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

(Incorporated in the Cayman Island with limited liability)

(Stock Code: 03778)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

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 2011 together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	**2011** **RMB'000**	2010 RMB'000
Revenue	3	**1,085,889**	930,666
Cost of sales		**(947,142)**	(781,294)
Gross profit		**138,747**	149,372
Investment and other income		**4,481**	7,027
Distribution and selling expenses		**(12,938)**	(12,902)
Administrative expenses		**(20,061)**	(9,932)
Other expenses		**(20,583)**	–
Finance costs	4	**(20,156)**	(16,009)
Profit before tax		**69,490**	117,556
Income tax expense	5	**(8,852)**	–
Profit and total comprehensive income for the year attributable to owners of the Company	6	**60,638**	117,556
Earnings per share	7		
– Basic (RMB cents)		**8.01**	15.67
– Diluted (RMB cents)		**8.01**	15.67

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	**2011** *RMB'000*	2010 *RMB'000*
Non-current assets			
Property, plant and equipment		**400,332**	381,436
Prepaid lease payments		**19,394**	13,361
Deposits on acquisition of property, plant and equipment or land use rights		**2,600**	15,450
Secured deposits for obligations under finance leases		**3,022**	15,521
		425,348	425,768
Current assets			
Inventories		**44,611**	115,705
Trade and other receivables	*8*	**8,839**	27,976
Note receivables	*9*	**9,539**	12,329
Prepaid lease payments		**430**	299
Pledged bank deposits		**24,443**	29,609
Time deposits		**128,361**	–
Cash and bank balances		**86,047**	113,514
		302,270	299,432
Current liabilities			
Trade and other payables	*10*	**49,278**	39,116
Note payables	*11*	**18,650**	41,650
Dividend payable		**–**	85,800
Tax payable		**8,852**	–
Bank borrowings	*12*	**225,817**	289,837
Obligations under finance leases		**7,219**	24,151
		309,816	480,554
Net current liabilities		**(7,546)**	(181,122)
Total assets less current liabilities		**417,802**	244,646
Non-current liabilities			
Deferred income		**6,564**	6,714
Obligations under finance leases		**2,833**	24,573
		9,397	31,287
Net assets		**408,405**	213,359
Capital and reserves			
Share capital/paid-in capital		**81,885**	148,820
Share premium and reserves		**326,520**	64,539
Total equity attributable to the owners of the Company		**408,405**	213,359

1. GROUP REORGANISATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to a group reorganisation (the "**Group Reorganisation**") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of companies now comprising the Group on 14 October 2011, as set out in "History and Corporate Structure" in the prospectus issued by the Company dated 12 December 2011. The Group resulting from the Group Reorganisation is regarded as a restructure by interspersing the Company between Jolly Success International Limited ("**Jolly Success**"), Treasure Resources Corporation Limited ("**Treasure Resources**"), Jinyuan Textile Co., Ltd. Jiangxi ("**Jiangxi Jinyuan**") and Mr. Zheng Hong, the controlling shareholder of Jiangxi Jinyuan as well as Mr. Sze Irons, JP, Mr. Lin Sing Yun and Ms. Chow Ping (collectively referred to as the "**Ultimate Controlling Shareholders**"). Accordingly, the financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of companies now comprising the Group using the principles of merger accounting.

The 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Broad ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

As of 31 December 2011, the Group had net current liabilities of approximately RMB7,546,000 (2010: RMB181,122,000). Up to the date of this announcement, the Group has already obtained roll over of bank loans amounting to RMB202,000,000 and existing banking facilities of RMB180,000,000. The management of the Group is satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the banking facilities already in place and internal financial resources. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

The IASB issued a number of new International Accounting Standard ("IAS"), IFRSs, amendments and interpretations (hereinafter collectively referred to as "new IFRS") which are effective for the Group's financial period beginning on 1 January 2011. The Group has adopted all these new IFRS and other existing IFRS consistently throughout the year.

The Group has not early applied the following new and revised standards, amendments and interpretation that have been issued but are not yet effective during the year.

IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to IFRS 9 and IFRS 7	Disclosures – Mandatory Effective Date of IFRS 9 and Transition Disclosures[5]
IFRS 9	Financial Instruments[5]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IFRIC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2012.
4 Effective for annual periods beginning on or after 1 July 2012.
5 Effective for annual periods beginning on or after 1 January 2015.
6 Effective for annual periods beginning on or after 1 January 2014.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The directors of the Company anticipate that the applications of the new and revised standards, amendments and interpretation will have no material impact on the consolidated financial statements of the Group.

3. REVENUE AND SEGMENT INFORMATION

(i) Revenue

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

	2011	2010
	RMB'000	*RMB'000*
Sales of polyester yarns	**525,711**	527,978
Sales of polyester-cotton blended yarns	**487,441**	350,849
Sales of cotton yarns	**72,737**	51,839
	1,085,889	930,666

(ii) Segment Information

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

	2011	2010
	RMB'000	*RMB'000*
Segment profit reviewed by CODM	**82,122**	113,106
Adjusted for income in relation to government grants	**550**	4,450
Unallocated income	**628**	–
Listing expenses	**(20,583)**	–
Other unallocated expenses	**(2,079)**	–
Group's profit for the year	**60,638**	117,556

	2011	2010
	RMB'000	*RMB'000*
Segment assets reviewed by CODM	**612,965**	725,200
Time deposits with original maturity less than three months	**98,361**	–
Cash and bank balances	**16,222**	–
Other unallocated assets	**70**	–
Group's total assets	**727,618**	725,200

	2011	2010
	RMB'000	*RMB'000*
Segment liabilities reviewed by CODM	**311,024**	505,127
Adjusted for deferred income	**6,564**	6,714
Accrued listing and administrative expenses	**1,625**	–
Group's total liabilities	**319,213**	511,841

All of the Group's non-current assets, production facilities and capital expenditure are located or utilised in the People's Republic of China ("**PRC**").

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 contributing over 10% of the total sales of the Group in the years ended 31 December 2011 and 2010.

4. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Interest on:		
– Bank borrowings wholly repayable within five years	**16,321**	12,658
– Finance leases	**4,685**	1,794
	21,006	14,452
Discounting charges on note receivables	**–**	974
Amortisation of upfront fee related to obligations under finance leases	**1,167**	583
	22,173	16,009
Less: amounts capitalised	**(2,017)**	–
	20,156	16,009

5. INCOME TAX EXPENSE

	2011	2010
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**8,852**	–

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

	2011 *RMB'000*	2010 *RMB'000*
Profit before tax	**69,490**	117,556
Tax at PRC EIT rate of 25%	**17,372**	29,389
Tax effect of income not taxable for tax purpose	**(157)**	–
Tax effect of expenses not deductible for tax purpose	**6,892**	116
Tax effect of tax concession granted	**–**	(14,821)
Additional tax credit for purchase of domestic manufactured equipment	**(14,790)**	(14,821)
Others	**(465)**	137
Tax charge for the year	**8,852**	–

6. PROFIT FOR THE YEAR

	2011 *RMB'000*	2010 *RMB'000*
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**1,074**	30
Cost of inventories recognised as an expense	**947,142**	781,294
Depreciation of property, plant and equipment	**18,185**	17,329
Amortisation of prepaid lease payments	**316**	286
Total depreciation and amortisation	**18,501**	17,615
Loss on disposal of property, plant and equipment	**44**	2
Listing expenses (included in other expenses)	**20,583**	–
Other staff costs (excluding directors)	**59,444**	47,101
Retirement benefit scheme contributions (excluding directors)	**4,708**	36
Total other staff costs (excluding directors)	**64,152**	47,137

7. EARNINGS PER SHARE

The number of ordinary shares for the purpose of basic earnings per share for the years ended 31 December 2011 and 2010 had been adjusted retrospectively assuming that the Group Reorganisation and the share capitalisation have been effective from 1 January 2010 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 2010. No diluted earnings per share was presented for the year ended 31 December 2010 as there were no potential ordinary shares in issue.

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.

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

	2011	2010
	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	**60,638**	117,556

	2011	2010
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**756,849**	750,000
Effect of dilutive potential ordinary shares – over-allotment options	**101**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**756,950**	750,000

8. TRADE AND OTHER RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**900**	531
Advance payment to suppliers	**7,837**	27,425
Prepayments and other receivables	**102**	20
	8,839	27,976

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.

