CHINA WEAVING MATERIALS HOLDINGS LIMITED
中國織材控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03778)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

The board (the "**Board**") of directors (the "**Directors**") of China Weaving Materials Holdings Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2013 together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		FOR THE YEAR ENDED 31 DECEMBER	
		2013	2012
	NOTES	***RMB'000***	*RMB'000*
Revenue	*3*	**880,272**	918,513
Cost of sales		**(822,443)**	(874,384)
Gross profit		**57,829**	44,129
Other income		**21,218**	23,400
Distribution and selling expenses		**(11,942)**	(13,388)
Administrative expenses		**(22,741)**	(23,118)
Other expenses and losses		**(15)**	(1,110)
Finance costs	*4*	**(11,154)**	(13,525)
Profit before tax		**33,195**	16,388
Income tax expense	*5*	**(12,153)**	(15,318)
Profit and total comprehensive income for the year attributable to owners of the Company	*6*	**21,042**	1,070
Earnings per share	*7*		
– Basic (RMB cents)		**2.08**	0.11
– Diluted (RMB cents)		**N/A**	0.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS AT 31 DECEMBER	
		2013	2012
	NOTES	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**575,208**	492,786
Prepaid lease payments		**34,909**	35,707
Deposits on acquisition of property, plant and equipment		**3,262**	5,718
		613,379	534,211
Current assets			
Inventories		**102,075**	60,277
Trade and other receivables	*8*	**16,631**	17,722
Bills receivables	*9*	**6,599**	4,118
Prepaid lease payments		**776**	776
Pledged bank deposits		**19,167**	16,250
Time deposits		**–**	5,126
Cash and bank balances		**58,203**	86,765
		203,451	191,034
Current liabilities			
Trade and other payables	*10*	**125,183**	44,871
Bills payables	*11*	**51,420**	46,250
Tax payable		**8,380**	5,980
Bank borrowings	*12*	**207,986**	208,000
Obligations under finance leases		**–**	2,827
		392,969	307,928
Net current liabilities		**(189,518)**	(116,894)
Total assets less current liabilities		**423,861**	417,317

		AS AT 31 DECEMBER	
		2013	2012
	NOTES	***RMB'000***	*RMB'000*
Non-current liabilities			
Deferred income		**6,265**	6,915
Bank borrowings	*12*	**–**	7,000
Deferred tax liability		**4,835**	3,529
		11,100	17,444
Net assets		**412,761**	399,873
Capital and reserves			
Share capital		**82,899**	82,899
Reserves		**329,862**	316,974
Total equity attributable to the owners of the Company		**412,761**	399,873

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As of 31 December 2013, the Group had net current liabilities of approximately RMB189,518,000 (2012: RMB116,894,000). Up to the date these consolidated financial statements were authorised for issuance, the relevant banks agreed to renew bank loans amounting to RMB135,000,000 currently included in current liabilities as at 31 December 2013. Taken into account the availability of these banking facilities and the Group's expected cash flows generated from operations, the management of the Group is satisfied that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board ("**IASB**").

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statement.

Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"

The Group has applied the amendments to IAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to IAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments have been applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised IFRSs issues but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[2]
IFRS 9	Financial Instruments[3]
IFRS 14	Regulatory Deferral Accounts[5]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

The directors anticipate that the applications of the new and revised IFRSs will have no material impact on the financial statements.

3. REVENUE AND SEGMENT INFORMATION

(i) Revenue

The following is an analysis of the Group's revenue from its major products during the years:

	2013	2012
	RMB'000	*RMB'000*
Sales of polyester yarns	**446,616**	457,062
Sales of polyester-cotton blended yarns	**380,645**	406,214
Sales of cotton yarns	**53,011**	55,237
	880,272	918,513

(ii) Segment Information

Reconciliation of segment results, segment assets and segment liabilities reviewed by the chief operating decision-maker ("CODM") which are different from the Group's results, total assets and total liabilities are as follows.

