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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: 03778)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015 together with the comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		FOR THE YEAR ENDED 31 DECEMBER	
		2015	2014
	NOTES	***RMB'000***	*RMB'000*
Revenue	*4*	**1,302,799**	846,554
Cost of sales		**(1,196,908)**	(804,470)
Gross profit		**105,891**	42,084
Other income	*5*	**24,030**	15,330
Other gains and losses	*6*	**960**	(204)
Gain/(Losses) from fire, net	*7*	**5,513**	(52,163)
Distribution and selling expenses		**(25,858)**	(12,400)
Administrative expenses		**(42,874)**	(28,366)
Finance costs	*8*	**(51,800)**	(17,145)
Profit/(Loss) before tax		**15,862**	(52,864)
Income tax (expense)/credit	*9*	**(2,305)**	2,036
Profit/(Loss) and total comprehensive income for the year	*10*	**13,557**	(50,828)
Profit/(Loss) and total comprehensive income for the year attributable to:			
– Owners of the Company		**13,823**	(50,828)
– Non-controlling interests		**(266)**	–
		13,557	(50,828)
Earnings/(Loss) per share	*12*		(Restated)
– Basic (RMB cents per share)		**1.10**	(4.51)
– Diluted (RMB cents per share)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2015	2014
	NOTES	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**1,084,908**	539,388
Prepaid lease payments		**45,434**	34,111
Intangible asset		**117**	–
Deposits on acquisition of property, plant and equipment		**17,561**	963
Goodwill		**34,829**	–
Tax recoverable		**8,938**	–
Deferred tax assets		**4,295**	2,214
		1,196,082	576,676
Current assets			
Inventories		**141,182**	80,360
Trade and other receivables	*13*	**54,298**	17,677
Bills receivable		**15,833**	10,306
Prepaid lease payments		**1,093**	776
Tax recoverable		**2,287**	–
Pledged bank deposits		**36,195**	6,704
Restricted bank deposit		**20,059**	–
Time deposit		**–**	76,052
Cash and bank balances		**41,182**	90,637
		312,129	282,512
Current liabilities			
Trade and other payables	*14*	**268,445**	91,360
Bills payable		**52,965**	25,356
Deferred income		**154**	–
Finance lease payable		**940**	–
Bank borrowings		**375,100**	280,535
Bond payables		**199,066**	–
Current tax liabilities		**5,478**	5,635
		902,148	402,886

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		At 31 December	
		2015	2014
	NOTES	***RMB'000***	*RMB'000*
Net current liabilities		**(590,019)**	(120,374)
Total assets less current liabilities		**606,063**	456,302
Non-current liabilities			
Consideration payables		**38,548**	–
Deferred income		**8,195**	6,115
Finance lease payable		**3,898**	–
Bank borrowings		**79,100**	15,000
Deferred tax liabilities		**12,727**	2,299
		142,468	23,414
Net assets		**463,595**	432,888
Capital and reserves			
Share capital		**101,989**	92,875
Reserves		**344,722**	340,013
Equity attributable to the owners of the Company		**446,711**	432,888
Non-controlling interests		**16,884**	–
Total equity		**463,595**	432,888

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. BASIS OF PREPARATION

These 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 all applicable individual International Financial Reporting Standards ("**IFRS**"); International Accounting Standards ("**IAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. As of 31 December 2015, the Group had net current liabilities of approximately RMB590,019,000. 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 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 the consolidated financial statements were authorised for issue, the Group's bankers agreed to renew bank borrowings amounting to approximately RMB305,100,000 currently included in current liabilities as at 31 December 2015.

   (ii) Undrawn banking facilities amounting to approximately RMB50,627,000.

   (iii) Subsequent to the reporting date, the Group has also successfully obtained new banking facilities of approximately RMB25 million.

   (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 unconditional financial support from Mr. Zheng Hong, an indirect substantial shareholder of the Company, and Mr. Zheng Yongxiang, a shareholder of the Company, has been obtained to procure the necessary finance and support to the Group for a period of not less than twelve months from the reporting date.

In addition, in order to improve the Group's financial position, the directors of the Company are actively exploring different alternatives of equity or other financing.

Having taken into account the above, the directors of the Company 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 these consolidated financial statements.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised IFRSs

In the current year, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to the Group's operations and effective for the Group's accounting year beginning on 1 January 2015. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current and prior years.

