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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The board (the "**Board**") of directors (the "**Directors**") 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 2017 together with the comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	**For the year ended 31 December 2017** *RMB'000*	2016 *RMB'000*
Revenue	*4*	**1,582,558**	1,435,942
Cost of sales		**(1,440,088)**	(1,280,402)
Gross profit		**142,470**	155,540
Other income	*5*	**22,227**	16,896
Other gains and losses	*6*	**22,129**	(18,619)
Distribution and selling expenses		**(24,245)**	(25,671)
Administrative expenses		**(49,948)**	(46,304)
Finance costs	*7*	**(55,774)**	(52,984)
Profit before tax		**56,859**	28,858
Income tax expense	*8*	**(8,914)**	(16,059)
Profit and total comprehensive income for the year	*9*	**47,945**	12,799
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**50,293**	14,846
Non-controlling interests		**(2,348)**	(2,047)
		47,945	12,799
Earnings per share	*11*		
– Basic		**RMB4.02 cents**	RMB1.19 cents
– Diluted		**RMB2.12 cents**	RMB1.19 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**1,092,147**	1,106,576
Prepaid lease payments		**43,279**	44,347
Intangible asset		**17**	67
Deposits on acquisition of property, plant and equipment		**1,163**	53
Goodwill		**20,617**	34,829
Deferred tax assets		**2,368**	2,465
		1,159,591	1,188,337
Current assets			
Inventories		**244,793**	137,153
Trade and other receivables	*12*	**34,123**	53,597
Bills receivable		**21,834**	12,614
Prepaid lease payments		**1,075**	1,090
Pledged bank deposits		**46,276**	61,571
Restricted bank deposit		**–**	500
Cash and bank balances		**57,796**	93,443
		405,897	359,968
Current liabilities			
Trade and other payables	*13*	**335,203**	233,792
Bills payable		**121,824**	52,148
Deferred income		**227**	227
Finance lease payable		**2,875**	4,125
Bank borrowings		**462,649**	498,729
Notes payable		**–**	705
Liability component of convertible bond		**–**	1,128
Derivative component of convertible bond		**–**	50,853
Current tax liabilities		**8,462**	10,276
		931,240	851,983
Net current liabilities		**(525,343)**	(492,015)
Total assets less current liabilities		**634,248**	696,322

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Non-current liabilities		
Consideration payables	**–**	42,963
Deferred income	**7,710**	7,937
Bank borrowings	**65,340**	20,260
Notes payable	**–**	44,729
Liability component of convertible bond	**–**	68,289
Deferred tax liabilities	**19,709**	18,600
	92,759	202,778
Net assets	**541,489**	493,544
Capital and reserves		
Share capital	**101,989**	101,989
Reserves	**409,861**	359,568
Equity attributable to the owners of the Company	**511,850**	461,557
Non-controlling interests	**29,639**	31,987
Total equity	**541,489**	493,544

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). IFRSs comprise individual International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. As of 31 December 2017, the Group had net current liabilities of approximately RMB525,343,000. The condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis as the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

(a) The banking facilities from the Group's bankers for its working capital requirements for the next twelve months will be available as and when required, having regard to the following:

   (i) Up to the date of this results announcement, the Group's bankers agreed to renew bank borrowings amounting to approximately RMB291,800,000 currently included in current liabilities at 31 December 2017.

   (ii) Undrawn banking facilities amounting to approximately RMB24,405,000.

   (iii) Subsequent to the reporting date, the Group has also successfully obtained new banking facilities of approximately RMB27,300,000.

   (iv) Certain existing prepaid land lease and property, plant and equipment can be offered as security for further financing.

(b) The Group is able to generate sufficient operating cash flows to meet its current and future obligations.

(c) The Group has unsecured loans from a related company in total amounting to approximately RMB109,000,000 currently included in current liabilities at 31 December 2017. Subsequent to the end of the reporting period, the related company entered into a supplemental agreement with the Group and agreed to change the payment term from repayable on demand to due on 26 January 2019.

Having taken into account the above, the directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

2. ADOPTION OF NEW AND REVISED IFRSs

(a) Application of new and revised IFRSs

The IASB has issued a number of new and revised IFRSs that are first effective for annual periods beginning on or after 1 January 2017. Of these, the amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative is relevant to the Group.