	2013	2012
	RMB'000	*RMB'000*
Segment profit reviewed by CODM	**13,638**	679
Adjusted for income in relation to government grants	**14,470**	17,596
Unallocated income	**111**	456
Administrative and other expenses	**(5,871)**	(8,770)
Taxation	**(1,306)**	(8,891)
Group's profit for the year	**21,042**	1,070

	2013	2012
	RMB'000	*RMB'000*
Segment assets reviewed by CODM	**813,678**	717,636
Time deposits with original maturity less than three months	**–**	5,126
Cash and bank balances	**2,029**	1,165
Property, plant and equipment	**857**	1,052
Other unallocated assets	**267**	266
Group's total assets	**816,831**	725,245

	2013	2012
	RMB'000	*RMB'000*
Segment liabilities reviewed by CODM	**390,974**	313,260
Adjusted for deferred income	**6,265**	6,915
Accrued listing and administrative expenses	**1,837**	1,668
Dividend payables	**158**	–
Deferred tax liabilities	**4,835**	3,529
Group's total liabilities	**404,069**	325,372

Non-current assets (excluding financial assets) by location of assets:

	2013	2012
	RMB'000	*RMB'000*
PRC	**612,523**	533,159
Hong Kong	**856**	1,052
	613,379	534,211

Geographical information

Over 99% of the Group's revenue were derived from sales of polyester yarns, polyester-cotton blended yarns and cotton yarns in the PRC based on where goods are delivered to, which are also same as the location of customers.

Information about major customers

No revenue from single customer contributed over 10% of the total sales of the Group in the years ended 31 December 2013 and 2012.

4. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Interest on:		
– Bank borrowings wholly repayable within five years	**13,191**	13,748
– Finance leases	**117**	460
	13,308	14,208
Other finance expenses	**593**	188
	13,901	14,396
Less: amounts capitalised	**(2,747)**	(871)
	11,154	13,525

5. INCOME TAX EXPENSE

	2013	2012
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**10,847**	8,693
Withholding tax on distributed earnings from a subsidiary	**–**	1,000
Underprovision in prior year	**–**	2,096
Deferred tax	**1,306**	3,529
	12,153	15,318

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013	2012
	RMB'000	*RMB'000*
Profit before tax	**33,195**	16,388
Tax at PRC EIT rate of 25%	**8,298**	4,097
Tax effect of income not taxable for tax purpose	**(173)**	(151)
Tax effect of expenses not deductible for tax purpose	**1,620**	2,601
Tax effect of deductible temporary differences not recognised	**1,102**	2,146
Underprovision in respect of prior year	**–**	2,096
Withholding taxes charged on dividend declared by a subsidiary	**–**	1,000
Withholding tax arising from undistributed profits of a subsidiary	**1,306**	3,529
Income tax expenses for the year	**12,153**	15,318

6. PROFIT FOR THE YEAR

	2013	2012
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Auditors' remuneration	**1,199**	1,203
Cost of inventories recognised as an expense	**822,443**	874,384
Depreciation of property, plant and equipment	**23,087**	19,626
Amortisation of prepaid lease payments	**798**	612
Total depreciation and amortisation	**23,885**	20,238
Loss on disposal of property, plant and equipment	**13**	15
Foreign exchange losses, net	**15**	1,110
Other staff costs (excluding directors)	**67,638**	67,241
Retirement benefit scheme contributions (excluding directors)	**6,093**	9,647
Total other staff costs	**73,731**	76,888

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	**21,042**	1,070

Number of shares	**2013**	2012
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,012,500**	1,011,885
Effect of dilutive potential ordinary shares – over-allotment options	**N/A**	332
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**N/A**	1,012,217

For the year ended 31 December 2013, no diluted earnings per share is presented as there are no potential ordinary shares outstanding during the year.

For the year ended 31 December 2012, diluted earnings per share was presented as there was an over-allotment option granted to the international underwriters in relation to the initial public offering of the Company.

8. TRADE AND OTHER RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**3,840**	1,409
Advance payment to suppliers	**9,687**	15,920
Prepayments and other receivables	**3,104**	393
	16,631	17,722

In general, the Group will receive advance or bills from the customers before the products are delivered. The Group allows some of the long-term and loyal customers to have credit terms of 15–90 days depending on creditability of the customers.

No interest is charged on overdue trade receivables. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

The following is an analysis of trade receivables by age, presented based on the invoice date at the end of each reporting period, which approximated the respective revenue recognition dates.