(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 2015. The directors anticipate that the new and revised IFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised IFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

List of new and revised IFRSs in issue that are relevant for the Group's operation but not yet effective

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[3]
Amendments to IAS 1	Disclosure Initiative[2]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15 "Revenue from Contracts with Customers" is also applied.

4 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. Although the Company is not incorporated in Hong Kong, the Rules Governing the Listing of Securities on the Stock Exchange require the Company to comply with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(d) Amendments to the Rules Governing the Listing of Securities on the Stock Exchange

The Stock Exchange in April 2015 released revised Appendix 16 of the Rules Governing the Listing of Securities in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

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, that 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 2015, 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 the newly established subsidiary of the Company, 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 staple fibres.

For year ended 31 December 2014, the operations of Jiangxi Jinyuan and Treasure Resources represent the single operating and reportable segment of the Group.

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 2015			
Revenue from external customers	**1,302,799**	**–**	**1,302,799**
Interest income	**1,455**	**61**	**1,516**
Interest expense	**(51,701)**	**–**	**(51,701)**
Depreciation and amortisation	**(51,912)**	**(178)**	**(52,090)**
Other material items of income and expense:			
Losses from fire	**(5,219)**	**–**	**(5,219)**
Insurance claim income	**10,732**	**–**	**10,732**
Profit/(Loss) of reportable segments	**3,276**	**(542)**	**2,734**

3. **SEGMENT INFORMATION** *(Continued)*

	Yarns *RMB'000*	Staple Fibres *RMB'000*	Total *RMB'000*
Year ended 31 December 2014			
Revenue from external customers	846,554	–	846,554
Interest income	841	–	841
Interest expense	(16,909)	–	(16,909)
Depreciation and amortisation	(27,778)	–	(27,778)
Other material items of income and expense:			
Losses from fire	(52,163)	–	(52,163)
Profit/(Loss) of reportable segments	(49,167)	–	(49,167)

The segment revenue is the same as the Group's revenue for 2015 and 2014. Reconciliation of segment results reviewed by the CODM is as follows:

	2015 ***RMB'000***	2014 *RMB'000*
Profit/(Loss) of reportable segments	**2,734**	(49,167)
Adjusted for income in relation to government grants	**13,420**	10,121
Unallocated income/(expense)	**1,458**	(9,997)
Administrative and other expenses	**(1,750)**	(3,821)
Taxation	**(2,305)**	2,036
Group's profit/(loss) for the year	**13,557**	(50,828)

Geographical information

Over 99% (2014: 99%) of the Group's non-current assets were located in the PRC, accordingly, no related geographical information of non-current assets is presented.

Over 96% (2014: 99%) of the Group's revenue were derived from sales of polyester yarns, polyester-cotton blended yarns, cotton yarns, viscose yarns, grey and deep grey mélange yarns and cotton 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 2015 and 2014.

4. REVENUE

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

	2015	2014
	RMB'000	*RMB'000*
Sales of polyester yarns	**516,937**	373,286
Sales of polyester-cotton blended yarns	**473,451**	393,029
Sales of cotton yarns	**93,129**	78,989
Sales of cotton	**24,851**	1,250
Sales of viscose yarns	**14,202**	–
Sales of grey and deep grey mélange yarns	**180,229**	–
	1,302,799	846,554

5. OTHER INCOME

	2015	2014
	RMB'000	*RMB'000*
Interest income on bank deposits	**1,524**	930
Government grants	**13,420**	10,121
Income from scrap sales	**7,399**	3,869
Realised gain on financial assets at fair value through profit and loss	**256**	–
Rental income	**476**	287
Others	**955**	123
	24,030	15,330

6. OTHER GAINS AND LOSSES

	2015	2014
	RMB'000	*RMB'000*
Net foreign exchange gain	**984**	14
Loss on disposal of property, plant and equipment	**(24)**	(218)
	960	(204)

7. GAIN/(LOSSES) FROM FIRE, NET

During the year ended 31 December 2014, losses on inventories, and property, plant and equipment of approximately RMB12,409,000 and RMB38,515,000 respectively were recognised due to a fire broke out at the warehouse of the completed Phase III of the production bases of the Group situated at Fengxin County, Yichun City, Jiangxi, the PRC on 31 December 2014, causing damage primarily to certain inventories, plant and machinery and part of the building premises.