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

(b) New and revised IFRSs in issue but not yet effective

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019

The Group is in the process of making an assessment of what the impact of these new standards is expected to be in the period of initial application. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

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 according to the types of goods delivered, and are regularly reviewed by the chief operating decision-maker (the "CODM") to allocate resources to the segments and to assess their performance focuses on type of goods delivered.

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.

During the year ended 31 December 2017, the CODM has identified the following two reportable segments under IFRS 8 "Operating Segments". No operating segments have been aggregated to form the following reportable segments.

(a) Yarns - manufacturing and trading of yarns

(b) Staple fibres - manufacturing and trading of polyester staple fibres

The operations of Jinyuan Textile Co., Ltd. Jiangxi ("Jiangxi Jinyuan"), 江西華春色紡科技發展有限公司 (for identification purpose, Jiangxi Huachun Color Spinning Technology Development Co., Ltd. ("Huachun")) and Treasure Resources Corporation Limited ("Treasure Resources") represent the operating and reportable segment of the sales of yarns.

The operation of 江西鑫源特種纖維有限公司 (for identification purpose, Jiangxi Xinyuan Special Fibres Company Limited ("Xinyuan")) represents the operating and reportable segment of the sales of polyester staple fibres.

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, i.e. at current market prices.

Segment assets and liabilities are not reported or used by the CODM.

Information about reportable segment profit or loss:

	Yarns *RMB'000*	Staple Fibres *RMB'000*	Total *RMB'000*
Year ended 31 December 2017			
Revenue from external customers	**1,540,277**	**42,281**	**1,582,558**
Intersegment revenue	**–**	**54,946**	**54,946**
Interest income	**1,109**	**7**	**1,116**
Interest expense	**(53,425)**	**(2,226)**	**(55,651)**
Depreciation and amortisation	**(54,878)**	**(4,677)**	**(59,555)**
Impairment loss on goodwill	**(14,212)**	**–**	**(14,212)**
Profit/(Loss) of reportable segments	**60,371**	**(5,671)**	**54,700**
Year ended 31 December 2016			
Revenue from external customers	1,435,884	58	1,435,942
Intersegment revenue	–	2,018	2,018
Interest income	808	7	815
Interest expense	(52,840)	–	(52,840)
Depreciation and amortisation	(55,772)	(1,595)	(57,367)
Profit/(Loss) of reportable segments	31,063	(4,291)	26,772

Reconciliations of segment revenue and profit or loss reviewed by the CODM are as follows:

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Total revenue of reportable segments	**1,637,504**	1,437,960
Elimination of intersegment revenue	**(54,946)**	(2,018)
Group's revenue	**1,582,558**	1,435,942
Profit or loss		
Total profit of reportable segments	**54,700**	26,772
Elimination of intersegment losses	**143**	78
Adjusted for income in relation to government grants	**3,919**	4,724
Unallocated income/(expense):		
Other income, gains and losses	**188**	(707)
Administrative and other expenses	**(2,091)**	(2,009)
Income tax expense	**(8,914)**	(16,059)
Group's profit for the year	**47,945**	12,799

Geographical information

Over 99% (2016: 99%) of the Group's non-current assets were located in the PRC, and accordingly, no related geographical information of non-current assets is presented.

Over 97% (2016: 96%) of the Group's revenue were derived from sales of yarns and polyester staple fibres 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 contributed over 10% of the total sales of the Group in the years ended 31 December 2017 and 2016.

4. REVENUE

The principal activities of the Group are manufacturing and trading of yarn products and related raw materials. Revenue represents the sales value of goods sold less returns, discounts and value added taxes.

5. OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Interest income on bank deposits	**1,118**	827
Government grants	**3,919**	4,724
Income from scrap sales	**16,422**	10,902
Rental income	**368**	408
Others	**400**	35
	22,227	16,896

6. OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
Impairment loss on goodwill	**(14,212)**	–
Net foreign exchange gain/(loss)	**5,665**	(3,505)
Loss on disposal of property, plant and equipment	**(537)**	(141)
Realised (loss)/gain on financial assets at fair value through profit and loss	**(1,150)**	1,306
Loss on redemption of notes instruments	**(210)**	–
Loss on redemption of convertible bond	**(18,280)**	–
Fair value gain/(loss) on derivative component of convertible bond	**50,853**	(16,279)
	22,129	(18,619)

7. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on bank borrowings	**31,376**	25,115
Interest on bond payables	**–**	12,634
Interest on consideration payables	**4,053**	4,356
Interest on convertible bond	**18,986**	8,790
Interest on notes payable	**1,236**	1,945
Finance leases charges	**123**	144
	55,774	52,984

8. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax ("**EIT**")		
Provision for the year	**8,578**	7,741
(Over)/Under-provision in current year	**(503)**	615
Over-provision in prior year	**(367)**	–
	7,708	8,356
Deferred tax		
Reversal of temporary differences	**1,206**	2,034
Impact of change in tax rate	**–**	5,669
	1,206	7,703
Total	**8,914**	16,059

No provision for Hong Kong Profits Tax for the years ended 31 December 2017 and 2016 have been made as there is no assessable profit subject to Hong Kong Profits Tax.

The tax charge in respect of the current year represents EIT in the PRC which is calculated at the prevailing tax rate on the taxable income of the subsidiaries in the PRC.

Jiangxi Jinyuan, the Company's subsidiary, has been recognised as a state-encouraged high-new technology enterprise since 2014. As such, the EIT rate for Jiangxi Jinyuan is a reduced tax rate of 15% for the years ended 31 December 2017 and 2016.

Huachun and Xinyuan, the Company's subsidiaires, are subject to the EIT tax rate at 25%.

The Group is subject to the PRC withholding tax of 10% on the gross interest income from its PRC subsidiaries to the Company.

According to the PRC EIT law, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned from year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise.

9. PROFIT FOR THE YEAR

	2017	2016
	RMB'000	*RMB'000*
The Group's profit for the year is stated after charging the following:		
Auditor's remuneration		
– Audit	**866**	857
– Others	**234**	180
	1,100	1,037
Operating lease charges		
– Amortisation of prepaid lease payments	**1,083**	1,090
– Land and buildings	**514**	474
Amortisation of intangible asset (included in administrative expenses)	**50**	50
Cost of inventories sold	**1,440,088**	1,280,402
Depreciation	**58,494**	56,300

Cost of inventories sold includes employee benefits expense and depreciation of approximately RMB147,077,000 (2016: RMB146,668,000) and RMB49,288,000 (2016: RMB46,294,000), respectively.

10. DIVIDENDS

The Board of Directors of the Company does not recommend any dividend in respect of the years ended 31 December 2017 and 2016.

11. EARNINGS PER SHARE

(a) Basic

The calculation of the basic earnings per share is based on the profit for the year attributable to the owners of the Company and the weighted average number of ordinary shares of 1,252,350,000 (2016: 1,252,350,000) in issue during the year:

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**50,293**	14,846

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,252,350**	1,252,350

(b) Diluted

	2017
	RMB'000
Earnings	
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**50,293**
Finance costs saving on conversion of convertible bond outstanding	**17,655**
Loss on redemption of convertible bond	**17,331**
Fair value gain on derivative component of convertible bond	**(50,853)**
Effect of exchange difference in profit or loss that would result from the conversion of convertible bond outstanding	**(4,130)**
Earnings for the purpose of calculating diluted earnings per share	**30,296**

	2017
	'000
Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,252,350**
Effect of dilutive potential ordinary shares on conversion of convertible bond outstanding	**174,345**
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,426,695**

For the year ended 31 December 2016, as the conversion of convertible bond to ordinary shares would be anti-dilutive, diluted earnings per share is equal to basic earnings per share.

12. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables		
– Third parties	**11,011**	17,360
– A related company	**350**	–
	11,361	17,360
Advance payment to suppliers	**8,868**	18,400
Prepayments and other receivables	**2,212**	14,428
Other tax recoverable	**11,682**	3,409
	34,123	53,597

In general, the Group receives advance or bills 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. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

The following is an analysis of trade receivables by age, presented based on the invoice date which approximates the respective revenue recognition dates.

	2017	2016
	RMB'000	*RMB'000*
0 – 30 days	**9,172**	15,045
31 – 90 days	**1,620**	2,139
Over 90 days	**569**	176
	11,361	17,360

Before accepting any new customer, the Group has assessed the potential customer's credit quality. The Group reviews the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable. For the trade receivables which are past due but not impaired, management considered the balances are with good credit quality with reference to their past repayment history.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB1,638,000 (2016: RMB2,369,000) at 31 December 2017 which are past due as at the reporting date for which the Group has not provided for impairment loss. Based on historical experience, the receivables are generally recoverable as supported by on-going settlements from customers. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

