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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 2012

The board of directors (the “**Board**”) 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 2012 together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	<i>Notes</i>	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Revenue	3	918,513	1,085,889
Cost of sales		(874,384)	(947,142)
Gross profit		44,129	138,747
Other income		23,400	4,481
Distribution and selling expenses		(13,388)	(12,938)
Administrative expenses		(23,118)	(20,061)
Other expenses and losses		(1,110)	(20,583)
Finance costs	4	(13,525)	(20,156)
Profit before tax		16,388	69,490
Income tax expense	5	(15,318)	(8,852)
Profit and total comprehensive income for the year attributable to owners of the Company	6	1,070	60,638
Earnings per share	7		
– Basic (RMB cents)		0.11	8.01
– Diluted (RMB cents)		0.11	8.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	<i>Notes</i>	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		492,786	400,332
Prepaid lease payments		35,707	19,394
Deposits on acquisition of property, plant and equipment or land use rights		5,718	2,600
Secured deposit for obligation under finance lease		–	3,022
		<u>534,211</u>	<u>425,348</u>
Current assets			
Inventories		60,277	44,611
Trade and other receivables	8	17,722	8,839
Bills receivables	9	4,118	9,539
Prepaid lease payments		776	430
Pledged bank deposits		16,250	24,443
Time deposits		5,126	128,361
Cash and bank balances		86,765	86,047
		<u>191,034</u>	<u>302,270</u>
Current liabilities			
Trade and other payables	10	44,871	49,278
Bills payables	11	46,250	18,650
Tax payable		5,980	8,852
Bank borrowings	12	208,000	225,817
Obligations under finance leases		2,827	7,219
		<u>307,928</u>	<u>309,816</u>
Net current liabilities		<u>(116,894)</u>	<u>(7,546)</u>
Total assets less current liabilities		<u>417,317</u>	<u>417,802</u>
Non-current liabilities			
Deferred income		6,915	6,564
Bank borrowings	12	7,000	–
Deferred tax liability		3,529	–
Obligations under finance leases		–	2,833
		<u>17,444</u>	<u>9,397</u>
Net assets		<u>399,873</u>	<u>408,405</u>
Capital and reserves			
Share capital		82,899	81,885
Share premium and reserves		316,974	326,520
Total equity attributable to the owners of the Company		<u>399,873</u>	<u>408,405</u>

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As of 31 December 2012, the Group had net current liabilities of approximately RMB116,894,000 (2011: RMB7,546,000). Up to the date these consolidated financial statements were authorised for issuance, certain banks agreed to renew bank loans amounting to RMB193,000,000 currently included in current liabilities as at 31 December 2012. In addition, the Group has undrawn banking facilities of RMB140,000,000 as at 31 December 2012 which will not be expired in the coming 12 months. Accordingly, taken into account the availability of these banking facilities and 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 financial obligations as they fall due in the foreseeable future, and 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 the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”).

Amendments to IAS 12	Deferred Tax: Recovery of Underlying Asset
Amendments to IFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

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 IFRS 7 Disclosures – Transfers of Financial Assets

The Group has applied for the first time the amendments to IFRS 7 Disclosures – Transfers of Financial Assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group endorsed certain bills receivables to suppliers to exchange for goods and services from those suppliers which transferred the contracted rights to receive cash flows from those bills receivables to the respective suppliers on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to those bills receivables, it continues to recognise the full carrying amount of the bills receivables and the corresponding trade payables (see note 9). The relevant disclosures have been made regarding the transfer of those bills receivables on application of the amendments to IFRS 7 (see note 9).

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

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle ¹
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities ¹
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures ²
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹
IFRS 9	Financial Instruments ²
IFRS 10	Consolidated Financial Statements ¹
IFRS 11	Joint Arrangements ¹
IFRS 12	Disclosure of Interests in Other Entities ¹
IFRS 13	Fair Value Measurement ¹
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income ³
IAS 19 (Revised 2011)	Employee Benefits ¹
IAS 27 (Revised 2011)	Separate Financial Statements ¹
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ¹
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities ⁴
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine ¹

¹ Effective for annual periods beginning on or after 1 January 2013

² Effective for annual periods beginning on or after 1 January 2015

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2014

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a ‘statement of comprehensive income’ is renamed as a ‘statement of profit or loss and other comprehensive income’. The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to IAS 1 are effective for the Group for annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied.