	2013	2012
	RMB'000	*RMB'000*
1–30 days	**3,493**	1,394
31–90 days	**337**	15
Over 90 days	**10**	–
	3,840	1,409

Ageing of trade receivables which are past due but not impaired

	2013	2012
	RMB'000	*RMB'000*
31–90 days	**347**	15

9. BILLS RECEIVABLES

The following is an analysis of bills receivables, presented based on the date of invoices issued:

	2013	2012
	RMB'000	*RMB'000*
1–30 days	**2,253**	800
31–60 days	**1,902**	300
61–90 days	**890**	612
91–120 days	**600**	276
121–150 days	**504**	50
Over 150 days	**450**	2,080
	6,599	4,118

The following were the Group's bills receivable as at 31 December 2013 and 2012 that were transferred to suppliers by endorsing those bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the bills receivables and the corresponding trade payables. These bills receivable are carried at amortised cost in the Group's consolidated statement of financial position.

	Bills receivables endorsed to suppliers with full recourse	
	2013	2012
	RMB'000	*RMB'000*
Carrying amount of transferred assets	**6,599**	4,118
Carrying amount of associated liabilities	**(6,599)**	(4,118)

10. TRADE AND OTHER PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Trade payables	**46,408**	5,747
Value-added tax payable	**84**	2,421
Other payables	**2,360**	1,737
Other tax payable	**2,380**	1,273
Accrual for salary and wages	**5,400**	5,400
Accrual for social insurance	**17,339**	12,928
Other accrued charges	**6,412**	7,006
Payable for acquisition of property, plant and equipment	**38,086**	2,718
Deposits from customers	**6,714**	5,641
	125,183	44,871

The following is an analysis of trade payables by age, presented based on the invoice date:

	2013	2012
	RMB'000	*RMB'000*
1–30 days	**32,910**	2,287
31–90 days	**13,485**	1,880
Over 90 days	**13**	1,580
	46,408	5,747

11. BILLS PAYABLES

The following is an analysis of bills payables, presented based on invoice date:

	2013	2012
	RMB'000	*RMB'000*
1–30 days	**10,000**	–
31–90 days	**20,000**	26,250
91–180 days	**21,420**	20,000
	51,420	46,250

12. BANK BORROWINGS

	2013	2012
	RMB'000	*RMB'000*
Secured bank borrowings *(note i)*	**198,986**	205,000
Unsecured bank borrowings *(note ii)*	**9,000**	10,000
	207,986	215,000
Carrying amount repayable:		
Within one year	**207,986**	208,000
More than one year, but not exceeding two years	**–**	7,000
	207,986	215,000
Less: Amounts due within one year shown under current liabilities	**(207,986)**	(208,000)
	–	7,000

Notes:

i. These bank borrowings were secured by the Group's certain land use rights, property, plant and equipment and bank deposit. The Group has obtained banking facilities relating to trust receipt loans of approximately RMB4 million (2012: Nil) as at 31 December 2013 and they bore bank charges of 2.04% of the issued trust receipt loans. As at 31 December 2013, the Group had trust receipt loans of approximately RMB4 million (2012: Nil).

   Except for the trust receipt loan as mentioned above, the remaining bank borrowing bore fixed interest rates at 6.00% to 6.56% (2012: 6.31% and 6.56%) per annum or floating interest rates ranging from 110% to 120% (2012: 103% to 123%) of the benchmark borrowing rate in the PRC as at 31 December 2013.

ii. Unsecured bank borrowings bore floating interest rates at 103% and 110% of the benchmark borrowings rate in the PRC as at 31 December 2013.

iii. The weighted average effective interest rate on bank borrowings is 6.47% (2012: 6.61%) per annum as at 31 December 2013. All borrowings are denominated in RMB.

iv. At 31 December 2013, the Group has RMB140,000,000 (2012: RMB140,000,000) undrawn borrowing facilities.

v. Up to the date of these consolidated financial statements were authorised for issuance, the Group has agreed with certain banks to renew bank loans amounting to RMB135,000,000.

13. CAPITAL COMMITMENTS

	2013	2012
	RMB'000	*RMB'000*
Contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment and construction of new production facilities and infrastructure	**29,723**	98,047
Capital expenditure in respect of the acquisition of property, plant and equipment and construction of new production facilities and infrastructure authorised but not contracted for	**2,266**	35,377

MARKET OVERVIEW

In 2013, the international economic conditions remained challenging. The growth of the gross domestic product (the "**GDP**") in the United States of America (the "**US**") was 1.9% per annum while the GDP growth in the European Union was approximately 0.1% per annum. The sovereign debt crisis in the Euro zone continued to affect the economies of most European countries. The challenging international economic environment has affected local demand in the People's Republic of China (the "**PRC**") as well as the PRC's export.