	2017	2016
	RMB'000	*RMB'000*
1 – 30 days	**903**	1,145
31 – 90 days	**166**	1,066
Over 90 days	**569**	158
Total	**1,638**	2,369

13. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**56,734**	62,934
Other payables	**14,306**	7,932
Other tax payables	**13,314**	16,879
Accrued for salaries and wages	**16,275**	16,532
Other accrued charges	**83,469**	74,715
Payables for acquisition of property, plant and equipment	**12,170**	24,742
Deposits from customers	**13,092**	21,222
Dividend payables	**243**	243
Accrued interests on consideration payables	**3,600**	8,593
Amounts due to related companies	**122,000**	–
	335,203	233,792

The following is an analysis of trade payables by age, presented based on the invoice date which approximates the respective dates when the goods are delivered and the title has passed to the Group:

	2017	2016
	RMB'000	*RMB'000*
0 – 30 days	**45,593**	47,683
31 – 90 days	**10,237**	10,452
Over 90 days	**904**	4,799
	56,734	62,934

In general, the Group makes advance payment to suppliers before the materials are received. The creditors may, in some cases, allow a credit period and the average credit period on purchases of goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

EXTRACT OF THE AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's annual financial statements for the year ended 31 December 2017:

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which indicates that the Group's current liabilities exceeded its current assets by approximately RMB525,343,000 as at 31 December 2017. As stated in Note 2, this event or condition indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

MARKET OVERVIEW

In 2017, the United States (the "**US**") and some of the European Union (the "**EU**") countries have witnessed signs of economic growth but the growth rates have not been robust. The GDP growth rate in the People's Republic of China (the "**PRC**") reversed the downward trend in the past few years and slightly increased from a rate of 6.7% for 2016 to 6.9% for 2017. Instead of pursuing economic growth in quantitative terms, the PRC government is now keen on pursuing sustainable development and putting emphasis on prevention of significant risk, specific measures to reduce poverty and population control.

After the substantial increase in the international oil prices in 2016, oil prices have been relatively stable and have been trading at between approximately US$45 per barrel to US$55 per barrel for most of 2017. Stabilisation in prices of oil related raw materials translated into more stable market conditions for polyester yarns related products.

The PRC government has continued with the policy of direct subsidy to cotton farmers in Xinjiang and has orderly auctioned the national cotton reserve in the past two years. According to the Cotton A index, the domestic cotton prices in the PRC have stabilised in 2017 and have been trading at a narrow range of between approximately RMB16,100 per tonne to RMB16,400 per tonne in 2017. According to the Cotlook A index, the average global market price for cotton has been trading with some fluctuations between US77 cents per pound and US95 cents per pound in 2017. The stabilisation of domestic cotton prices and a relative less volatile international cotton market has narrowed the price gap and this has created a better competitive environment for the domestic cotton yarn manufacturers with few or no import quotas.

A relatively more stable environment in terms of prices of the raw materials and the continuing increase in internal consumption in the domestic economy in the PRC have contributed to favourable market conditions for the textile industry as a whole. However, the stepping up of the enforcement of environmental protection regulations by the PRC government has affected corporations involved in dyeing and printing business, forcing many smaller market players into suspension or closure. This may affect their upstream suppliers and downstream customers. Other unfavourable factors include: weak overseas demand, keen domestic competition in the PRC due to excess capacities and competition from manufacturing establishments in the South East Asia. The recent decision by President Trump of the US to impose import tariff on steel and aluminium also increased the risk of trade war between the US and its trading partners. These factors have introduced risk and uncertainties for the industry as whole.

BUSINESS REVIEW

The sales volume of yarn products of China Weaving Materials Holdings Limited (the "**Company**") together with its subsidiaries, (the "**Group**") decreased by 1.8% from approximately 122,351 tonnes for the year ended 31 December 2016 to approximately 120,197 tonnes for the year ended 31 December 2017. The production volume of yarn products of the Group increased by 0.8% from approximately 118,709 tonnes for the year ended 31 December 2016 to approximately 119,699 tonnes for the year ended 31 December 2017. The revenue of the Group increased by 10.2% to approximately RMB1,582.6 million for the year ended 31 December 2017 as compared to RMB1,435.9 million for the year ended 31 December 2016. The gross profit and the profit attributable to the owners of the Company for the year ended 31 December 2017 were approximately RMB142.5 million and approximately RMB50.3 million, respectively.