During the year ended 31 December 2015, the Group further wrote off certain damaged part of the building premises of approximately RMB5,219,000 by reference to the safety inspection and assessment of the building structure. In 2015, the Group received and recognised the insurance claim income of approximately RMB10,732,000 for the losses in connection with the above fire accident. The gain/(losses) incurred as a result of the fire accident are summarised as follows:

	2015	2014
	RMB'000	*RMB'000*
Loss on inventories		
Raw materials	**–**	(9,589)
Finished goods	**–**	(2,820)
	–	(12,409)
Loss on property, plant and equipment	**(5,219)**	(38,515)
Provision for restoration	**–**	(1,239)
	(5,219)	(52,163)
Insurance claim income	**10,732**	–
	5,513	(52,163)

8. FINANCE COSTS

	2015	2014
	RMB'000	*RMB'000*
Interest on bank borrowings	**30,682**	16,909
Interest on bond payables	**16,845**	–
Interest on consideration payables	**4,174**	–
Finance leases charges	**99**	–
Other finance expenses	**–**	236
	51,800	17,145

9. INCOME TAX EXPENSE/(CREDIT)

	2015	2014
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")		
Provision for the year	**–**	2,082
Under-provision in prior year	**68**	132
Withholding tax on distributed earnings from a subsidiary	**–**	500
	68	2,714
Deferred tax	**2,237**	(4,750)
	2,305	(2,036)

No provision for Hong Kong Profits Tax for the years ended 31 December 2015 and 2014 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, a subsidiary, has been recognised as a state-encouraged high-new technology enterprise starting from 2014, and the status is valid for a period of three years. Jiangxi Jinyuan is thus entitled to a preferential tax rate of 15% in 2014, 2015 and 2016, subject to annual review by the relevant tax authority. As such, the EIT rate for Jiangxi Jinyuan is a reduced tax rate of 15% for the years ended 31 December 2015 and 2014.

Huachun, a subsidiary, has been recognised as a state-encouraged high-new technology enterprise starting from 2013, and the status is valid for a period of three years. Huachun is thus entitled to a preferential tax rate of 15% in 2013, 2014 and 2015, subject to annual review by the relevant tax authority. As such, the EIT rate for Huachun is a reduced tax rate of 15% for the years ended 31 December 2015 and 2014.

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.

10. PROFIT/(LOSS) FOR THE YEAR

	2015	2014
	RMB'000	*RMB'000*
The Group's profit/(loss) for the year is stated after charging the following:		
Auditor's remuneration		
– Audit	**813**	1,110
– Others	**163**	681
	976	1,791
Operating lease charges		
– Amortisation of prepaid lease payments	**1,091**	798
– Land and buildings	**440**	466
Amortisation of intangible asset	**50**	–
Cost of inventories sold	**1,196,908**	804,470
Depreciation	**51,049**	27,171

11. DIVIDENDS

	2015	2014
	RMB'000	*RMB'000*
2014: Final dividend declared – HK1.0 cent per share	**–**	8,021

The Board of Directors of the Company does not recommend any dividend in respect of the year ended 31 December 2015 (2014: final dividend in respect of the year ended 31 December 2013 of HK1.0 cent).

12. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the profit/(loss) for the year attributable to the owners of the Company and the weighted average number of ordinary shares of 1,252,350,000 (2014: 1,127,040,000) in issue during the year, as adjusted to reflect the bonus share issued during the year:

	2015	2014
	RMB'000	*RMB'000*
Earnings/(Loss)		
Earnings/(Loss) for the purpose of basic earnings/(loss) per share (profit/(loss) for the year attributable to owners of the Company)	**13,823**	(50,828)

12. **EARNINGS/(LOSS) PER SHARE** *(Continued)*

	2015	2014
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share calculation	**1,252,350**	1,127,040

No diluted earnings/(loss) per share has been presented as there were no potential dilutive shares outstanding for the years ended 31 December 2015 and 2014.

13. **TRADE AND OTHER RECEIVABLES**

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**30,717**	16,980
Advance payment to suppliers	**10,753**	–
Prepayments and other receivables	**5,177**	697
Value-added tax recoverable	**7,651**	–
	54,298	17,677

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 at the end of each reporting period, which approximated the respective revenue recognition dates.