On the domestic side, economic growth in the PRC continued to show signs of slowing down in 2013. The GDP growth in the PRC decreased from 7.8% per annum for the year 2012 to 7.7% per annum in 2013, while the Consumer Price Index in the PRC increased by approximately 2.6% in 2013.

The PRC government has been trying to eliminate excessive production capacities in the economy and facilitate transition of the economy. It has adopted a prudent monetary policy since mid-2010 in order to avoid excessive lending by banks in the PRC. The People's Bank of China (the "**PBOC**") has engaged in open market operation with caution and has not loosened money supply by reducing the bank loan base rate or adjusting the mandatory reserve ratio since mid-2012. The benchmark loan interest rate for six months to one year term remained at 6.00% per annum since July 2012 and the mandatory reserve ratio for larger financial institution remained at 20.0% since May 2012. The above mentioned policies has tightened the liquidity in the capital market and made it difficult for businesses in the PRC to obtain funds.

The complicated international environment and tight liquidity in the PRC have affected many industries, including the textile industry. The rising domestic production costs in the PRC have also presented challenges to the industry and the increases of production costs have become a norm. In order to protect the interests of local cotton farmers, the PRC government continued to intervene in the cotton market in 2013 by exercising control over prices of domestic cotton and volume of cotton imported from overseas with lower selling prices. Cotton prices in the PRC hovered at relatively high price levels during the year ended 31 December 2013 as compared with international prices. As a result, domestic cotton yarn manufacturers had to bear higher raw material cost. On the other hand, for the year ended 31 December 2013, the selling prices of yarn products were generally depressed as a result of both weak demand and competition from imported yarn products which were able to take advantage of lower international cotton prices.

BUSINESS REVIEW

Despite the challenging market conditions in 2013, the sales volume of the Group only slightly decreased by 2.7% from approximately 61,044 tonnes for the year ended 31 December 2012 to approximately 59,422 tonnes for the year ended 31 December 2013. The production volume of the Group increased by 0.6% from approximately 61,502 tonnes for the year ended 31 December 2012 to approximately 61,849 tonnes for the year ended 31 December 2013. The revenue of the Group decreased by 4.2% to approximately RMB880.3 million for the year ended 31 December 2013 as compared to RMB918.5 million for the year ended 31 December 2012, as a result of decreased sales volume and average selling prices of the Group's yarn products. The decrease in the Group's sales volume was mainly due to the change in sales strategy of the Group to pursue higher margin. The decrease in the average selling prices of the Group's yarn products was mainly due to the co-relation effect of lower costs of raw materials. The gross profit and the profit attributable to the owners of the Company for the year ended 31 December 2013 were approximately RMB57.8 million and approximately RMB21.0 million, respectively

FINANCIAL REVIEW

Turnover

Turnover of the Group for the year ended 31 December 2013 was approximately RMB880.3 million, representing a decrease of approximately RMB38.2 million, or 4.2%, as compared to that of the year ended 31 December 2012. Sales of polyester yarn, polyester-cotton blended yarn and cotton yarn accounted for approximately 50.8% (2012: 49.8%), 43.2% (2012: 44.2%) and 6.0% (2012: 6.0%) of total sales of the Group for the year ended 31 December 2013, respectively. The decrease in the turnover of the Group for the year ended 31 December 2013 was mainly attributable to i) decrease in sales volume from approximately 61,044 tonnes for the year ended 31 December 2012 to approximately 59,422 tonnes for the year ended 31 December 2013 and ii) the decrease in average unit selling prices of the Group's yarn products. The overall average selling price of yarn products of the Group decreased by approximately 1.6% from approximately RMB15,047 per tonne for the year ended 31 December 2012 to approximately RMB14,814 per tonne for the year ended 31 December 2013.

The selling prices of yarn products have a positive correlation with that of raw materials namely, polyester staple fibre and raw cotton. The Group sets the prices of its yarn products based on a variety of factors, including raw material prices, production costs and market conditions, inventory level and the quality of the yarn products required by the Group's customers. As polyester staple fibres are crude oil-based commodities, the prices of polyester yarns and polyester-cotton blended yarns are indirectly affected by the fluctuations in crude oil prices. The Group adjusts the selling prices of its yarn products from time to time considering the fluctuation in its raw material costs. In addition, the Group also monitors the movement of international and domestic raw cotton prices and members from the management, sales department and procurement department meet on a frequent basis to review the selling prices of its yarn products in order to respond to the changes of the various factors affecting its selling price. The average unit purchase prices of polyester staple fibre and raw cotton were lower in 2013 than in 2012 and the Group lowered the prices of its various yarn products accordingly during this period.

