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: 3778)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

The board (the "**Board**") of directors (the "**Directors**") of China Weaving Materials Holdings Limited (the "**Company**") announces the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
		(unaudited)	(audited)
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**418,802**	526,559
Cost of sales		**(395,715)**	(453,737)
Gross profit		**23,087**	72,822
Other income	*5*	**9,752**	1,939
Distribution and selling expenses		**(6,069)**	(5,368)
Administrative expenses		**(11,437)**	(9,725)
Other expenses		**(1,102)**	(5,973)
Finance costs		**(6,883)**	(8,432)
Profit before tax		**7,348**	45,263
Income tax expense	*6*	**(2,228)**	–
Profit and total comprehensive income for the period attributable to owners of the Company	*7*	**5,120**	45,263
Earnings per share	*9*		
– Basic (RMB cents)		**0.51**	6.04
– Diluted (RMB cents)		**0.51**	6.04

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	As at 30 June 2012 (unaudited) RMB'000	As at 31 December 2011 (audited) RMB'000
Non-current assets			
Property, plant and equipment		**448,596**	400,332
Prepaid lease payments		**31,902**	19,394
Deposits on acquisition of property, plant and equipment or land use rights		**13,770**	2,600
Secured deposits for obligations under finance leases		**–**	3,022
		494,268	425,348
Current assets			
Inventories		**75,950**	44,611
Trade and other receivables	*10*	**19,720**	8,839
Note receivables		**5,752**	9,539
Prepaid lease payments		**691**	430
Pledged bank deposits		**9,356**	24,443
Time deposits		**6,309**	128,361
Cash and bank balances		**113,596**	86,047
		231,374	302,270
Current liabilities			
Trade and other payables	*11*	**43,120**	49,278
Note payables		**–**	18,650
Dividend payable		**2,067**	–
Tax payable		**679**	8,852
Bank borrowings		**264,539**	225,817
Obligations under finance leases		**4,001**	7,219
		314,406	309,816
Net current liabilities		**(83,032)**	(7,546)
Total assets less current liabilities		**411,236**	417,802

	As at 30 June 2012 (unaudited) *RMB'000*	As at 31 December 2011 (audited) *RMB'000*
Non-current liabilities		
Deferred income	**6,490**	6,564
Obligations under finance leases	**823**	2,833
	7,313	9,397
Net assets	**403,923**	408,405
Capital and reserves		
Share capital	**82,899**	81,885
Share premium and reserves	**321,024**	326,520
Total equity attributable to the owners of the Company	**403,923**	408,405

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") Interim Financial Reporting as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

As of 30 June 2012, the Group had net current liabilities of approximately RMB83,032,000 (31 December 2011: RMB7,546,000). Up to the date of these condensed consolidated financial statements were authorised for issurance, certain banks agreed to renew bank loans amounting to RMB125,000,000 currently included in current liabilities as at 30 June 2012. In addition, the Group has undrawn banking facilities of RMB150,000,000 as at 30 June 2012 which will not be expired in the coming 12 months. Therefore, 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 for the foreseeable future, and accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, certain amendments to International financial Reporting Standards ("IFRS") that are mandatorily effective for the current interim period. The application of these amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised Standards and Amendments that have been issued but are not yet effective. The following new or revised Standards and Amendments have been issued after the date the consolidated financial statements for the year ended 31 December 2011 were authorised for issuance and are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2009–2011 Cycle[1]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]

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

The directors of the Company ("Directors") anticipate that the applications of the new and revised Standards and Amendments will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports prepared in accordance with accounting policies which conform with the generally accepted accounting principles in the PRC ("PRC GAAP"), that are regularly reviewed by the chief operating decision-maker ("CODM") to allocate resources to the segments and to assess their performance.

The CODM which is responsible for allocating resources and assessing performance of the operating segments has been defined as the executive directors of the Company.

Other than revenue analysis by major products as disclosed in note 4, no operating results and other discrete financial information relating to the respective products is prepared regularly for internal reporting to the CODM for resources allocation and performance assessment. The executive directors review the profit after tax of Jiangxi Jinyuan prepared under PRC GAAP for the purposes of resources allocation and performance assessment for the six months ended 30 June 2012 and 2011, respectively. The operations of Jiangxi Jinyuan represent single operating and reportable segment of the Company under IFRS 8 "Operating Segments".