	2015	2014
	RMB'000	*RMB'000*
1–30 days	**26,166**	14,250
31–90 days	**3,872**	2,688
Over 90 days	**679**	42
	30,717	16,980

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, the management considered the balances are with good credit quality with reference to their past repayment history.

13. TRADE AND OTHER RECEIVABLES *(Continued)*

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB4,551,000 (2014: RMB2,730,000) as at 31 December 2015 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

	2015	2014
	RMB'000	*RMB'000*
Over 30 days	**4,551**	2,730

14. TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**107,758**	27,705
Value-added tax payable	**–**	6,478
Other payables	**12,110**	3,330
Other tax payables	**10,786**	4,435
Accrual for salary and wages	**14,153**	6,246
Other accrued charges	**71,095**	29,183
Payable for acquisition of property, plant and equipment	**10,907**	8,660
Deposits from customers	**16,741**	5,080
Dividend payables	**243**	243
Withholding tax payable	**16,000**	–
Consideration payables	**8,652**	–
	268,445	91,360

The following is an analysis of trade payables by age, presented based on the invoice date:

	2015	2014
	RMB'000	*RMB'000*
1–30 days	**53,863**	21,864
31–90 days	**50,205**	5,473
Over 90 days	**3,690**	368
	107,758	27,705

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.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The change included grouping of certain gains and losses in profit or loss under "other gains and losses" line item.

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 2015:

"**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that the Company and its subsidiaries had net current liabilities of approximately RMB590,019,000 as at 31 December 2015. This condition indicates the existence of a material uncertainty that may cast significant doubt about the ability of the Company and its subsidiaries to continue as a going concern."

MARKET OVERVIEW

In 2015, the international economic conditions remained challenging. The United States (the "**US**") has witnessed signs of economic recovery but the economic outlook for the rest of the developed countries, including European countries, remained less auspicious. Affected by sluggish overseas demand, domestic over capacity and tight liquidity in the domestic capital market, the growth of the economy of the People's Republic of China (the "**PRC**") continued to slow down. The gross domestic product ("**GDP**") growth rate of the PRC decreased from a year-on-year rate of 7.4% for 2014 to 6.9% for 2015.

Following the significant drop in cotton prices resulting from the shift in the PRC's government national cotton temporary reserve policy in 2014, the domestic cotton prices in the PRC have been relatively more stable in 2015 despite prices are generally shifting lower.

However, the international crude oil prices plummeted to below US$40 per barrel in the second half of 2015 after hovering between US$45 and US$60 per barrel for most of the time in the first half of 2015. The prices of all the downstream products manufactured with crude oil, including purified terephthalic acid ("**PTA**'), also plummeted accordingly. PTA is the basic raw material for the manufacturing of polyester staple fiber ("**PSF**") and PSF is the basic raw material for polyester yarns. The plummeting crude oil prices in the second half of 2015 have pushed the whole value chain of polyester yarns into a downward spiral. As the selling prices of yarn products have a positive correlation with that of raw materials, the yarns products suffered from depressed selling prices.

BUSINESS REVIEW

As disclosed in the Company's announcement dated 7 January 2015, the Group has completed the acquisition of the entire equity interest of Jiangxi Huachun Color Spinning Technology Development Co. Ltd. ("**Huachun**") in January 2015. The operating results of Huachun have been consolidated into those of the Group since the completion of the acquisition and the sales, production and gross profit of the Group increased substantially as a result of the consolidation.

The sales volume of the Group increased by 86.1% from approximately 60,261 tonnes for the year ended 31 December 2014 to approximately 112,165 tonnes for the year ended 31 December 2015. The production volume of the Group increased by 89.2% from approximately 59,843 tonnes for the year ended 31 December 2014 to approximately 113,223 tonnes for the year ended 31 December 2015. The revenue of the Group increased by 53.9% to approximately RMB1,302.8 million for the year ended 31 December 2015 as compared to RMB846.6 million for the year ended 31 December 2014. The gross profit and the profit attributable to the owners of the Company for the year ended 31 December 2015 was approximately RMB105.9 million and approximately RMB13.8 million, respectively.