Gross profit and gross profit margin

Gross profit of the Group increased by approximately 13.7 million or 31.1% from RMB44.1 million for the year ended 31 December 2012 to RMB57.8 million for the year ended 31 December 2013. The gross profit margin of the Group increased from 4.8% for the year ended 31 December 2012 to 6.6% for the year ended 31 December 2013. The higher gross profit margin recorded for the year ended 31 December 2013 was mainly attributable to the lower cost of raw material as a result of the decrease in the Group's average procurement costs for cotton and polyester staple fibre during 2013 as compared to that of 2012, while the Group has generally been able to sustain the selling prices of its yarn products.

The lower market prices of polyester staple fibre in 2013 were mainly due to a weak polyester market as a result of sluggish international and domestic economy in the PRC and overcapacity in the polyester industry. The average prices of domestic cotton in PRC in 2013 were slightly lower than that of 2012. In addition, the Group has been able to obtain a certain amount of import quota from the PRC government for importing cotton from overseas. The import quota enabled the Group to import overseas cotton, which have been trading at substantially lower prices than that of domestic cotton in the PRC. The above mentioned factors contributed to lower average procurement prices of raw materials for the Group for 2013.

Other Income

Other income of the Group decreased from approximately RMB23.4 million for the year ended 31 December 2012 to approximately RMB21.2 million for the year ended 31 December 2013, representing a decrease of 9.4% or approximately RMB2.2 million. The decrease in other income was mainly due to decrease in other government grants and interest income. Such decrease was partly offset by an increase in income from scrap sales.

Distribution and selling expenses

Distribution and selling expenses of the Group decreased from approximately RMB13.4 million for the year ended 31 December 2012 to approximately RMB11.9 million for the year ended 31 December 2013, representing a decrease of approximately RMB1.5 million, or 11.1%. Distribution and selling expenses as a percentage of the turnover of the Group was approximately 1.4% for the year ended 31 December 2013 (2012: 1.5%). The decrease in the Group's distribution and selling expense was mainly due to the credit of transport subsidy of approximately RMB1.2 million from the PRC government in respect of cotton purchased from Xinjiang, PRC in 2013 (2012: nil) and decrease in sales volume from approximately 61,044 tonnes for the year ended 31 December 2012 to approximately 59,422 tonnes for the year ended 31 December 2013.

Administrative expenses

Administrative expenses of the Group decreased from approximately RMB23.1 million for the year ended 31 December 2012 to approximately RMB22.7 million for the year ended 31 December 2013, representing a decrease of 1.7% or approximately RMB0.4 million. Administrative expenses as a percentage of the turnover of the Group was approximately 2.6% for the year ended 31 December 2013 (2012: 2.5%). The decrease in the Group's administrative expenses was mainly due to less professional fees incurred in the Hong Kong office.

Finance cost

Finance cost of the Group for the year ended 31 December 2013 was approximately RMB11.2 million, representing a decrease of approximately RMB2.3 million, or 17.0%, as compared to that of the year ended 31 December 2012. The decrease in the Group's finance cost was mainly due to the increase in capitalization of interest expense for construction in progress of approximately RMB1.8 million from approximately RMB0.9 million for the year ended 31 December 2012 to approximately RMB2.7 million for the year ended 31 December 2013.

Income tax expense

The Group's effective income tax rate for the year ended 31 December 2013 was approximately 36.6%, as compared to 93.4% for the year ended 31 December 2012. The decrease in effective income tax rate of the Group was mainly due to i) the lower provision for deferred tax in respect of the undistributed earnings of the Company's subsidiary in the PRC; and ii) the absence of payment for the withholding tax on the distribution of earnings of the Company's subsidiary in the PRC as there was no such distribution in 2013.