4. REVENUE

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

	Six months ended 30 June	
	2012	2011
	(unaudited)	(audited)
	RMB'000	*RMB'000*
Sales of polyester yarns	**206,022**	260,329
Sales of polyester-cotton blended yarns	**190,346**	240,494
Sales of cotton yarns	**22,434**	25,736
	418,802	526,559

5. OTHER INCOME

	Six months ended 30 June	
	2012	2011
	(unaudited)	(audited)
	RMB'000	*RMB'000*
Interest income on time deposits, pledged bank deposits and bank balances	**1,294**	459
Government grants	**6,575**	475
Income from scrap sales	**1,636**	839
Others	**247**	166
	9,752	1,939

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	(unaudited)	(audited)
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**2,228**	–

The tax charge in respect of the current period represents EIT in the PRC which is calculated at the prevailing tax rate on the taxable income of the subsidiary in the PRC. The applicable tax rate for Jiangsi Jinyuan, a subsidiary, is 25% from 1 January 2011 onwards.

No provision for EIT has been made for the six months period ended 30 June 2011 as the Group has utilised tax concession relating to the purchase of domestic manufactured equipment in prior years to offset the income tax liability of Jiangxi Jinyuan. All the tax reduction has been utilised as at 31 December 2011.

In accordance with Circular Guo Shui Fa [2008] No. 52 on Ceasing Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Purchase of Domestic Manufactured Equipment issued by State Administration of Taxation, the granting of tax credit on purchase of domestic manufactured equipment on or after 1 January 2008 was ceased.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiary from 1 January 2008 onwards at a tax rate of 10% or a lower treaty rate. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiary amounting to approximately RMB107,781,000 (31 December 2011: RMB102,432,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Other than the above, the Group has no other significant unprovided deferred tax at the end of the reporting period.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2012	2011
	(unaudited)	(audited)
	RMB'000	*RMB'000*
Profit for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	**395,715**	453,737
Depreciation of property, plant and equipment	**9,700**	9,083
Amortisation of prepaid lease payments	**247**	154
Total depreciation and amortisation	**9,947**	9,237
Listing expenses (included in other expenses)	**–**	4,954

8. DIVIDENDS

	Six months ended 30 June	
	2012	2011
	(unaudited)	(audited)
	RMB'000	*RMB'000*
Final dividend declared for 2011 – HK$2 cents per share (2011: Nil)	**16,524**	–

No dividends were proposed during the reporting period. The Directors do not recommend the payment of an interim dividend.

9. 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:

	Six months ended 30 June	
	2012	2011
	(unaudited)	(audited)
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**5,120**	45,263
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,011,264**	750,000
Effect of dilutive potential ordinary shares – over-allotment options	**666**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,011,930**	750,000

The number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2011 had been adjusted retrospectively assuming that the Group Reorganisation and the 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. No diluted earnings per share was presented for the six months ended 30 June 2011 as there were no potential ordinary shares in issue.

10. TRADE AND OTHER RECEIVABLES

In general, the Group will receive advance or notes 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.

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

	As at 30 June 2012 (unaudited) *RMB'000*	As at 31 December 2011 (audited) *RMB'000*
Trade receivables		
1–30 days	**7,934**	–
31–90 days	**2**	900
	7,936	900
Advance payment to suppliers	**11,448**	7,837
Prepayments and other receivables	**336**	102
	11,784	7,939
	19,720	8,839

11. TRADE AND OTHER PAYABLES

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

	As at 30 June 2012 (unaudited) *RMB'000*	As at 31 December 2011 (audited) *RMB'000*
Trade payables		
1–30 days	**3,855**	4,825
31–90 days	**1,534**	2,383
Over 90 days	**2,320**	5,506
	7,709	12,714
Value-added tax and other tax payable	**2,846**	6,567
Other payables and accrued charges	**15,683**	11,510
Accrual for salary and wages	**5,400**	4,800
Payable for acquisition of property, plant and equipment	**2,530**	–
Deposits from customers	**8,952**	13,687
	35,411	36,564
	43,120	49,278

MARKET OVERVIEW

In the first half of 2012, international economic conditions remained challenging. The Gross Domestic Product ("**GDP**") growth in the US was less than 2.0% while the GDP growth in the European Union 27 countries was only approximately 0.1%. The Euro zone sovereign debt crisis showed little signs of improvement and some European countries was forced into adopting austerity measures in order to improve their fiscal conditions, and such measures have affected local demand and 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 8.1% and 7.8% in the first quarter and second quarter of 2012, respectively. The Consumer Price Index decreased from approximately 5.4% in 2011 to approximately 3.3% in the first half of 2012.

