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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: 3778)

POSITIVE PROFIT ALERT

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO. The Board wishes to inform the Shareholders and potential investors that based on the preliminary assessment of the Group's unaudited consolidated management accounts and information currently available to the Board, it is expected that the Group may record a consolidated net profit for the six months ending 30 June 2021, instead of a consolidated net loss which was recorded for the six months ended 30 June 2020.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by China Weaving Materials Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the “**SFO**”).

The board of directors (the “**Directors**”) of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that based on the preliminary review of the Group's unaudited consolidated management accounts for the four months ended 30 April 2021, the Group recorded a consolidated revenue and consolidated net profit of approximately RMB493 million and RMB55 million respectively. As such, it is expected that the Group may record a consolidated net profit for the six months ending 30 June 2021 (the “**Period**”). In comparison, the consolidated revenue and consolidated net loss for the six months ended 30 June 2020 was approximately RMB557 million and RMB13 million respectively.

The expected consolidated net profit of the Group for the Period is mainly attributable to the increase in gross profit resulting from an increase in sales and gross profit margin of the Group's yarn products. For the six months ended 30 June 2020, the sales volume and selling prices of yarn products were depressed due to (i) the unfavourable market conditions brought upon by the massive

outbreak of the COVID-19 pandemic (the “**Pandemic**”); and (ii) the downward pressure on pricing of polyester yarn products due to the falling prices of crude oil-related raw materials as a result of the collapse of crude oil prices in the first quarter of 2020. However, the government of the People’s Republic of China (the “**PRC**”) was able to contain the Pandemic in the second quarter of 2020 and the PRC economy rebounded and picked up growth momentum in the third and fourth quarters of 2020. The improvement in domestic market consumption, including apparel consumption, in the PRC has benefited the market for yarn products since the second half of 2020. The upward price trend of yarn products driven by the increase in prices of crude oil-related raw materials also contributed to a booming market for yarn products since the second half of 2020. The favourable market conditions for yarn products have continued into the first four months of 2021 and resulted in the improvement in sales and gross profit margin of the yarn products of the Group.

The information contained in this announcement is only based on the preliminary assessment by the Board on the unaudited consolidated management accounts of the Group for the four months ended 30 April 2021 and information currently available to the Board. It is not based on any figures or information that has been audited or reviewed by the auditor of the Company. The results announcement of the Company for the Period is expected to be released by the end of August 2021 in accordance with the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

The PRC, 28 May 2021

As at the date of this announcement, the Board comprises Mr. Zheng Yongxiang as the executive Director; Mr. Zheng Hong as the non-executive Director; and Ms. Zhang Baixiang, Mr. Xu Yiliang and Mr. Li Guoxing as the independent non-executive Directors.