Profit attributable to owners of the Company and net profit margin

Profit attributable to owners of the Company for the year ended 31 December 2013 was approximately RMB21.0 million, representing an increase of approximately RMB19.9 million, or 18.1 times, as compared to that of the year ended 31 December 2012. The net profit margin of the Group for the year ended 31 December 2013 was approximately 2.4%, representing an increase of 2.3 percentage points as compared to approximately 0.1% for the year ended 31 December 2012. The increases in the Group's net profit and net profit margin were mainly due to the increase in the gross margin coupled with decrease in distribution and selling expense, administrative expense, finance costs, other expenses and income tax expenses, partially offset by the decrease in other income.

Earnings per share

The basic earnings per share of the Company for the year ended 31 December 2013 was approximately RMB2.08 cents, representing an increase of approximately 17.9 times as compared to approximately RMB0.11 cents for the year ended 31 December 2012. The increase in basic earnings per share of the Company was due to the increase in net profit for the year ended 31 December 2013.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in the PRC. During the year ended 31 December 2013, net cash generated from operating activities of the Group amounted to approximately RMB90.1 million (year ended 31 December 2012: RMB21.4 million). The Group had nil time deposits (31 December 2012: RMB5.1 million), cash and bank balances of approximately RMB58.2 million (31 December 2012: RMB86.8 million) and pledged bank deposits of approximately RMB19.2 million (31 December 2012: RMB16.3 million) as at 31 December 2013. The Group's cash and bank balances were mainly held in US Dollars, Hong Kong Dollars and Renminbi.

Capital Structure and Pledge on Assets

The Group's interest-bearing borrowings were made in Renminbi. As at 31 December 2013, the Group's interest-bearing borrowings amounted to approximately RMB208.0 million (31December 2012: RMB215.0 million), RMB208.0 million (100.0%) of which (31 December 2012: 96.7%) was repayable within one year. These bank borrowings were secured by the Group's land use rights, buildings, plant and machinery with a carrying value of approximately RMB256.8 million in aggregate (31 December 2012: RMB270.8 million).

Gearing Ratio

The gearing ratio of the Group, which is equal to the total of bank borrowings and bills payable to total assets, was approximately 31.8% as at 31 December 2013 (31 December 2012: 36.0%). Net current liabilities and net assets at 31 December 2013 was approximately RMB189.5 million (31 December 2012: RMB116.9 million) and approximately RMB412.8 million (31 December 2012: RMB399.9 million), respectively. The increase in net current liabilities was mainly due to increase of trade payables, accrual and payable for construction in progress.

Foreign Exchange Exposure

As the Group conducts business transactions principally in Renminbi, the management considered the exchange rate risk at the Group's operational level is not significant. Accordingly, the Group had not used any financial instruments for hedging purposes during the year ended 31 December 2013. The Group has foreign currency deposits, cash and bank balances, other receivables and other payable, which mainly expose the Group to risk in US Dollars and Hong Kong Dollars. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2013 were approximately RMB3.1 million (31 December 2012: RMB6.4 million) and RMB15.8 million (31 December 2012: RMB1.7 million) respectively.

Contingent Liabilities

As at 31 December 2013, the Group did not have any contingent liabilities.

Employees, Remuneration and Share Option Scheme

As at 31 December 2013, the Group had a total of 1,769 (31 December 2012: 1,826) employees. Remuneration for employees, including the Directors, is determined in accordance with performance, professional experiences and the prevailing market practices. The Group's management reviews the Group's employee remuneration policy and arrangement on a regular basis. Apart from pension, discretionary bonus will also be granted to certain employees as awards in accordance with individual performance. The Company has adopted a share option scheme on 3 December 2011, under which the Company may grant options to eligible persons including directors and employees. No share option has been granted pursuant to the scheme since its adoption.

PROSPECT

In 2013, the textile industry in the PRC continued to encounter adversity arising from three major challenges: (i) weak overseas and domestic demand due to sluggish European and US economies and a slowing domestic economy; (ii) disparity in domestic and international cotton prices due to the control by the PRC government over both the prices and import volume of overseas cotton; and (iii) increasing manufacturing costs in the PRC.

Despite the challenging market conditions, the Group managed to increase its profitability even the sales volume of the Group decreased from approximately 61,044 tonnes for the year ended 31 December 2012 to approximately 59,422 tonnes for the year ended 31 December 2013. The production amount of the Group increased from approximately 61,502 tonnes for the year ended 31 December 2012 to approximately 61,849 tonnes for the year ended 31 December 2013.