As disclosed in the Company's announcements dated 2 January 2015 and 5 January 2015, the Group suffered from a fire accident on 31 December 2014 causing damage to certain inventories, plant and equipment and part of the building premises including the warehouse and Workshop One situated at Phase III of the production bases ("**Phase III**") of the Group located at Fengxin County, Jiangxi Province, PRC. There were no casualties but the production at Phase III was suspended. Phase III is situated at a distant location from the rest of the production bases and has a production capacity of 50,000 spindles, representing approximately 13% of the total capacity of 380,000 spindles of the Group. Restoration and repair works and replacement of damaged equipment were carried out soon after the accident. The production line was relocated to Workshop Two of Phase III which was not affected by the fire accident. Production capacity of approximately 40,000 spindles has been resumed as of the date of this report. In response to changes in market conditions, the above mentioned facilities have been converted into the production of viscose yarns in the first quarter of 2016.

The newly installed open-end spun production facilities, which are also located in Phase III, were put under trial production in the fourth quarter of 2014. The production capacity of these newly installed production facilities is 1,600 heads (equivalent to approximately 20,000 spindles). These facilities suffered no damage at all in the fire but the trial production was also suspended as the high voltage transformer system for the entire Phase III facility was damaged in the fire and required replacement. The production facilities for the open-end spun yarns resumed operation in May 2015. However, in view of the severe competition in the open-end spun yarns market, the Company has converted the facilities into production of viscose yarns, of which margins are expected to be higher.

In December 2014, the Group established a subsidiary company, Jiangxi Xinyuan Special Fibres Company Limited ("**Xinyuan**") in the Industrial Development Zone of Fengxin County of Jiangxi Province. The total registered capital of Xinyuan is RMB70 million, of which the Group holds 51%. Xinyuan is engaged in the manufacture and trading of polyester staple fibres which are one of the basic raw materials of the Group for the production of polyester yarns. During the year ended 31 December 2015, Xinyuan was yet to commence business. Xinyuan marks the Group's first step into upward vertical integration. The construction of the workshop and other basic infrastructure of Xinyuan have substantially been completed. The other 49% equity interest in Xinyuan is owned by two independent third parties.

FINANCIAL REVIEW

Turnover

Turnover of the Group for the year ended 31 December 2015 was approximately RMB1,302.8 million, representing an increase of approximately RMB456.2 million, or 53.9%, as compared to that for the year ended 31 December 2014. Sales of polyester yarn, polyester-cotton blended yarn, cotton yarn, grey mélange yarn, viscose yarn and cotton trading accounted for approximately 39.7% (2014: 44.1%), 36.3% (2014: 46.5%), 7.2% (2014: 9.3%), 13.8% (2014: nil), 1.1% (2014: nil),and 1.9% (2014: 0.1%) of total sales of the Group for the year ended 31 December 2015, respectively. The increase in the turnover of the Group for the year ended 31 December 2015 was attributable to the increase in sales volume from approximately 60,261 tonnes for the year ended 31 December 2014 to approximately 112,165 tonnes for the year ended 31 December 2015 despite the decrease in average unit selling prices of the Group's yarn products. The overall average selling price of yarn products of the Group decreased by approximately 17.2% from approximately RMB14,027 per tonne for the year ended 31 December 2014 to approximately RMB11,615 per tonne for the year ended 31 December 2015.

The increase in sales and production volume was mainly due to the consolidation of the results of Huachun which accounted for 50,025 tonnes and 50,894 tonnes respectively. The sales of Huachun accounted for approximately RMB527.2 million for the year ended 31 December 2015. The lower average selling prices of yarn products were mainly due to lower costs of raw materials and change in product mix of the Group. Due to the consolidation of Huachun into the Group, grey melange yarn products were introduced into the Group's product portfolio. Grey melange yarn products generally have lower selling prices than the existing products of the Group as grey melange yarn products enjoy lower costs of raw materials.

The selling prices of yarn products of the Group have a positive correlation with that of raw materials namely, PSF and raw cotton. The Group sets the prices of its yarn products based on a variety of factors, including raw material prices, production costs, market conditions, inventory level and the quality of the yarn products required by our customers. As PSF's 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 Group adjusts the selling prices of its yarn products from time to time considering the fluctuation in its raw material costs. In addition, the Group also monitors the movement of international and domestic raw cotton prices and members from the management, sales department and procurement department of the Group 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 prices. The average unit purchase prices of PSF's and raw cotton were lower in 2015 than in 2014 and the Group lowered the prices of its various yarn products accordingly in 2015.

