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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)

PROFIT WARNING

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 Group, it is expected that the Group may record a substantial decrease in its consolidated net profit for the year ended 31 December 2019 as compared to that for the year ended 31 December 2018.

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 ("**Directors**") of the Company (the "**Board**") wishes to inform the shareholders of the Company (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 Group, it is expected that the Group may record a substantial decrease in its consolidated net profit for the year ended 31 December 2019 (the "**Year**") as compared to that for the year ended 31 December 2018.

The Board are of the view that the expected decrease in the consolidated net profit of the Group for the Year was mainly due to (i) the decrease in gross profit of the Group, which resulted mainly from a decrease in gross profit margin as the prices of the Group's yarns products decreased at a rate greater than that of the raw materials for such products. The prices of such raw materials, such as polyester staple fibres ("**PSF**") and viscose, have fallen rapidly during the second half of the Year and the market prices of yarn products were affected accordingly. Unfortunately, the uncertainty in the macroeconomic environment caused by the Sino-US trade war has seriously affected the market sentiment, causing many of the Group's customers to adopt a wait-and-see attitude in their purchasing activities. The Group had to adjust the product mix and adopt a more flexible pricing

strategy in order to achieve sales; and (ii) possible impairment loss on certain properties, plant and equipment. The Group is conducting a valuation of certain properties, plant and equipment of a subsidiary engaged in the production of PSF as it has suffered heavy operating loss during the Year. The operating loss was mainly due to the prices of PSF decreased at a rate far greater than that of the raw materials used to produce PSF, especially during the second half of the Year, as a result of weakness in the PSF market coupled with the tight supply of the relevant raw materials. Depending on the outcome of the valuation, the Group may have to write down the value of certain properties, plant and equipment due to impairment.

The Company is still in the process of finalizing its results for the Year, which are subject to further adjustments. The information contained in this announcement is not based on any figures nor information that has been audited or reviewed by the auditor of the Company and only reflects the preliminary assessment by the Board on the unaudited consolidated management accounts of the Group and information currently available to the Group. The results announcement of the Company for the Year is expected to be released by the end of March 2020 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

Hong Kong, 16 January 2020

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.