The directors expect that the application of the other new and revised standards, amendments or interpretations will not have a material effect on the Group’s consolidated 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:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Sales of polyester yarns	457,062	525,711
Sales of polyester-cotton blended yarns	406,214	487,441
Sales of cotton yarns	55,237	72,737
	<u>918,513</u>	<u>1,085,889</u>

(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.

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Segment profit reviewed by CODM	679	82,122
Adjusted for income in relation to government grants	17,596	550
Unallocated income	456	628
Listing expenses	–	(20,583)
Administrative and other expenses	(8,770)	(2,079)
Taxation	(8,891)	–
	<u>1,070</u>	<u>60,638</u>

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Segment assets reviewed by CODM	717,636	612,965
Time deposits with original maturity less than three months	5,126	98,361
Cash and bank balances	1,165	16,222
Property, plant and equipment	1,052	–
Other unallocated assets	266	70
	<u>725,245</u>	<u>727,618</u>

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Segment liabilities reviewed by CODM	313,260	311,024
Adjusted for deferred income	6,915	6,564
Accrued listing and administrative expenses	1,668	1,625
Deferred tax liabilities	3,529	–
	<u>325,372</u>	<u>319,213</u>

Non-current assets by location of assets:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
PRC	533,159	425,348
Hong Kong	1,052	–
	<u>534,211</u>	<u>425,348</u>

Geographical information

All 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 2012 and 2011.

4. FINANCE COSTS

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Interest on:		
– Bank borrowings wholly repayable within five years	13,748	16,321
– Finance leases	460	4,685
	<u>14,208</u>	<u>21,006</u>
Upfront fee related to obligation under finance lease	–	583
Upfront fee upon early settlement of obligation under finance lease	–	584
Other finance expenses	188	–
	<u>14,396</u>	<u>22,173</u>
Less: amounts capitalised	<u>(871)</u>	<u>(2,017)</u>
	<u>13,525</u>	<u>20,156</u>

5. INCOME TAX EXPENSE

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
PRC Enterprise Income Tax (“EIT”):		
Current tax	8,693	8,852
Withholding tax on distributed earnings from a subsidiary	1,000	–
Underprovision in prior year	2,096	–
Deferred tax	3,529	–
	<u>15,318</u>	<u>8,852</u>

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Profit before tax	<u>16,388</u>	<u>69,490</u>
Tax at PRC EIT rate of 25%	4,097	17,372
Tax effect of income not taxable for tax purpose	(151)	(157)
Tax effect of expenses not deductible for tax purpose	2,601	5,806
Tax effect of deductible temporary differences not recognised	2,146	1,086
Underprovision in respect of prior year	2,096	–
Withholding taxes charged on dividend declared by Jiangxi Jinyuan	1,000	–
Withholding tax arising from undistributed profits of Jiangxi Jinyuan	3,529	–
Additional tax credit for purchase of domestic manufactured equipment	–	(14,790)
Others	–	(465)
Income tax expenses for the year	<u>15,318</u>	<u>8,852</u>

6. PROFIT FOR THE YEAR

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Profit for the year has been arrived at after charging:		
Auditors’ remuneration	1,203	1,074
Cost of inventories recognised as an expense	874,384	947,142
Depreciation of property, plant and equipment	19,626	18,185
Amortisation of prepaid lease payments	612	316
Total depreciation and amortisation	<u>20,238</u>	<u>18,501</u>
Loss on disposal of property, plant and equipment	15	44
Listing expenses (included in other expenses and losses)	–	20,583
Other staff costs (excluding directors)	67,241	59,444
Retirement benefit scheme contributions (excluding directors)	9,647	4,708
Total other staff costs	<u>76,888</u>	<u>64,152</u>

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:

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	1,070	60,638
	2012 <i>'000</i>	2011 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,011,885	756,849
Effect of dilutive potential ordinary shares – over-allotment options	332	101
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,012,217	756,950

The number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2011 had been adjusted retrospectively assuming that the Group Reorganisation and the share capitalisation issue on 3 December 2011 have been effective from 1 January 2011 and accordingly, the 750,000,000 ordinary shares of the Company which were in issue and outstanding immediately after the Group Reorganisation were assumed to have issued and outstanding as at 1 January 2011.

The number of ordinary shares for the purposes of calculation of basic and diluted earnings per share for the year ended 31 December 2011 has been adjusted for the new shares issued on public floatation on 22 December 2011.