No interest is charged on overdue trade receivables. The Group's policy is to recognise allowance for doubtful debts aged over 1 year as these receivables that are past due beyond 1 year are generally not recoverable based on historical experience. No allowance for doubtful debts are recognised for the years ended 31 December 2011 and 2010 as no receivables are aged over 1 year as at the end of each 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.

	2011	2010
	RMB'000	*RMB'000*
1–30 days	**–**	454
31–90 days	**900**	77
	900	531

Ageing of trade receivables which are past due but not impaired

	2011	2010
	RMB'000	*RMB'000*
31–90 days	**900**	77

9. NOTE RECEIVABLES

The following is an analysis of note receivables, presented based on the date of receipt of notes:

	2011	2010
	RMB'000	*RMB'000*
1–30 days	**1,050**	4,323
31–60 days	**550**	4,927
61–90 days	**6,889**	2,400
91–120 days	**100**	679
121–150 days	**450**	–
Over 150 days	**500**	–
	9,539	12,329

Included above are note receivables amounting to RMB8,888,800 (2010: RMB4,624,000) as at 31 December 2011, which have been endorsed to the Group's creditors for settlement of the payables at the same amount. These notes have not yet been matured at end of the reporting periods.

Included above are note receivables amounting to RMB2,100,000 (2010: Nil) which have been endorsed to a related company for financing purposes as at 31 December 2010.

10. TRADE AND OTHER PAYABLES

	2011	2010
	RMB'000	*RMB'000*
Trade payables	**12,714**	6,921
Value-added tax payable	**6,016**	4,821
Other payables	**1,116**	70
Other tax payable	**551**	1,597
Accrual for salary and wages	**4,800**	4,098
Accrued charges	**10,394**	3,161
Payable for acquisition of property, plant and equipment	**–**	2
Deposits from customers	**13,687**	18,446
	49,278	39,116

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

	2011	2010
	RMB'000	*RMB'000*
1–30 days	**4,825**	6,281
31–90 days	**2,383**	633
Over 90 days	**5,506**	7
	12,714	6,921

11. NOTE PAYABLES

The following is an analysis of note payables, presented based on remaining contractual maturity date at the end of each reporting period:

	2011	2010
	RMB'000	*RMB'000*
1–30 days	**1,000**	5,650
31–90 days	**6,250**	16,000
91–180 days	**11,400**	20,000
	18,650	41,650

12. BANK BORROWINGS

	2011	2010
	RMB'000	*RMB'000*
Secured bank borrowings *(Note)*	**225,817**	237,737
Unsecured bank borrowings	**–**	52,100
	225,817	289,837

Note:

These bank borrowings were secured by the Group's land use rights, buildings, plant and machinery, inventories and bank deposits. The Group has obtained banking facilities relating to trust receipt loans of approximately RMB3.8 million (2010: RMB20.7 million) as at 31 December 2011. They bore bank charges of 0.05% (2010: from 0.05% to 0.15%) of the issued trust receipt loans. As at 31 December 2011, the Group had trust receipt loans of approximately RMB3.8 million (2010: RMB20.7 million).

Except for the trust receipt loan as mentioned above, they bore fixed interest rates of 6.31% (2010: 5.31% to 5.56%) per annum or floating interest rates ranging from 100% to 120% (2010: 100% to 110%) of the benchmark borrowing rate in the PRC as at 31 December 2011.

The weighted average effective interest rate on bank borrowings is 6.8% (2010: 5.28%) per annum as at 31 December 2011. All borrowings are denominated in RMB.

13. CAPITAL COMMITMENTS

	2011	2010
	RMB'000	*RMB'000*
Contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**34,552**	12,550

MARKET OVERVIEW

In 2011, the US economy remained stagnate and the sovereign debt crisis in Euro zone has dragged the recovery of the global economy and affected the export of the PRC. On the domestic side, the PRC government has been combating inflation and rising property prices by adopting a proactive fiscal policy and a prudent monetary policy. The People's Bank of China ("**PBOC**") has raised benchmark interest rates of deposits and loans three times; while benchmark loan interest rate for six months to one year term has reached 6.56% per annum. 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.