The PRC government has been combating inflation and rising property prices by adopting a prudent monetary policy since late 2010. The People's Bank of China ("**PBOC**") has raised benchmark interest rates of deposits and loans three times in 2011; benchmark loan interest rate for six months to one year term has reached 6.56% per annum in June 2011. PBOC also tightened liquidity by increasing the mandatory reserve ratio seven times, pushing the mandatory reserve ratio upwards for larger financial institution to 21.5% in December 2011. In view of the difficult economic conditions overseas and a slowing domestic economy, the PBOC began to loosen its monetary policy in 2012. The PBOC 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.

The first half of 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. Raw material prices have dropped significantly in the first half of 2012. Domestic cotton prices dropped from a high level of around RMB30,000 per tonne in first quarter of 2011 to a low level of below RMB19,000 per tone in June 2012. The prices of polyester staple fibres, has slipped from a high level of around RMB10,800 per tonne in the third quarter of 2011 to around RMB9,000 per tone in the first quarter of 2012 and further dropped to an even lower level of around RMB7,000 per tonne in June 2012. In the midst of such environment, the overall demand for textile products including yarn products was weak for the first half of 2012. The selling prices of yarn products were depressed as a result of reduced raw material prices and weak market demand.

BUSINESS REVIEW

Despite the difficult market conditions in 2012, sales volume of the Group was approximately 26,757 tonnes for the six months ended 30 June 2012 which was slightly higher than the sales volume of approximately 26,721 tonnes recorded for the six months ended 30 June 2011. The production of the Group increased from approximately 27,817 tonnes for the six months ended 30 June 2011 to approximately 29,593 tonnes for the six months ended 30 June 2012 as a result of increased capacity and improved production process. The revenue of the Group decreased by 20.5% to approximately RMB418.8 million as a result of depressed selling prices. The gross profit and the profit attributable to the owners of the Company for the six months ended 30 June 2012 was approximately RMB23.1 million and approximately RMB5.1 million respectively.

FINANCIAL REVIEW

Turnover

Turnover for the six months ended 30 June 2012 was approximately RMB418.8 million, representing an decrease of approximately 20.5% or approximately RMB107.8 million from the same period last year. Sales of polyester yarn, polyester-cotton yarn and cotton yarn accounted for approximately 49.2% (2011: 49.4%), 45.5% (2011: 45.7%) and 5.3% (2011: 4.9%) of total sales of the Group for the six months ended 30 June 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 that the sales volume was approximately 26,757 tonnes for the six months ended 30 June 2012 which was slightly higher than the sales volume of approximately 26,721 tonnes for the six months ended 30 June 2011, the overall average selling price of yarn products of the Group decreased by 20.6% from approximately RMB19,706 per tonne for the six months ended 30 June 2011 to approximately RMB15,652 per tonne for the six months ended 30 June 2012.
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The selling prices of yarn products generally 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 its selling price. The average unit purchase price of polyester staple fibre and raw cotton were lower in the first half of 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 six months ended 30 June 2012 was approximately RMB23.1 million, representing a decrease of 68.3% or approximately RMB49.7 million as compared to the six months ended 30 June 2011. The total gross profit margin decreased from 13.8% for the six months ended 30 June 2011 to 5.5% for the six months ended 30 June 2012. The decrease in gross profit margin was mainly due to the percentage of decrease in the average unit selling prices of yarns products having decreased at a faster rate than the decrease in the cost of sales. While the percentage decrease in selling prices of yarns products were in line with that of raw materials, the decrease in gross profit margin was also attributable to a slight increase in labour and other manufacturing overhead costs.