8. TRADE AND OTHER RECEIVABLES

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Trade receivables	1,409	900
Advance payment to suppliers	15,920	7,837
Prepayments and other receivables	393	102
	17,722	8,839

In general, the Group will receive advance 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.

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
1–30 days	1,394	–
31–90 days	15	900
	1,409	900

Ageing of trade receivables which are past due but not impaired

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
31–90 days	15	900

9. BILLS RECEIVABLES

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
1–30 days	800	1,050
31–60 days	300	550
61–90 days	612	6,889
91–120 days	276	100
121–150 days	50	450
Over 150 days	2,080	500
	4,118	9,539

The following were the Group's bills receivable as at 31 December 2012 and 2011 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 receivables are carried at amortised cost in the Group's consolidated statement of financial position.

	Bills receivables endorsed to suppliers with full recourse	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount of transferred assets	4,118	8,889
Carrying amount of associated liabilities	(4,118)	(8,889)

10. TRADE AND OTHER PAYABLES

	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	5,747	12,714
Value-added tax payable	2,421	6,016
Other payables	1,737	1,116
Other tax payable	1,273	551
Accrual for salary and wages	5,400	4,800
Accrual for social insurance	12,928	4,344
Other accrued charges	7,006	6,050
Payable for acquisition of property, plant and equipment	2,718	–
Deposits from customers	5,641	13,687
	44,871	49,278

The following is an analysis of trade payables by age, presented based on the invoice date at the end of each reporting period:

	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
1–30 days	2,287	4,825
31–90 days	1,880	2,383
Over 90 days	1,580	5,506
	5,747	12,714

11. BILLS PAYABLES

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

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
1-30 days	–	1,000
31-90 days	26,250	6,250
91-180 days	20,000	11,400
	<u>46,250</u>	<u>18,650</u>

12. BANK BORROWINGS

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Secured bank borrowings (<i>Note 1</i>)	205,000	225,817
Unsecured bank borrowings (<i>Note 2</i>)	10,000	–
	<u>215,000</u>	<u>225,817</u>
Carrying amount repayable*:		
Within one year	208,000	225,817
More than one year, but not exceeding two years	7,000	–
	<u>215,000</u>	<u>225,817</u>
Less: Amounts due within one year shown under current liabilities	<u>(208,000)</u>	<u>(225,817)</u>
	<u>7,000</u>	<u>–</u>

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Notes:

- 1) These bank borrowings were secured by the Group's land use rights, buildings, plant and machinery, bank deposits and secured deposit. The Group has obtained banking facilities relating to trust receipt loans of approximately RMB3.8 million (2012: Nil) as at 31 December 2011 and they bore bank charges of 0.05% of the issued trust receipt loans. As at 31 December 2011, the Group had trust receipt loans of approximately RMB3.8 million (2012: Nil).

Except for the trust receipt loan as mentioned above, the remaining bank borrowings bore fixed interest rates at 6.31% and 6.56% (2011: 6.31%) per annum or floating interest rates ranging from 103% to 123% (2011: 100% to 120%) of the benchmark borrowing rate in the PRC as at 31 December 2012.

- 2) Unsecured bank borrowings bore floating interest rate at 110% of the benchmark borrowings rate in the PRC as at 31 December 2012.
- 3) The weighted average effective interest rate on bank borrowings is 6.6% (2011: 6.8%) per annum as at 31 December 2012. All borrowings are denominated in RMB.
- 4) At 31 December 2012, the Group has RMB140,000,000 (2011: RMB180,000,000) undrawn borrowing facilities. As at 31 December 2011, RMB40,000,000 (2012: Nil) were secured by the Group's plant and machinery.
- 5) Up to the date these consolidated financial statements were authorised for issuance, the Group has agreed with certain banks to renew bank loans amounting to RMB193,000,000.

13. CAPITAL COMMITMENTS

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Contracted for but not provided in the consolidated financial statements in respect of property, plant and equipment and construction of new production facilities and infrastructure	<u>98,047</u>	<u>34,552</u>
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	<u>35,377</u>	<u>66,712</u>

MARKET OVERVIEW

In 2012, the international economic conditions remain difficult. The Gross Domestic Product (the “GDP”) growth in the US was around 2.0% while the GDP growth in the European Union 27 countries fell by approximately 0.3%. The Euro zone sovereign debt crisis showed some signs of improvement but the economies of most European countries remain stagnant. The difficult international economic environment has affected local demand and affected China’s export.