In 2017, the Group has continued to rationalise its production capacities and further diversified its product portfolio. The Group is offering around 100 types of yarns with different material mix and counts to satisfy the needs of different customers.

The Group's subsidiary company, Jiangxi Xinyuan Special Fibres Company Limited ("**Xinyuan**") has commenced commercial operation in 2017. Xinyuan is engaged in the manufacture and trading of polyester staple fibres ("**PSF**") which are one of the basic raw materials of the Group for the production of polyester yarns. Xinyuan's sales and production volume of PSF for the year ended 31 December 2017 was approximately 14,821 tonnes and 16,558 tonnes respectively.

In August 2016, the Company issued redeemable fixed coupon notes with a principal amount of HK$50,000,000 (the "**Notes**") and a redeemable fixed coupon convertible bond in the principal amount of HK$110,000,000 (the "**Bond**") to CCB International Overseas Limited. The Company early redeemed the Notes in full and principal of the Bond of HK$80,000,000 in March 2017 and September 2017 respectively. The Company further redeemed the remaining outstanding principal of the Bond of HK$30,000,000 in November 2017. As at 31 December 2017, there was no Bond or Notes outstanding.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the year ended 31 December 2017 was approximately RMB1,582.6 million, representing an increase of approximately RMB146.7 million, or 10.2%, as compared to the year ended 31 December 2016. The analysis of the sales of the Group's products is as below:

	Year ended 31 December 2017 *RMB'000*		Year ended 31 December 2016 *RMB'000*	
Polyester yarn	**463,264**	**29.3%**	468,432	32.6%
Polyester-cotton and viscose-cotton blended yarns	**659,392**	**41.7%**	569,509	39.7%
Grey and deep grey melange and melange-cotton blended yarns	**232,035**	**14.6%**	192,047	13.4%
Viscose and stretchable core viscose yarns	**144,205**	**9.1%**	112,634	7.8%
Cotton yarns	**40,804**	**2.6%**	86,998	6.1%
Raw material	**42,858**	**2.7%**	6,322	0.4%
	1,582,558	**100.0%**	1,435,942	100%

The increase in the revenue of the Group for the year ended 31 December 2017 was mainly attributable to the increase in the overall average selling price of yarn products of the Group, which increased by approximately 9.2% from approximately RMB11,736 per tonne for the year ended 31 December 2016 to approximately RMB12,810 per tonne for the year ended 31 December 2017.

Gross Profit and Gross Profit Margin

Gross profit of the Group decreased from approximately RMB155.5 million for the year ended 31 December 2016 to approximately RMB142.5 million for the year ended 31 December 2017. The gross profit margin of the Group decreased from approximately 10.8% for the year ended 31 December 2016 to approximately 9.0% for the year ended 31 December 2017. The decrease in gross profit was mainly due to the decrease in gross profit margin. The decrease in gross profit margin was mainly due to i) the inclusion of revenue and gross loss of approximately RMB97.2 million and RMB1.2 million respectively from Xinyuan. Xinyuan has only commenced its first year of commercial operation in 2017 and has yet to ramp up its production volume to an optimal level of approximately 30,000 tonnes per annum; and (ii) there was an increase in the selling prices of the yarn products of the Group driven by the increase in prices of raw materials in the second half of 2016, while the raw materials utilised in the production were purchased at lower prices in prior months. However, the selling prices of yarn products fluctuated within a relatively narrow range in 2017 and the rate of increase in prices of yarn products could not catch up with the rate of increase in the cost of production.

Other Income

Other income of the Group increased from approximately RMB16.9 million for the year ended 31 December 2016 to approximately RMB22.2 million for the year ended 31 December 2017, representing an increase of approximately RMB5.3 million or 31.4%. The increase in other income was mainly due to an increase in income from scrap sales.

Other Gains and Losses

Other gains for the year ended 31 December 2017 was approximately RMB22.1 million while other losses for the year ended 31 December 2016 was approximately RMB18.6 million. Other gains in 2017 were mainly due to a fair value gain on derivative component of the Bond of approximately RMB50.9 million, which is partially offset by a loss on redemption of the Bond of approximately RMB18.3 million, and net exchange gain of approximately RMB5.7 million. Those gains were partly offset by loss on impairment of goodwill of approximately RMB14.2 million. Other losses in 2016 were mainly due to fair value loss on the derivative component of the Bond of approximately RMB16.3 million and net foreign exchange loss of approximately RMB3.5 million. Those losses were partly offset by the realised gain on commodities futures contracts of approximately RMB1.3 million.