Other Income

Other income increased from approximately RMB1.9 million for the six months ended 30 June 2011 to approximately RMB9.8 million for six months ended 30 June 2012, representing an increase of 402.9% or approximately RMB7.8 million. The increase in other income was mainly due to increase in other government grants, interest income and income from scrap sales.

Distribution and selling expenses

Distribution and selling expenses increased from approximately RMB5.4 million for the six months ended 30 June 2011 to approximately RMB6.1 million for six months ended 30 June 2012, representing an increase of 13.1% or approximately RMB0.70 million. Distribution and selling expenses as a percentage of turnover was approximately 1.4% for the six months ended 30 June 2012 (2011: 1.0%). The increase in distribution and selling expense was mainly due to increase in transportation cost. Despite that the total sales volume of the Group for the for six months ended 30 June 2012 was slightly higher than that of the corresponding period in 2011, the increase in freight rate and a higher number of sales orders of smaller sales order sizes resulted in increased transportation cost.

Administrative and other expenses

Administrative expenses for the six months ended 30 June 2012 was approximately RMB11.4 million, representing an increase of 17.6% or approximately RMB1.7 million as compared to the six months ended 30 June 2011. The increase in administrative expenses was mainly increased management emolument, legal and professional fees and office expenses in Hong Kong subsequent to the listing of the Company's shares 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 revenue. Other expenses for the six months ended 30 June 2012 and 30 June 2011 was approximately RMB1.1 million and RMB6.0 million, respectively. Other expenses primarily represent exchange losses on translation of Hong Kong Dollar based net assets at 30 June 2012 and expense incurred in connection with the listing of the Company's shares in December 2011 respectively.

Finance cost

Finance cost for the six months ended 30 June 2012 was approximately RMB6.9 million, representing an decrease of 18.4% or approximately RMB1.5 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.

Income tax expense

The Group's effective income tax rate for the six months ended 30 June 2012 was approximately 30.3%, as compared to nil 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. The effective tax rate was higher than the Enterprise Income Tax ("**EIT**") rate of 25% arising from PRC for the period under review because the expenses incurred by the Group in Hong Kong was not deductible for EIT purposes.

Profit attributable to owners of the Company and net profit margin

Profit attributable to owners of the Company for the six months ended 30 June 2012 was approximately RMB5.1 million, representing a decrease of approximately 88.7% or approximately RMB40.1 million as compared to the six months ended 30 June 2011. The net profit margin of the Group for the six months ended 30 June 2012 was approximately 1.2%, representing a decrease of 7.4 percentage points as compared to approximately 8.6% for the six months ended 30 June 2011. The decrease in net profit and net profit margin were mainly due to the decrease in gross profit for the six months ended 30 June 2012 as compared to the six months ended 30 June 2011 due to reasons as set out in the paragraph headed "Gross profit and gross profit margin" above. Such decrease was partially offset by increased in other income and decrease in other expenses and losses.

Earnings per share

The basic earnings per share for the six months ended 30 June 2012 was approximately RMB0.51 cents, representing a decrease of approximately 91.6% as compared to approximately RMB6.04 cents for the six months ended 30 June 2011. The decrease in basic earnings per share was a result of the decrease in net profit for the six months ended 30 June 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 six months ended 30 June 2012, net cash outflow from operating activities of the Group amounted to approximately RMB48.1 million (six months ended 30 June 2011: inflow RMB68.8 million). The Group had time deposits of approximately RMB6.3 million (31 December 2011: RMB128.4 million), cash and bank balances of approximately RMB113.6 million (31 December 2011: RMB86.0 million) and pledged bank deposits of approximately RMB9.4 million (31 December 2011: RMB24.4 million) as at 30 June 2012. The Group's cash and bank balances were held in Hong Kong dollars and Renminbi.