On the domestic side, economic growth in the PRC has shown signs of slowing down. The GDP growth in the PRC decreased from 9.2% for 2011 to 7.8% in 2012. In the meantime, the Consumer Price Index decreased from approximately 5.4% in 2011 to approximately 2.6% in 2012.

The PRC government has been combating inflation and rising property prices by adopting a prudent monetary policy. In view of the difficult economic conditions overseas and a slowing domestic economy, the People’s Bank of China began to loosen the monetary policy in 2012, and it has reduced benchmark interest rates of deposits and loans in June and July 2012, reducing benchmark loan interest rate for six months to one year term to 6.00% per annum in July 2012. It also reduced the mandatory reserve ratio three times by 0.5% each in December 2011, February and May 2012, pushing the mandatory reserve ratio downwards for larger financial institution to 20.0% in May 2012.

2012 was difficult for the textile industry. 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 become a trend. In 2012, in order to protect the benefits of local cotton farmers, the PRC government continued to involve in the cotton market by exercising control over prices of domestic cotton and import volume of overseas cotton with lower selling prices. Cotton prices in the PRC hovered at relatively high price levels rather than following the falls in international prices under weak global demand, as a result, domestic cotton yarn manufacturers had to suffer higher raw material cost. On the other hand, the selling prices of yarn products were depressed against both weak demand and competition from imported yarn products which could take advantage of lower international cotton prices.

BUSINESS REVIEW

Despite the difficult market conditions in 2012, the sales volume of the Group increased from approximately 58,223 tonnes for the year ended 31 December 2011 to approximately 61,044 tonnes for the year ended 31 December 2012. The production volume of the Group increased from approximately 57,717 tonnes for the year ended 31 December 2011 to approximately 61,502 tonnes for the year ended 31 December 2012 as a result of increased capacity and improved production process. The revenue of the Group decreased by 15.4% to approximately RMB918.5 million as a result of depressed selling prices. The gross profit and the profit attributable to the owners of the Company for the year ended 31 December 2012 was approximately RMB44.1 million and approximately RMB1.1 million, respectively.

FINANCIAL REVIEW

Turnover

Turnover for the year ended 31 December 2012 was approximately RMB918.5 million, representing a decrease of approximately 15.4% or approximately RMB167.4 million from last year. Sales of polyester yarn, polyester-cotton yarn and cotton yarn accounted for approximately 49.8% (2011: 48.4%), 44.2% (2011: 44.9%) and 6.0% (2011: 6.7%) of total sales of the Group for the year ended 31 December 2012, respectively. The decrease in turnover for 2012 was mainly attributable to the decrease in average unit selling prices of the Company's yarn products. Despite the sales volume of the Group increased from approximately 58,223 tonnes for the year ended 31 December 2011 to approximately 61,044 tonnes for the year ended 31 December 2012, the overall average selling price of yarn products of the Group decreased by 19.3% from approximately RMB18,651 per tonne for the year ended 31 December 2011 to approximately RMB15,047 per tonne for the year ended 31 December 2012.

The selling prices of yarn products have a positive correlation with that of raw materials namely, polyester staple fibre and raw cotton. The Company sets the sales prices of our yarn products based on a variety of factors, including raw material prices, production costs and market conditions, our inventory level and the quality of the yarn products required by our 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 Company adjusts the selling prices of its yarn products from time to time considering the fluctuation in its raw material costs. In addition, we also monitor 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 such selling price. The average unit purchase price of polyester staple fibre and raw cotton were lower in 2012 than in 2011 and the prices of various yarn products of the Group have been pushed down accordingly.

Gross profit and gross profit margin

Gross profit for the year ended 31 December 2012 was approximately RMB44.1 million, representing a decrease of 68.2% or approximately RMB94.6 million as compared to the year ended 31 December 2011. The gross profit margin decreased from 12.8% for the year ended 31 December 2011 to 4.8% for the year ended 31 December 2012. The decrease in gross profit margin was mainly due to the percentage of decrease in the average unit selling prices of yarns products decreased at a faster rate than the decrease in the average unit cost of raw materials. This is mainly due to the depressed selling prices of yarn products because of difficult market conditions and competition from imported yarns with lower raw material prices. However, domestic raw material prices, mainly cotton, did not fall in line with that of yarn products because of the PRC government control over the price and import volume of overseas cotton with lower prices.

