

The forecast of the consolidated profit attributable to owners of the Company for the year ending 31 December 2011 is set out in the paragraph headed “Profit Forecast” in the section headed “Financial Information” in this Prospectus.

BASIS AND ASSUMPTIONS

The forecast of the consolidated profit attributable to owners of the Company for the year ending 31 December 2011 prepared by the Directors is based on the audited results of the Group for the six months ended 30 June 2011, the results shown in the unaudited management accounts of our Group for the four months ended 31 October 2011 and a forecast of the results of our Group for the remaining two months of the financial year ending 31 December 2011. The forecast has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by our Group as summarised in the accountants’ report, the text of which is set out in Appendix I to this prospectus and is based on the following principal basis and assumptions:

- (a) there will be no material changes in existing government policies or political, legal (including changes in legislation or regulations or rules), fiscal or economic conditions in Hong Kong, the PRC or any other places in which any member of our Group is incorporated, carries on business;
- (b) there will be no material changes in the bases or rates of taxation or duties applicable to the activities of our Group in Hong Kong, in the PRC, or any other place in which our Group operates or in which any member of our Group is incorporated;
- (c) there will be no material adverse changes in rates of inflation, the foreign currency exchange rates and interest rates from those currently prevailing;
- (d) the Group’s operations and financial performance will not be materially and adversely impacted by any of the risk factors set out in “Risk Factors” in this prospectus;
- (e) there will be no material change in accounting standards or financial reporting requirements which will have significant impact on the preparation of the profit forecast; and
- (f) there will be no abnormal or extraordinary items during the profit forecast period.

SENSITIVITY ANALYSIS

The average selling prices of our yarn products and the average unit purchase prices of our raw materials fluctuated during the Track Record Period. For details of the fluctuation of the average unit selling prices of our yarn products during the Track Record Period, please see the table in the section headed “Financial Information — Factors Affecting Our Financial Condition and Results of Operations — Pricing of our products and product mix” in this Prospectus. For details of the fluctuation of our average unit purchase prices of our raw materials during the Track Record Period, please see the table in the section headed “Financial Information — Factors Affecting Our Financial Condition and Results of Operations — Cost of raw materials” in this Prospectus. The changes in the average unit selling prices of our yarn products and the average unit purchase prices of our raw materials have affected our results of operation in the past and may have an impact on our profit in the future. For details of such historical effects, see the section headed “Financial Information” in this Prospectus.

The sensitivity analysis below illustrates the impact of hypothetical changes in: (i) the average unit selling price of our yarn products, with reference to the historical volatility of our average unit selling prices during the Track Record Period; and (ii) the average unit purchase price of our raw materials, with reference to the historical volatility of our average unit purchase prices during the Track Record Period, on our forecast profit before and after tax and the resulting forecast profit after tax for the year ending 31 December 2011:

Percentage change in the average unit selling price of our yarn products⁽¹⁾	+50%	+25%	+10%	+5%	0%	-5%	-10%	-25%	-50%
Impact on our forecast profit before tax for the year ending 31 December 2011 (RMB million)	98.1	49.1	19.6	9.8	—	(9.8)	(19.6)	(49.1)	(98.1)
Impact on our forecast profit after tax for the year ending 31 December 2011 (RMB million)	73.6	36.8	14.7	7.4	—	(7.4)	(14.7)	(43.8)	(92.9)
<u>Resulting forecast profit after tax for the year ending 31 December 2011 (RMB million)</u>	<u>132.6</u>	<u>95.8</u>	<u>73.7</u>	<u>66.4</u>	<u>59.0</u>	<u>51.6</u>	<u>44.3</u>	<u>15.2</u>	<u>(33.9)</u>
Percentage change in the average unit purchase price of our raw materials⁽²⁾	+50%	+25%	+10%	+5%	0%	-5%	-10%	-25%	-50%
Impact on our forecast profit before tax for the year ending 31 December 2011 (RMB million)	(68.9)	(34.5)	(13.8)	(6.9)	—	6.9	13.8	34.5	68.9
Impact on our forecast profit after tax for the year ending 31 December 2011 (RMB million)	(63.7)	(29.3)	(10.3)	(5.2)	—	5.2	10.3	25.9	51.7
<u>Resulting forecast profit after tax for the year ending 31 December 2011 (RMB million)</u>	<u>(4.7)</u>	<u>29.8</u>	<u>48.7</u>	<u>53.9</u>	<u>59.0</u>	<u>64.2</u>	<u>69.3</u>	<u>84.9</u>	<u>110.7</u>