Distribution and Selling Expenses

Distribution and selling expenses of the Group decreased slightly from approximately RMB25.7 million for the year ended 31 December 2016 to approximately RMB24.2 million for the year ended 31 December 2017, representing a decrease of 5.8% or approximately RMB1.5 million. The decrease was mainly due to the decrease in sales volume of yarn products of the Group of 3.7% from approximately 122,351 tonnes for the year ended 31 December 2016 to approximately 120,197 tonnes for the year ended 31 December 2017. Distribution and selling expenses as a percentage of revenue of the Group was approximately 1.5% for the year ended 31 December 2017 (year ended 31 December 2016: 1.8%).

Administrative Expenses

Administrative expenses of the Group increased from approximately RMB46.3 million for the year ended 31 December 2016 to approximately RMB49.9 million for the year ended 31 December 2017, representing an increase of 7.8% or approximately RMB3.6 million. The increase was mainly due to granting of wavier of property tax and land use tax of approximately RMB3.5 million by the local tax authority in 2016 whereas there was no wavier in 2017. Administrative expenses as a percentage of revenue of the Group was approximately 3.2% for the year ended 31 December 2017 (year ended 31 December 2016: 3.2%)

Finance Costs

Finance costs of the Group increased from approximately RMB53.0 million for the year ended 31 December 2016 to approximately RMB55.8 million for the year ended 31 December 2017, representing an increase of 5.3% or approximately RMB2.8 million. The increase in the Group's finance costs was mainly due to increase in interest on convertible bond and bank borrowings partly offset by decrease in interest on notes payable and bond payables.

Income Tax Expense

The Group's effective income tax rate for the year ended 31 December 2017 was approximately 15.7%, as compared to 55.6% for the corresponding period in 2016. The decrease in the effective income tax rate of the Group was mainly due to a change in tax rate of a subsidiary in the PRC from 15% to 25% in 2016 which affected the deferred tax liabilities in that year with respect to the fair value adjustment of its property, plant and equipment arising from a business combination. However, there was no change in tax rates in the subsidiaries in 2017.

Profit Attributable to Owners of the Company and Net Profit Margin

Profit attributable to owners of the Company for the year ended 31 December 2017 was approximately RMB50.3 million, representing an increase of approximately RMB35.5 million, or 2.4 times, as compared to that for the year ended 31 December 2016. The net profit margin of the Group for the year ended 31 December 2017 was 3.2% as compared with 1.0% for the year ended 31 December 2016. The increase in the Group's net profit were mainly due to the recording of other gains of approximately RMB22.1 million in 2017 whereas other losses of approximately RMB18.6 million was recorded in 2016.

Earnings Per Share

The basic earnings per share of the Company increased from approximately RMB1.19 cents for the year ended 31 December 2016 to approximately RMB4.02 cents for the year ended 31 December 2017, representing an increase of approximately 2.4 times or RMB2.83 cents. The diluted earnings per share of the Company increased from approximately RMB1.19 cents for the year ended 31 December 2016 to approximately RMB2.12 cents for the year ended 31 December 2017, representing an increase of approximately 78.2% or RMB0.93 cents. The increase in basic and diluted earnings per share of the Company was due to the increase in profit attributable to owners of the Company for the year ended 31 December 2017.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in the PRC and Hong Kong. During the years ended 31 December 2017 and 2016, the Group generated net cash inflow from operating activities. The Group had cash and bank balances of approximately RMB57.8 million (31 December 2016: RMB93.4 million), pledged bank deposits of approximately RMB46.3 million (31 December 2016: RMB61.6 million) and nil restricted bank deposit (31 December 2016: RMB0.5 million) as at 31 December 2017. The Group's cash and bank balances were mainly held in Hong Kong Dollars, US Dollars and RMB.

Capital Structure and Pledge on Assets

The Group's interest-bearing borrowings were made in RMB and Hong Kong dollars. As at 31 December 2017, the Group's interest-bearing borrowings amounted to approximately RMB530.9 million (31 December 2016: RMB638.0 million), RMB465.5 million (87.7%) of which (31 December 2016: RMB504.7 million (79.1%)) was repayable within one year. The Group's banking facilities were secured by its land use rights, properties, plant and equipment, bills receivable and pledged bank deposits with a carrying value of approximately RMB767.2 million in aggregate (31 December 2016: RMB763.4 million). The share capital of a subsidiary company of the Group was also pledged to secure the Group's banking facilities.