Distribution and selling expenses

Distribution and selling expenses increased from approximately RMB12.9 million for the year ended 31 December 2011 to approximately RMB13.4 million for year ended 31 December 2012, representing an increase of 3.5% or approximately RMB0.45 million. Distribution and selling expenses as a percentage of turnover was approximately 1.5% for the year ended 31 December 2012 (2011: 1.2%). The increase in distribution and selling expenses was mainly due to increase in sales volume from approximately 58,223 tonnes for the year ended 31 December 2011 to approximately 61,044 tonnes for the year ended 31 December 2012.

Administrative and other expenses

Administrative expenses for the year ended 31 December 2012 was approximately RMB23.1 million, representing an increase of 15.2% or approximately RMB3.1 million as compared to the year ended 31 December 2011. The increase in administrative expenses was mainly due to increased management emolument, legal and professional fees and office expenses in Hong Kong subsequent to the listing of the Company's shares on the main board of the Stock Exchange in December 2011, which were partially offset by the reduction in other taxation, including mandatory tax levies for foreign-invested enterprises in the PRC for city maintenance and construction as well as educational purposes as a result of reduced gross margin. Other expenses for the year ended 31 December 2012 was approximately RMB1.1 million and it primarily represents loss on foreign currency translation. Other expenses for the year ended 31 December 2011 was approximately RMB20.6 million and it primarily represents expense incurred in connection with the listing of the Company's shares on the main board of the Stock Exchange in December 2011.

Finance cost

Finance cost for the year ended 31 December 2012 was approximately RMB13.5 million, representing a decrease of 32.9% or approximately RMB6.6 million as compared with the corresponding period in 2011. The decrease in finance cost was mainly due to decrease in interest expense in finance leases as the company repaid a finance lease in December 2011 and decrease in interest on bank borrowings as a result of reduced bank borrowings.

Income tax expense

The Group's effective income tax rate for the year ended 31 December 2012 was approximately 93.4%, as compared to 12.7% for the corresponding period in 2011. The increase in effective income tax rate was mainly due to expiration of the PRC tax concessions and exhaustion of tax credits carried forward in 2011 and the provision for withholding taxes on dividend declared and undistributed profits of the Company's subsidiary in PRC.

Profit attributable to owners of the Company and net profit margin

Profit attributable to owners of the Company for the year ended 31 December 2012 was approximately RMB1.1 million, representing a decrease of approximately 98.2% or approximately RMB59.6 million as compared to the year ended 31 December 2011. The net profit margin of the Group for the year ended 31 December 2012 was approximately 0.1%, representing a decrease of 5.5 percentage points as compared to approximately 5.6% for the year ended 31 December 2011. The decrease in net profit and net profit margin were mainly due to the decrease in gross profit for the year ended 31 December 2012 as compared to the year ended 31 December 2011 as a result of depressed selling prices of yarn products and higher raw material costs. Such decrease was partially offset by increase in investment and other income and decrease in other expenses.

Earnings per share

The basic earnings per share for the year ended 31 December 2012 was approximately RMB0.11 cents, representing a decrease of approximately 98.6% as compared to approximately RMB8.01 cents for the year ended 31 December 2011. The decrease in basic earnings per share was a result of the decrease in net profit for the year ended 31 December 2012.

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 2012, net cash generated from operating activities of the Group amounted to approximately RMB21.4 million (year ended 31 December 2011: RMB168.1 million). The Group had time deposits of approximately RMB5.1 million (31 December 2011: RMB128.4 million), cash and bank balances of approximately RMB86.8 million (31 December 2011: RMB86.0 million) and pledged bank deposits of approximately RMB16.3 million (31 December 2011: RMB24.4 million) as at 31 December 2012. The Group's cash and bank balances were held in Hong Kong dollar and Renminbi.

Capital Structure and Pledge on Assets

The Group's interest-bearing borrowings were made in Renminbi. As at 31 December 2012, the Group's interest-bearing borrowings amounted to approximately RMB215.0 million (31 December 2011: RMB222.0 million), RMB208 million (96.7%) of which (31 December 2011: 100%) was repayable within one year. These bank borrowings were secured by the Group's land use rights, buildings, plant and machinery and bank deposits with a carrying value of approximately RMB270.8 million in aggregate (31 December 2011: RMB379.60 million).