Gross profit and gross profit margin

Gross profit of the Group increased from approximately RMB42.1 million for the year ended 31 December 2014 to approximately RMB105.9 million for year ended 31 December 2015. The gross profit margin of the Group increased from approximately 5.0% for the year ended 31 December 2014 to approximately 8.1% for year ended 31 December 2015. The increase in gross profit was mainly due to the increase in turnover resulting from the consolidation of the results of Huachun which was acquired in January 2015. The increase in gross profit margin of the Group was due to the fact that the rate of decrease in the selling prices of the Group's yarn products has been lower than that of the raw materials as a result of improvement in the product mix and marketing effect of the Group.

Other Income

Other income of the Group increased from approximately RMB15.3 million for the year ended 31 December 2014 to approximately RMB24 million for the year ended 31 December 2015, representing an increase of 56.9% or approximately RMB8.7 million. The increase in other income was mainly due to increase in government grants and income from scrap sales.

Distribution and selling expenses

Distribution and selling expenses of the Group increased from approximately RMB12.4 million for the year ended 31 December 2014 to approximately RMB25.9 million for the year ended 31 December 2015, representing an increase of approximately RMB13.5 million, or 108.9%. Distribution and selling expenses as a percentage of turnover of the Group was approximately 2.0% for the year ended 31 December 2015 (2014: 1.5%). Such increase was mainly due to the fact that selling prices per tonne for the Group's yarn products had lowered but the transportation cost per tonne remained almost the same. The increase in the Group's distribution and selling expenses was mainly due to increase in sales volume from approximately 60,261 tonnes for the year ended 31 December 2014 to approximately 112,165 tonnes for year ended 31 December 2015. The increase in sales volume was mainly due to the consolidation of the results of Huachun which accounted for 50,025 tonnes.

Administrative expenses

Administrative expenses of the Group increased from approximately RMB28.4 million for the year ended 31 December 2014 to approximately RMB42.9 million for the year ended 31 December 2015, representing an increase of 51.0% or approximately RMB14.5 million. Administrative expenses as a percentage of turnover of the Group was approximately 3.3% for the year ended 31 December 2015 (2014: 3.4%). The increase in the Group's administrative expenses was mainly due to the consolidation of the administrative expenses of Huachun of approximately RMB15.1 million.

Finance costs

Finance costs of the Group increased from RMB17.1 million for the year ended 31 December 2014 to approximately RMB51.8 million for the year ended 31 December 2015, representing an increase of 202.9% or approximately RMB34.7 million. The increase in the Group's finance costs was mainly due to: (i) the consolidation of the finance costs of Huachun of approximately RMB29.2 million and (ii) the interest expense of approximately RMB4.2 million on the outstanding consideration payable to the vendors of Huachun.

Income tax expense

The Group's effective income tax rate for the year ended 31 December 2015 was approximately 14.5%, as compared to an income tax credit rate of 3.9% for the year ended 31 December 2014. The 2014 income tax credit mainly arose from the fire loss incurred in 2014.

Profit attributable to owners of the Company and net profit margin

Profit attributable to owners of the Company for the year ended 31 December 2015 was approximately RMB13.8 million, as compared to approximately RMB50.8 million of loss attributable to owners of the Company for the year ended 31 December 2014. The Group's net profit was mainly due to the increase in gross profit and other income coupled with the decrease in losses from fire. However, such effect was partially offset by increase in distribution and selling expenses, administrative expenses and finance costs.

Earnings per share

The basic earnings per share of the Company for the year ended 31 December 2015 was approximately RMB1.10 cent, representing an increase in earnings per share of approximately RMB5.61 cents as compared to approximately RMB4.51 cent basic loss per share (as restated) for the year ended 31 December 2014. The increase in basic earnings per share of the Company was due to the increase in net profit for the year ended 31 December 2015.

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 year ended 31 December 2015, net cash generated from operating activities of the Group amounted to approximately RMB86.1 million (year ended 31 December 2014: RMB2.6 million). The Group had cash and bank balances of approximately RMB41.2 million (31 December 2014: RMB90.6 million), restricted bank deposit of approximately RMB20.1 million (31 December 2014: nil), pledged bank deposits of approximately RMB36.2 million (31 December 2014: RMB6.7 million) and nil time deposit (31 December 2014: RMB76.1 million) as at 31 December 2015. The Group's cash and bank balances were mainly held in Hong Kong Dollars, Renminbi and US Dollars.