Despite the complicated and volatile international environment and emerging domestic development challenges, economic growth in the PRC was still robust during 2011. In 2011, the Gross Domestic Product ("**GDP**") in the PRC grew by approximately 9.2% and the Consumer Price Index increased by approximately 5.4%.

2011 has been a challenging year for the textile industry. The complicated international environment and the tightening of liquidity in the PRC have affected many industries, including the textile industry. Raw material prices, in particular, cotton prices while below their peak reached in the fourth quarter in 2010, remained high in 2011. The prices of polyester staple fibres, another major raw material used in the production of the Group, also remained high in 2011 as they are downstream products of oil such that the international oil prices were pushed up due to the political unrest in the Middle East and North Africa.

BUSINESS REVIEW

The Company was successfully listed on the main board of the Stock Exchange on 22 December 2011. The listing of the Company (the "**Listing**") was an important milestone in the history of the Group, which serves as a testimony to the Group's past achievement, competitive edges, corporate vision by the investors and the capital market, and through which the Group has gained access to the international capital market.

Despite the challenge in 2011, the Group has achieved a 16.7% growth in revenue to approximately RMB1,085.9 million with a gross profit of approximately RMB138.7 million. The profit attributable to the owners of the Company for the year ended 31 December 2011 was approximately RMB60.6 million, which slightly exceeded RMB59.0 million as forecasted in the prospectus issued by the Company dated 12 December 2011.

FINANCIAL REVIEW

Turnover

Turnover for the year ended 31 December 2011 was approximately RMB1,085.9 million, representing an increase of approximately 16.7% or approximately RMB155.2 million from last year. Sales of polyester yarn, polyester-cotton yarn and cotton yarn accounted for approximately 48.4% (2010: 56.7%), 44.9% (2010: 37.7%) and 6.7% (2010: 5.6%) of total sales of the Group for the year ended 31 December 2011, respectively. The increase in turnover for 2011 was mainly attributable to the increase in average unit selling prices of the Company's yarn products. Despite a 5.7% drop in the sales volume from approximately 61,773 tonnes in 2010 to approximately 58,223 tonnes in 2011, the overall average selling price of yarn products of the Group increased 23.8% from approximately RMB15,066 per tonne in 2010 to approximately RMB18,651 per tonne in 2011.

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 its selling price. The average unit purchase price of polyester staple fibre and raw cotton were higher in 2011 than in 2010 and the prices of various yarn products of the Group have been pushed up accordingly.

Gross profit and gross profit margin

Gross profit for the year ended 31 December 2011 was approximately RMB138.7 million, representing a decrease of 7.2% or approximately RMB10.7 million as compared to the year ended 31 December 2010. The total gross profit margin decreased from 16.1% for the year ended 31 December 2010 to 12.8% for the year ending 31 December 2011. The decrease in gross profit margin was mainly due to the percentage of increase in the average unit selling prices of yarns products increased at a slower rate than the increase in the average unit cost of raw materials, especially raw cotton.

As cost of raw materials accounted for approximately 82.8% of our cost of goods sold for the year ended 31 December 2011, the high cost of raw materials has put pressure on our gross margin as we retrained from passing on all the increase in raw materials cost to our customers in an attempt to maintain market share and customers goodwill.

Distribution and selling expenses

Distribution and selling expenses for the year ended 31 December 2011 was approximately RMB12.9 million, remained stable as compared to the year ended 31 December 2010. Distribution and selling expenses as a percentage of turnover was approximately 1.2% for the year ended 31 December 2011 (2010: 1.4%).

Administrative and other expenses

Administrative expenses for the year ended 31 December 2011 was approximately RMB20.1 million representing an increase of 103.0% or approximately RMB10.2 million as compared to the year ended 31 December 2010. The increase in administrative expenses was mainly due to increase in other taxation, including mandatory tax levies for foreign-invested enterprises in the PRC for city maintenance and construction as well as educational purposes and additional professional and other fees subsequent to the listing of the Group.

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.