Gearing Ratio

The gearing ratio of the Group, which is equal to the total of bank borrowings, finance leases payables, bills payable and consideration payable to total assets, was approximately 41.9% as at 31 December 2017 (31 December 2016: 47.9%). Net current liabilities and net assets at 31 December 2017 was approximately RMB525.3 million (31 December 2016: RMB492.0 million) and approximately RMB541.5 million (31 December 2016: RMB493.5 million), respectively.

Foreign Exchange Exposure

The Group has foreign currency cash and bank balances, trade and other receivables, bills payable, bank borrowing, finance lease payable and other payables, which mainly expose the Group to risk in Hong Kong Dollars, Euro and US Dollars. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2017 were approximately RMB15.5 million (31 December 2016: RMB33.2 million) and RMB29.6 million (31 December 2016: 193.8 million), respectively. A loss of approximately RMB1.2 million was incurred on forward contracts during the year ended 31 December 2017. As at 31 December 2017, there were no outstanding financial instruments for hedging purposes.

Contingent Liabilities

As at 31 December 2017, the Group did not have any contingent liabilities.

Employees, Remuneration and Share Option Scheme

As at 31 December 2017, the Group had a total of 3,073 employees (31 December 2016: 3,287). Remuneration for employees, including the directors of the Company (the "**Directors**"), is determined in accordance with performance, professional experiences and the prevailing market practices. The Group's 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 had 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 has been granted pursuant to the scheme since its adoption.

Significant Investments and Material Acquisitions and Disposal of Subsidiaries

During the year ended 31 December 2017, the Group did not have any significant investments or acquisitions or sales of subsidiaries.

PROSPECTS

A relatively more stable environment in terms of the prices of raw materials and the continuing increase in internal consumption in the domestic economy in the PRC contributed to favourable factors for the industry. However, unfavourable factors including impact of environment protection regulations, poor overseas demand, keen domestic and overseas competition and potential international trade conflict have introduced risk and uncertainties to the industry.

In 2017, the Group has continued to rationalise its production capacities and further diversified its product portfolio. The Group is offering around 100 types of yarns with different material mix and counts to satisfy the needs of different customers. The Group has begun its upward vertical integration by establishing Xinyuan, which is engaged in the manufacturing of polyester staple fibres. Xinyaun has commenced commercial operation in 2017.

Looking forward, the sluggish overseas demand and fierce domestic and overseas competition and external uncertainties will continue to pose challenges to the textile industry in the PRC. The Group will continue to put more effort into new products development and increase its effort in developing markets for its new products. Taking into account the benefits from the enlarged product portfolio and the economies of scale, the Group is confident about its future. The Group believes it is 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 does not recommend any dividend in respect of the year ended 31 December 2017.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company (the "**Annual General Meeting**") will be held on Friday, 1 June 2018. Notice of the Annual General Meeting will be published and dispatched to the shareholders of the Company (the "**Shareholders**") in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders entitled to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 29 May 2018 to Friday, 1 June 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the Annual General Meeting, 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, 28 May 2018.

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 2017.

CODE OF CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, during the year ended 31 December 2017, the Company had complied with the code provisions of the existing Corporate Governance Code (the "**CG Code**") and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. In respect of code provision C.2.5 of the CG Code, the Company has not set up an Internal Audit ("**IA**") function. The Company has considered the size and complexity of the operations of the Group and the potential cost involved in setting up an IA function. The Company considers the existing organisation structure and the close supervision of the executive management could provide sufficient internal control and risk management for the Group. The Audit Committee under the Board will review the effectiveness of the internal control and risk management of the Group. The Board will conduct an annual review for the need of an IA function on an annual basis.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct governing the 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 year ended 31 December 2017.

AUDIT COMMITTEE

The audit committee of the Board has reviewed together with the management the accounting principles and policies adopted by the Group and reviewed the audited consolidated financial statements for the year ended 31 December 2017.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

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 2017 containing all the information required by the Listing Rules will be dispatched to the 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, 22 March, 2018

As at the date of this announcement, the Board comprises Mr. Zheng Hong, Mr. Zheng Yongxiang as the executive Directors; Mr. Sze Irons, BBS, JP, as the non-executive Director; Ms. Zhang Baixiang, Mr. Xu Yiliang and Mr. Ng Wing Ka as the independent non-executive Directors.