Capital Structure and Pledge on Assets

The Group's interest-bearing borrowings were made in Renminbi and Hong Kong dollars. As at 31 December 2015, the Group's interest-bearing borrowings amounted to approximately RMB696.7 million (31 December 2014: RMB295.5 million), of which RMB583.8 million (83.8%) (31 December 2014: RMB280.5 million (95.0%)) was repayable within one year. The Group's banking facilities and bond payables were secured by its land use rights, properties, plant and equipment and pledged bank deposits with a carrying value of approximately RMB724.8 million in aggregate (31 December 2014: RMB256.7 million). The increase in the Group's interest-bearing borrowings was primarily due to the consolidation of the bank borrowings and bond payables of Huachun.

Gearing Ratio

The gearing ratio of the Group, which is equal to the total of bank borrowings, bond payable, finance leases payables, bills payable and consideration payable to total assets, was approximately 49.7% as at 31 December 2015 (31 December 2014: 37.3%). Net current liabilities and net assets at 31 December 2015 was approximately RMB590.0 million (31 December 2014: RMB120.4 million) and approximately RMB463.6 million (31 December 2014: RMB432.9 million), respectively. The increase in the Group's gearing ratio was mainly due to the consolidation of Huachun, the gearing ratio of which was higher than that of the Group before the acquisition. The increase in the net current liabilities of the Group was mainly due to the consolidation of the bank borrowings and bond payables of Huachun.

Foreign Exchange Exposure

As the Group conducts its 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 2015. The Group has foreign currency cash and bank balances, pledged bank deposits, bills receivable, other receivables, bank borrowings, bills payable and other payables, which mainly expose the Group to risks in Hong Kong Dollars and US Dollars. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2015 were approximately RMB11.7 million (31 December 2014: RMB82.4 million) and RMB5.7 million (31 December 2014: RMB15.4 million) respectively.

Contingent Liabilities

As at 31 December 2015, the Group did not have any contingent liabilities.

Employees, Remuneration and Share Option Scheme

As at 31 December 2015, the Group had a total of 3,103 (31 December 2014: 1,705) employees. Remuneration for employees, including 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

As disclosed in the Company's announcements dated 30 September 2014 and 7 January 2015, the Group had entered into an agreement to acquire the entire equity interest of Huachun and completed the acquisition, respectively.

Save as disclosed above, during the year ended 31 December 2015, the Group did not have any significant investments or acquisitions or sales of subsidiaries.

PROSPECTS

The Group had completed the acquisition of Huachun in January 2015. The integration of Huachun into the Group immediately increased the total production capacity of the Group from approximately 390,000 spindles to 690,000 spindles and gave the Group immediate access to the grey mélange yarns market. The integration has achieved synergy in terms of sales, materials procurement and production. Apart from the grey mélange yarns, the Group has also introduced viscose yarns into its product portfolio. The relocation of the production facilities affected by the fire accident has been completed and the production has substantially resumed.

The prices of domestic cotton are expected to remain low in 2016 given the high level of inventory. After a drastic fall in the second half of 2015, international oil prices further plummeted to below US$30 per barrel in February 2016 and then showed some signs of stabilization in March 2016. Lower prices of raw materials will translate into lower yarn prices for yarn products. However, further substantial downward risks appear less likely after the prices adjustments in the past 2 years. The stabilization of raw material prices will provide a better foundation for the textile industry as a whole.

Looking forward, the sluggish overseas demand and a softening domestic economy will continue to pose challenges to the textile industry in the PRC. The Group intends to put more effort into new products development. The Group is constructing a R&D workshop for new products development and testing. The Group will also increase its effort in developing markets for its new products. Taking into account the benefits from the enlarged product portfolio and increased economies of scale as a result of the successful acquisition of Huachun, 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 2015.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company (the "**Annual General Meeting**") will be held on Tuesday, 7 June 2016. 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 Friday, 3 June 2016 to Tuesday, 7 June 2016, 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 Thursday, 2 June 2016.

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 2015.

CODE OF CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, during the year ended 31 December 2015, 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 A 6.7 of the CG Code, one of the independent non-executive Directors was unable to attend the annual general meeting of the Company held on 28 May 2015 due to business travel.

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 2015.

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 reviewed the audited consolidated financial statements for the year ended 31 December 2015.

SCOPE OF WORK OF MESSRS. 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 2015 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 ended 31 December 2015. 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 2015 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, 24 March, 2016

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