Finance cost

Finance cost for the year ended 31 December 2011 was approximately RMB20.2 million representing an increase of 25.9% or approximately RMB4.2 million as compared with the corresponding period in 2010. The increase in finance cost was mainly due to increase in interest expenses in relation to bank loan as the PBOC has increased the benchmark interest rate by 1.25% since the four quarter of 2010 and increase in interest expense in finance leases as the company repaid a finance lease and accelerated the related interest expenses.

Income tax expense

The Group's effective income tax rate for the year ended 31 December 2011 was approximately 12.7%, as compared to nil for the corresponding period in 2010. 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.

Profit attributable to owners of the Company and net profit margin

Profit attributable to owners of the Company for the year ended 31 December 2011 was approximately RMB60.6 million, representing a decrease of approximately 48.5% or approximately RMB57.0 million as compared to the year ended 31 December 2010. The net profit margin of the Group for the year ended 31 December 2011 was approximately 5.6%, representing a decrease of 7.0 percentage points as compared to approximately 12.6% for the year ended 31 December 2010. The decrease in net profit and net profit margin were mainly due to the increase in administrative expenses, finance cost and income tax expenses for the year ended 31 December 2011 as compared to the year ended 31 December 2010 and the one-off Listing related expenses of approximately RMB 20.6 million incurred in 2011. Profit attributable to owners of the Company for the year ended 31 December 2011 was approximately RMB81.2 million, excluding the one-off Listing related expenses.

Earnings per share

The basic earnings per share for the year ended 31 December 2011 was approximately RMB8.01 cents, representing a decrease of approximately 48.9% as compared to approximately RMB15.67 cents for the year ended 31 December 2010. The decrease in basic earnings per share was a result of the decrease in net profit for the year ended 31 December 2011.

Liquidity and Financial Resources

The ordinary share(s) with a nominal value of HK$0.10 each in the capital of the Company ("Shares") have been successfully listed on the Stock Exchange on 22 December 2011. 250,000,000 new Shares have been offered at HK$0.70 per Share and the net proceeds from the global offering of the Company (the "**Global Offering**") was approximately HK$143.5 million (not including any proceeds from the exercise of the over-allotment option) after deducting related underwriting fees and other expenses. The Company currently intends to apply the net proceeds as to (i) approximately 40.9% towards equipment and machinery for the production of coloured polyester-cotton blended yarns with a production capacity of approximately 60,000 spindles; (ii) approximately 28.7% towards equipment and machinery for the production of open-end spun yarns with a production capacity of approximately 20,000 spindles; (iii) approximately 19.4% towards payment for construction of new production facility, not including the cost of land use rights; (iv) approximately 1.0% towards further enhance the marketing network, brand awareness and reputation; and (v) approximately 10.0% towards working capital and general corporate purposes of the Group. As at the date of this announcement, approximately HK$14.4 million has been used as general working capital. The balance of the net proceeds remained unutilized and has been deposited into the Group's bank accounts with licensed banks in Hong Kong and the PRC.

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 2011, net cash inflow from operating activities of the Group amounted to approximately RMB168.1 million (2010: RMB88.0 million). The Group had time deposits of approximately RMB 128.4 million (2010: nil), cash and bank balances of approximately RMB86.0 million (2010: RMB113.5 million) and pledged bank deposits of approximately RMB24.4 million (2010: RMB29.6 million) as at 31 December 2011. 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 2011, the Group's interest-bearing borrowings amounted to approximately RMB222.0 million (2010: RMB267.0 million), all of which (2010: 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 RMB379.6 million in aggregate (2010: RMB 260.6 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 33.6% as at 31 December 2011 (2010: 45.7%). Net current liabilities and net assets at 31 December 2011 was approximately RMB7.5 million (2010: RMB181.1 million) and approximately RMB408.4 million (2010: RMB213.4 million), respectively.

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 2011. The Group has foreign currency time deposits, cash and bank balances and other receivables, which expose the Group to risk in Hong Kong Dollars ("**HK$**"). The carrying amounts of the Group's foreign currency denominated monetary assets as at 31 December 2011 are approximately RMB114.7 million (2010: nil).

Contingent Liabilities

As at 31 December 2010, the Group has given guarantees to a related company for its bank borrowings with maximum amount of RMB50 million, which have been utilised in full by this related company. Fair value of the financial guarantee contracts is considered as insignificant at initial recognition. No provision for financial guarantee contracts has been made as the default risk is low. The guarantees have been released during 2011. As at 31 December 2011, the Group did not have any contingent liabilities.