Capital Structure and Pledge on Assets

The Group's interest-bearing borrowings were made in Renminbi. As at 30 June 2012, the Group's interest-bearing borrowings amounted to approximately RMB216.0 million (31 December 2011: RMB220.0 million), all 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, inventories and bank deposits with a carrying value of approximately RMB371.3 million in aggregate (31 December 2011: RMB379.6 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 36.5% as at 30 June 2012 (31 December 2011: 33.6%). Net current liabilities and net assets at 30 June 2012 was approximately RMB83.0 million (31 December 2011: RMB7.5 million) and approximately RMB403.9 million (31 December 2011: RMB408.4 million), respectively. The increase in net current liabilities was mainly due to reduced profitability, increase in inventory and payment 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 six months ended 30 June 2012. The Group has foreign currency time deposits, cash and bank balances, other receivables, other payable and trust receipt loans, which expose the Group to risk in Hong Kong dollars ("**HK$**"), United States dollars ("**USD**") and Euros ("**EU**"). The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 30 June 2012 are approximately RMB11.9 million (31 December 2011: RMB114.7 million) and RMB51.1 million (31 December 2011: RMB1.0 million) respectively.

Contingent Liabilities

As at 30 June 2012, the Group did not have any contingent liabilities.

PROSPECT

The textile industry is recognized as one of the "pillar industries" in the PRC. In 2011, the aggregate revenue generated by enterprises each with an annual revenue of more than RMB5.0 million ("**Enterprises with Scale**") in the PRC textile industry exceeded RMB5.0 trillion, representing more than 11% of the GDP in the PRC for the same year.

The Group is a leading manufacturer of polyester yarns, polyester-cotton blended yarns and cotton yarns in Jiangxi Province. As at 30 June, 2012, its production capacity was approximately 326,000 spindles. The yarn production volume was approximately 29,593 tonnes for the six months ended 30 June 2012.

Subsequent to the listing of the Company's shares in December, 2011, the Group has been proceeding with its expansion plan. The construction of the foundation work and other infrastructure for the Group's new production facilities has commenced in January 2012. In view of the changing market conditions, the expansion plan of the Group was slightly modified such that the immediate expansion of production capacity will involve approximately 55,000 spindles for the Group's color polyester-cotton blended yarn production and 20,000 spindles for the Group's open end spun yarn production. The expansion of the Group's color polyester-cotton blended yarn production and the expansion of the Group's open end spun yarn production are expected to complete during the same timeframe. Out of the planned expansion of 55,000 spindles for the Group's color polyester-cotton blended yarn production, 5,000 spindles have been installed at the existing workshop in order to test the new equipments to be deployed at the new workshops. The design of the new workshops has been enhanced such that color polyester-cotton blended yarns capacity could be scalable up to a maximum of 100,000 spindles to cater for future expansion. The exceptionally long rainy seasons in Fengxin County of Jiangxi in the second quarter of 2012 has introduced some delay in the construction of the workshops. The Group expects the main components of the constructions to be completed in early fourth quarter of 2012 and the installation of equipment to commence at the same time.

Despite the challenging market conditions faced by the Group, the Group has improved its production process and put emphasis on product quality and production safety. During the six months ended 30 June 2012, the Group has passed the annual certification on ISO 9001 and ISO 14001 on quality control. The Group also increased production volume form from approximately 27,817 tonnes for the six months ended 30 June 2011 to approximately 29,593 tonnes for the six months ended 30 June 2012.

The Group is confident about its future and expects to reap the benefits of an enlarged product portfolio and increased economy of scale as a result of the planned expansion of the Group's 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.

INTERIM DIVIDEND

The board of Directors of the Company has resolved not to recommend an interim dividend in respect of the six months ended 30 June 2012.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company during the six months ended 30 June 2012.

CODE OF CORPORATE GOVERNANCE PRACTICES

During the period from 1 January 2012 to 30 June 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 30 June 2012, 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 that Appendix.

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 six months ended 30 June 2012.

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL STATEMENTS

The audit committee of the Company (the "**Audit Committee**") comprises all independent non-executive Directors, namely, Ms. Chan Mei Bo, Mabel, Mr. Nie Jianxin and Mr. Ng Wing Ka. Ms. Chan Mei Bo, Mabel is the chairman of the Audit Committee.

The Group's unaudited interim report for the six months ended 30 June 2012 has been reviewed and approved by the Audit Committee. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2012 has also been reviewed by Deloitte Touche Tohmatsu, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This 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 interim report of the Company for the six months ended 30 June 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, 28 August 2012

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.