

Weiqiao Textile Announces its 2013 Annual Results

Strengthened cost control, optimized products mix Continued leadership in industry consolidation

Financial Summary

- ◆ Revenue was approximately RMB13,881 million, a decrease of approximately 9.0%
- ◆ Gross profit was approximately RMB1,206 million, an increase of approximately 16.3%
- ◆ Net Profit attributable to owners of the parent was approximately RMB629 million, an increase of approximately 30.5%
- ◆ Earnings per share were RMB0.53, an increase of approximately 32.5%
- ◆ Proposed final dividend of RMB0.1658 per share (including tax)

(Hong Kong, March 24, 2014) – 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, 2013 (the “Review Period” or the “Period”).

2013 marked another critical period in China’s textile industry as it continued its comprehensive transformation and began implementing the reforms instituted in China’s 12th Five-Year Plan for the industry. While China’s textile industry continues to face a number of immediate challenges, all major economic indicators continued to grow at a steady pace. Exports of China’s textile products and apparel improved, as the global economy slowly continued to gain momentum. During the period under review, the growth rate of domestic consumption continued to slowdown, affected by slower domestic economic growth. In terms of raw materials, domestic cotton prices remained relatively stable in 2012 and 2013, following strong fluctuations in 2010 and 2011. This was mainly because cotton prices in the domestic market had been greatly affected by the auction price of the government’s cotton reserve since the implementation of the temporary reserve policy. During the year, the gap between domestic and overseas cotton prices remained steady at approximately RMB4,000 per ton. The relatively large gap in cotton prices has put the business operations of China’s textile companies under continued pressure.

During the Year, the Group recorded revenue of approximately RMB13,881 million, representing a decrease of approximately 9.0% compared with 2012. Net profit attributable to owners of the parent was approximately RMB629 million, representing an increase of approximately 30.5% as compared with that of 2012. Earnings per share were RMB0.53. The Board recommended the payment of a final dividend of RMB0.1658 per share (including tax) for the year ended 31 December 2013.

During the Year, the Group's production volume of cotton yarn, grey fabric and denim were approximately 488,000 tonnes, 1,021 million meters and 73 million meters, respectively. The production volume of cotton yarn increased by approximately 8.4% as compared with the corresponding period of last year, mainly due to the increase in the production volume of self-use cotton yarn of the Group; while grey fabric and denim decreased by approximately 2.3% and 18.0%, respectively as compared with the corresponding period of last year, mainly due to the increased proportion of high-count and high-density grey fabric and denim of the Group during the Year, resulting in the decrease of production volume in the corresponding unit production time.

Commenting on the company's performance in 2013, Ms. Zhang Hongxia, Chairman of Weiqiao Textile, said, "During the year under review, China's textile industry faced a number of challenges throughout the year, mainly, a persistent gap between domestic and overseas cotton prices, rising labor costs and declining sales price of products. To adopt the new market conditions, our extensive customer base, cost structure, technology and scale will benefit Weiqiao Textile to better grasp market opportunities, mitigate the impacts of the market's volatility and achieved growth in profits."

Business Review

Facing complicated market conditions, the Company leveraged on its advantages in scale and research and development. The Company will continue optimize the utilization of its advanced production facilities, accelerate the upgrade and refinement of its product portfolio as it gradually increases the proportion of middle and high-end products. By implementing a flexible sales strategy, the Group is actively expanding its market share. The Group achieved growth in profits by providing higher quality products with value-added services. The Group adopted a flexible approach to procuring raw materials in order to reduce production costs by, making proper use of the timing and its import quotas.

The proportions of revenue generated from the sales of Cotton yarn, grey fabrics and denim were 36.7%, 54.2% and 9.1% respectively. The breakdowns of revenue by products are as follows:

Products	Revenue in 2013 (RMB 000')	Revenue in 2012 (RMB 000')	Change (%)	Sales proportion for 2013 (%)
Cotton yarn	5,095,886	6,902,721	-26.2	36.7
Grey fabric	7,528,629	7,583,270	-0.7	54.2
Denim	1,256,127	761,482	65.0	9.1
Others	-	483	-	-
Total	13,880,642	15,247,956	-9.0	100.0

For the year ended 31 December 2013, the proportion of revenue contributed by the Group's cotton yarn decreased as compared with the corresponding period of last year. The decrease was mainly attributable to the drop in revenue from cotton yarn resulting from the decrease in sales volume of cotton yarn as compared with the corresponding period of last year. The decrease in sales volume of cotton yarn was mainly due to the Group's effort to enhance sales of cotton yarn to reduce part of the inventory during the corresponding period of last year. The increase in the proportion of revenue contributed by grey fabric and denim was mainly due to the market demand-oriented approach, the Group's aggressive

efforts in product mix adjustment and the flexible sales strategy adopted by the Group, leading to an increase in sales volume of grey fabric and denim.