Employees, Remuneration and Share Option Scheme

As at 31 December 2011, the Group has a total of 1,765 (2010: 1,859) employees. Remuneration for employees 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

The textile industry is recognized as one of the "pillar industries" in the PRC. According to the China Textile Industry Development Report 2010/2011, the aggregate revenue generated by 55,391 enterprises each with an annual revenue of more than RMB5.0 million ("Enterprises with Scale") in the PRC textile industry as at 30 November 2010 amounted to RMB4.2 trillion from January 2010 to November 2010, representing 10.6% of the GDP in the PRC for the same year.

Blended yarn industry was listed as one of the encouraged sub-sectors within the textile industry in the Consolidation and Development Plans for Textile Industry published by the PRC government in early 2009. The future emphasis will be placed on developing blended yarns composed of advanced materials and various types of yarns, and hence improving the functionality of the clothes woven from these blended yarns.

The Group is a manufacturer of polyester yarns, polyester-cotton blended yarns and cotton yarns in Jiangxi Province. As at 31 December, 2011, its production capacity was approximately 321,000 spindles, which could be allocated to the produce any of the yarn products according to its production plan from time to time. The yarn production volume was approximately 57,773 tones for the year ended 31 December 2011.

The Group's goal is to maintain its leading position in the textile industry in Jiangxi Province in terms of revenues and to continue to increase the presence in China. The Group will continue to seek opportunities for further business growth.

The Group plan to further diversify our product portfolio to include coloured polyester-cotton blended yarns and open-end spun yarns, which are environmental friendly. The Group also plans to construct two workshops with an aggregate production capacity of approximately 60,000 spindles for the production of coloured polyester-cotton blended yarns and 20,000 spindles for the production of open-end spun yarns. The Group has purchased two parcels of land in the Fengtian Economic Development Zone, Fengxin County, Jiangxi Province with area of 65,004 square metres and 38,772 square metres at considerations of approximately RMB3.9 million and RMB2.3 million respectively in December 2011 for the construction of the workshops. The construction of the foundation work and other infrastructure has commenced in January 2012. The Group is also sourcing equipment for the workshops from overseas as well as local suppliers.

The Group also plans to carefully evaluate and identify selective expansion and acquisition opportunities. The Group will also further enhance the marketing network and strengthen the relationship with suppliers and customers to enhance the brand awareness and reputation.

The Group is confident about its future as 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 strive 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 HK2.0 cents per share of the Company for the year ended 31 December 2011. Subject to shareholders' approval of the proposed final dividend at the annual general meeting to be held on Wednesday, 9 May 2012, the relevant dividends will be paid on or around Thursday, 31 May 2012, to shareholders whose names appear on the register of members of the Company on Thursday, 17 May 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 7 May 2012 to Wednesday, 9 May 2012, 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, 9 May 2012, 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, 4 May 2012.

The register of members of its Company will be closed from Tuesday, 15 May 2012 to Thursday, 17 May 2012, 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 Monday, 14 May 2012.

EVENTS AFTER REPORTING PERIOD

On 18 January 2012, 12,500,000 Shares (the "**Over-allotment Option Shares**") were allotted and issued by the Company at HK$0.7 per share pursuant to the partial exercise of the over-allotment option by the underwriters pursuant to the Global Offering. The Company received net proceeds of approximately HK$8.5 million from the issue, after deduction of share issue cost payable by the Company. The net proceeds from the issue of the Over-allotment Option Shares are to be utilised for the same purposes and in the same proportion as stated in the paragraph headed "Liquidity and Financial Resources" above in respect of the use of net proceeds from the Global Offering.

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 the consolidated financial statements for the year ended 31 December 2011. The financial statements has been agreed with external auditor of the Company.

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 2011.

CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the Code of Corporate Governance Practices, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), since the date of listing of the Company's Shares on the Stock Exchange on 22 December 2011 up to and including 31 December 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Code"). Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Code since the date of listing of the Company's Shares on the Stock Exchange on 22 December 2011 up to and including 31 December 2011.

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 2011 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company 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, 22 March 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.