Looking forward, the US economy has showed signs of improvement but the European economies appear to remain sluggish. The PRC economy appeared to have avoided a hard landing. The PRC has achieved a growth rate for GDP for 2013 of 7.7% and the PRC government has been proceeding with urbanization which has a pulling effect on domestic consumption. Amidst such background, the Group expects the demand for textile in the PRC to improve moderately. The Group expects that the price of cotton will continue to be influenced by various factors including climates, amount of funds investing in commodities, demand from the textile industry and more importantly, the policies adopted by the PRC government. With the uncertainty arising from potential policy reform on cotton reserve or subsidies, it is difficult to anticipate their impact on the yarn market upon their implementation. However, if new government policies could eliminate or lessen the price disparity between domestic and overseas cotton, the Group believes it would be beneficial to the PRC textile industry. The increasing manufacturing cost arising from increased labour cost, utility cost and government levies has been a serious concern for domestic manufacturers for the past few years. The Group will tackle the escalating costs by continuous improvement in production efficiency by means of improvement in production process, enhancement of automation, continuous training of workers, introduction of advanced and energy efficient machinery.

The Group is making good process on its expansion plan, as the construction of a new workshop ("**Workshop One**") and other auxiliary building have been completed. The installation of approximately 31,000 spindles, representing over 60% of the planned capacity of approximately 50,000 spindles, has been completed as at the end of 2013 and production has commenced. Upon completion of the installation of the remaining planned capacity of approximately 20,000 spindles in Workshop One, the Group's production capacity will be increased from approximately 360,000 spindles per annum as at year end of 2013 to approximately 380,000 spindles per annum. The Group is also proceeding with the installation of open-end spun production facilities and expects installation of such facilities to be completed in the second quarter of 2014.

Taking into account the benefit from the enlarged product portfolio and increased economy of scale as a result of the planned expansion of the production capacity, the Group is confident about its future. The Group also strives to be well positioned to take advantage of any positive outlook in the textile industry given its scale of production, strong brand recognition and professional management.

Merger and Acquisition

For the year ended 31 December 2013, no acquisition or disposal of subsidiaries or associates was made by the Company.

DIVIDEND

The Board has recommended the payment of a dividend of HK1.0 cent per share of the Company for the year ended 31 December 2013 (the "**Final Dividend**"). Subject to shareholders' approval at the annual general meeting to be held on Monday, 12 May 2014, the Final Dividend will be paid on or around Thursday, 5 June 2014, to shareholders whose names appear on the register of members of the Company on Wednesday, 21 May 2014.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company (the "**Annual General Meeting**") will be held on Monday, 12 May 2014. Notice of the Annual General Meeting will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders entitled to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Thursday, 8 May 2014 to Monday, 12 May 2014, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming Annual General Meeting to be held on Monday, 12 May 2014, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 7 May 2014.

For the purpose of determining the Shareholders who are entitled to the proposed Final Dividend, which is subject to the approval by the Shareholders at the Annual General Meeting, the register of members of its Company will be closed from Monday, 19 May 2014 to Wednesday, 21 May 2014, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to the proposed Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 16 May 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company during the year ended 31 December 2013.

CODE OF CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2013, the Company had complied with the code provisions of the existing Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct governing Directors' securities transactions. The Company confirms that, having made specific enquiry of all the Directors, each of them has complied with the required standard as set out in the Model Code throughout the year ended 31 December 2013

AUDIT COMMITTEE

The audit committee of the Board has reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and reviewed the audited consolidated financial statements for the year ended 31 December 2013.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2013 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the Preliminary Announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.chinaweavingmaterials.com. The annual report of the Company for the year ended 31 December 2013 containing all the information required by the Listing Rules will be dispatched to Shareholders and published on the above websites in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to the Group's management and staff members for their dedication and hard work, our customers for their confidence and support for our products, our shareholders for their trust and support and various government bodies for their support.

By order of the Board
China Weaving Materials Holdings Limited
Zheng Hong
Chairman

Hong Kong, 21 March, 2014

As at the date of this announcement, the Board comprises Mr. Zheng Hong, Mr. Zheng Yong Xiang as the executive Directors; Mr. Sze Irons, JP, as the non-executive Director; Ms. Chan Mei Bo, Mabel, Mr. Nie Jian Xin and Mr. Ng Wing Ka as the independent non-executive Directors.