Gearing Ratio

The gearing ratio of the Group, which is equal to the total of bank borrowings and notes payable to total assets, was approximately 36.0% as at 31 December 2012 (31 December 2011: 33.6%). Net current liabilities and net assets as at 31 December 2012 was approximately RMB116.9 million (31 December 2011: RMB7.5 million) and approximately RMB399.9 million (31 December 2011: RMB408.4 million), respectively. The increase in net current liabilities was mainly due to payment for construction in progress and reduced profitability.

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 2012. The Group has foreign currency time deposits, cash and bank balances, other receivables and other payable, which expose the Group to risk in Hong Kong Dollars (the "HK\$"). The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2012 are approximately RMB6.4 million (31 December 2011: RMB114.7 million) and RMB1.7 million (31 December 2011: RMB1.0 million), respectively.

Contingent Liabilities

As at 31 December 2012, the Group did not have any contingent liabilities.

Employees, Remuneration and Share Option Scheme

As at 31 December 2012, the Group has a total of 1,826 (31 December 2011: 1,765) employees. Remuneration for employees including the Directors is determined in accordance with performance, professional experiences and the prevailing market practices. 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 was granted pursuant to the scheme since its adoption.

PROSPECT

In 2012, the textile industry in PRC encountered adversity arising from three major challenges: weak overseas and domestic demand due to sluggish European and US economies and a slowing domestic economy, disparity in domestic and international cotton prices due to exercise of control by PRC government over both the prices and import volume of overseas cotton, and ever increasing manufacturing costs in PRC.

Despite the difficult market conditions, the Group managed to achieve slight profitability. The sales volume of the Group increased from approximately 58,223 tonnes for the year ended 31 December 2011 to approximately 61,044 tonnes for the year ended 31 December 2012. The production volume of the Group increased from approximately 57,717 tonnes for the year ended 31 December 2011 to approximately 61,502 tonnes for the year ended 31 December 2012 as a result of increased capacity and improved production process. The production utilization rate also increased from approximately 90% in 2011 to over 97% in 2012. The group's yarn products were awarded "Famous Brand in Jiangxi" by the Quality and Technology Bureau of Jiangxi Province in September 2012.

Looking forward, the US economy has showed signs of improvement but European economies seem to remain sluggish. PRC economy appeared to have avoided a hard landing. The PRC government has set the target growth rate for GDP for 2013 at 7.5% and continues to encourage domestic consumption. Against those backgrounds, the Group expects the demand for textile to improve moderately. The price of cotton will continue to be influenced by various factors including climates, amount of funds investing in commodities and demand from the textile industry. However, the Group does not expect a huge disparity in price level between domestic and international cotton to persist for a long period. The disparity would be eliminated by upward movement in international cotton price or policy adjustment by the PRC government. The ever increasing manufacturing cost arising from increased labour cost, utility cost and government levies have been a disturbing factor for domestic manufacturers for the past few years. The Group will tackle the escalating cost 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 progress on the expansion plan, with workshop one and other auxiliary building being substantially completed and production machineries being installed. Upon completion of workshop one installation in the second quarter of 2013, the Group's production capacity will be increased from current level of approximately 330,000 spindles to approximately 380,000 spindles. However, in view of market uncertainty, the Group will proceed with caution on the introduction of open-end spun production facilities and delay it until the second half of 2013.

The Group is confident about its future in view of 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 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.

DIVIDEND

The Board has recommended the payment of a dividend of HK 1.0 cent per share of the Company for the year ended 31 December 2012. Subject to shareholders' approval of the proposed final dividend at the annual general meeting to be held on Wednesday, 15 May 2013, the relevant dividends will be paid on or around Friday, 7 June 2013, to shareholders whose names appear on the register of members of the Company on Friday, 24 May 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 13 May 2013 to Wednesday, 15 May 2013, 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 of the Company to be held on Wednesday, 15 May 2013, 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, 10 May 2013.

The register of members of its Company will be closed from Wednesday, 22 May 2013 to Friday, 24 May 2013, 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 Tuesday, 21 May 2013.

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 2012.

CODE OF CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, during the period from 1 January 2012 to 31 March 2012, the Company has complied with the code provisions contained in the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, and during the period from 1 April 2012 to 31 December 2012, the Company has complied with the code provisions of the existing Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in that Appendix. In respect of code provision A 6.7 of the CG Code, all independent non-executive directors and the non-executive director were unable to attend the annual general meeting of the Company held on 9 May 2012 due to other business commitment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 2012

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 approved the consolidated financial statements for the year ended 31 December 2012.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2012 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 2012 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, 2013

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.