Notes:

- (1) Compared to the average unit selling price of our yarn products for the two months ending 31 December 2011.
- (2) Compared to our average unit purchase price of our raw materials for the two months ending 31 December 2011.

The table above includes forward-looking information and is for illustrative purposes only. For details see “Forward-looking Statements” in this Prospectus. For risks relating to the average unit selling prices of our products and the average unit purchase prices of our raw materials, see “Risk Factors — Risks Relating to Our Business — Our Financial Performance May Be Affected by Fluctuations in Raw Material Prices as We May Not Be Able to Pass on the Increase in Raw Material Costs to Our Customers” and “Risk Factors — Risks Relating to our Business — We May Not Be Able to Maintain the Increasing Trend of Our Gross Profit Margins or to Maintain Our Net Profit Margins at the Levels We Recorded During the Track Record Period.”

LETTERS

Set out below are texts of letters received by the Directors from (i) Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, reporting accountants of our Company, and (ii) the Sole Sponsor prepared for the purpose of incorporation in this prospectus in connection with the profit forecast of our Group for the year ending 31 December 2011.

LETTER FROM THE REPORTING ACCOUNTANTS

Deloitte.
德勤

德勤·關黃陳方會計師行
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太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

12 December 2011

The Directors
China Weaving Materials Holdings Limited
Guotai Junan Capital Limited

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the consolidated profit of China Weaving Materials Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ending 31 December 2011 attributable to owners of the Company (the “Forecast”), for which the directors of the Company are solely responsible, as set out in the prospectus dated 12 December 2011 issued by the Company (the “Prospectus”). The Forecast is prepared based on the audited results of the Group for the six months ended 30 June 2011, the results shown in the unaudited management accounts of the Group for the four months ended 31 October 2011, and a forecast of the results of the Group for the remaining two months of the financial year ending 31 December 2011.

In our opinion the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of the Company as set out in Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report on the financial information of the Group for the three years ended 31 December 2010 and the six months ended 30 June 2011 as set out in Appendix I to the Prospectus.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

LETTER FROM THE SOLE SPONSOR

The following is the text of a letter, prepared for inclusion in this prospectus, which we have received from Guotai Junan Capital Limited, the Sole Sponsor, in connection with the profit forecast of the consolidated profit of China Weaving Materials Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) attributable to owners of the Company for the year ending 31 December 2011.

**Guotai Junan Capital Limited**

27/F, Low Block
Grand Millennium Plaza
181 Queen’s Road Central
Hong Kong

12 December 2011

The Board of Directors
China Weaving Materials Holdings Limited

Dear Sirs,

We refer to the forecast of the consolidated profit of China Weaving Materials Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) for the year ending 31 December 2011 attributable to owners of the Company (the “**Profit Forecast**”), as set out under the paragraph headed “Profit forecast” in the section headed “Financial Information” in the prospectus issued by the Company dated 12 December 2011 (the “**Prospectus**”).

The Profit Forecast, for which the directors of the Company (the “**Directors**”) are solely responsible, has been prepared by you based on the audited results of the Group for the six months ended 30 June 2011, the results shown in the unaudited management accounts of the Group for the four months ended 31 October 2011 and a forecast of the results of the Group for the remaining two months ending 31 December 2011.

We have discussed with you the bases and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated 12 December 2011 addressed to you and us from Deloitte Touche Tohmatsu (the “**Reporting Accountants**”) regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by the Reporting Accountants, we are of the opinion that the Profit Forecast, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Guotai Junan Capital Limited
Anthony Wong
Executive Director/Deputy General Manager