textile products by the Group. The gross profit from the sales of electricity and steam decreased by approximately 21.3% from the corresponding period of last year to approximately RMB676 million, and the gross profit margin was approximately 24.1%, down by approximately 4.4 percentage points from that of the same period of last year, which was primarily due to several factors including rising raw material costs and increasing staff costs.

As at 30 June 2018, the installed capacity of the Group's thermal power assets amounted to 2,760 MW. In the first half of 2018, the power generation amount of the Group was approximately 8,880 million kWh, representing a decrease of approximately 3.7% as compared with the corresponding period of last year and the volume of electricity sold amounted to approximately 7,607 million kWh, representing a decrease of approximately 6.2% over the corresponding period of last year. During the Period under Review, the average utilization hours of the power generating units of the Group amounted to approximately 3,217 hours, representing a decrease of approximately 281 hours as compared with approximately 3,498 hours as recorded for the corresponding period of last year.

The Group fully implemented the ultra-low emission ahead of schedule by installing flue gas dedusting facilities (煙氣除塵裝置) and desulphurization and denitrification facilities (脫硫脫硝裝置) for all of the Group's power generating units.

In terms of the Group's electricity and steam business, the thermal power assets of the Group performed well. The Group strove to improve management efficiency and reduce wastage by adopting a refined and modular management approach, further optimizing the productivity of its power plants. However, the high coal price and rising labor costs put pressure on the production cost of the Group's electricity business. The Group proactively promoted green development. The Group fully implemented ultra-low emissions by installing flue gas dedusting facilities and desulphurization and denitrification facilities for all of the Group's power generating units, and successfully completed transformation work on the coal sheds, so as to realize the goal of "invisible coal combustion (燃煤不見煤)".

Outlook

Ms. Zhang Hongxia, Chairwoman of Weiqiao Textile, said, "Looking forward to the second half of 2018, it is expected that the industry will continue to maintain strong growth momentum in terms of domestic sales. However, under the backdrop of rising trade protectionism and increasing risks of trade frictions between China and the United States, the export of Chinese textile products is still surrounded with uncertainties. The Group will keep a close watch on developments in the domestic and international arena, and will remain committed to technology innovation to generate new growth drivers by increasing investments in technology research and development. Through workflow modification and innovations in working approach and management mode, we will strive to improve efficiency and product quality, with an aim to push forward the low-carbon, digital and intelligent development of the textile industry. 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 continuously improve the gross margin. At the same time, the Group will continue to optimize the productivity and operation of our power plants, with an aim to improve the overall profitability of the Group and create greater return for its shareholders."

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About Weiqiao Textile

Weiqiao Textile Company Limited 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 and steam. 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.

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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