For the year ended 31 December 2013, the breakdowns of revenue by regions are as follows:

Regions	Revenue In 2013 (RMB 000')	Revenue In 2012 (RMB 000')	Change (%)	Sales proportion for 2013 (%)
China	7,401,069	10,367,191	-28.6	53.3
Hong Kong	3,305,286	2,610,779	26.6	23.8
East Asia ⁽¹⁾	1,068,374	817,960	30.6	7.7
Others ⁽²⁾	2,105,913	1,452,026	45.0	15.2

Note(1): East Asia includes Japan and South Korea

Note(2): Others mainly include Southeast Asia, the US, Europe, Taiwan and Africa

For the year ended 31 December 2013, the proportion of the Group's revenue contributed from overseas markets to its total revenue was approximately 46.7%, representing an increase of approximately 14.7 percentage points as compared with the corresponding period of last year. This was mainly because the Group timely responded to the recovering global market demand by adjusting product mix to proactively develop overseas markets during the Year; as a result, export orders grew with a rise in revenue from overseas sales.

Selling and Distribution Expenses

For the year ended 31 December 2013, the Group's selling and distribution expenses dropped by approximately 1.0% to approximately RMB204 million from approximately RMB206 million for the corresponding period of last year. Among those expenses, transportation costs decreased by approximately 17.3% to approximately RMB124 million from approximately RMB150 million in 2012, which was mainly due to the overall decreased fees for transportation resulting from comparatively lower unit price for export transportation while proportion of export sales volume of our products increased during the Year. Salary of the sales staff was approximately RMB29 million, which remained flat as compared with the corresponding period of last year. Sales commission was approximately RMB17 million, representing an increase of approximately 70.0% as compared with approximately RMB10 million for the corresponding period of last year, which was primarily due to an increase in revenue generated from export sales benefiting from the recovery in demand of international market, which resulted in an increase in the commission paid accordingly.

Administrative Expenses

For the year ended 31 December 2013, the administrative expenses of the Group were approximately RMB284 million, representing an increase of approximately 12.7% from approximately RMB252 million for the corresponding period of last year. Such increase was primarily due to the Group's inclusion of the depreciation costs incurred by idle properties in the administrative expenses according to accounting standards and increase in salary of the administrative staff during the Year.

Finance Costs

For the year ended 31 December 2013, finance costs of the Group were approximately RMB566 million, representing a decrease of approximately 10.0% as compared with

approximately RMB629 million of last year, among which, the interest expenses amounted to approximately RMB555 million, representing a decrease of approximately 7.3% as compared with approximately RMB599 million for the corresponding period of last year, which was mainly attributable to the decrease in the Group's bank borrowings and the drop in the average borrowing rate. The exchange loss amounted to approximately RMB12 million, which was mainly due to the increase in the Group's revenue generated from export sales while the import purchases reduced. Affected by appreciation of Renminbi, an exchange loss of approximately RMB30 million was recorded for the corresponding period of last year.

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

For the year ended 31 December 2013, net profit attributable to owners of the parent was approximately RMB629 million, representing an increase of approximately 30.5% from approximately RMB482 million for the corresponding period of last year.

For the year ended 31 December 2013, earnings per share of the Company were RMB0.53.

Outlook

Ms. Zhang Hongxia said "Looking ahead, China's textile industry still faces a variety of uncertainties as the domestic and external situation remains relatively complex. Weiqiao Textile will continue to further lower production costs through technology upgrades and innovations; enhance our pricing capability by leveraging our stable supply of high-quality products and the capability to accept orders based on advantages of scale; and further stabilize the consolidated gross margin of our products through strengthening management in inventory and the use of import quota so as to effectively control risks. In addition, solid financial strengths and the stable financial management system will more effectively help the Group make thorough preparations for price fluctuations in cotton and other raw materials. For the aspect of markets, the Group will remain committed to our strategy of focusing on both high end products and emerging markets, and to proactively fulfilling social responsibilities, including energy-saving and environmental protection. We believe our extensive customer base, cost structure, technology and scale will benefit Weiqiao Textile to better grasp market opportunities, mitigate the impacts of the market's volatility and maintain the Group's leading position in the global cotton textile industry."

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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 82,000 people. As at December 31, 2013, the Group produced approximately 488,000 tons of cotton yarn, 1,021,000,000 meters of grey fabric and 73,000,000 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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