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 2014

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 2014 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	
		2014	2013
	NOTES	***RMB'000***	*RMB'000*
Revenue	*4*	**846,554**	880,272
Cost of sales		**(804,470)**	(822,443)
Gross profit		**42,084**	57,829
Other income		**15,330**	21,218
Distribution and selling expenses		**(12,400)**	(11,942)
Administrative expenses		**(28,584)**	(22,741)
Losses from fire	*5*	**(52,163)**	–
Other gains and losses		**14**	(15)
Finance costs	*6*	**(17,145)**	(11,154)
(Loss) profit before tax		**(52,864)**	33,195
Income tax credit (expense)	*7*	**2,036**	(12,153)
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company		**(50,828)**	21,042
(Loss) earnings per share	*8*		
– Basic (RMB cents)		**(4.96)**	2.08
– Diluted (RMB cents)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS AT 31 DECEMBER	
		2014	2013
	NOTES	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**539,388**	575,208
Prepaid lease payments		**34,111**	34,909
Deposits on acquisition of property, plant and equipment		**963**	3,262
Deferred tax asset		**2,214**	–
		576,676	613,379
Current assets			
Inventories		**80,360**	102,075
Trade and other receivables	*9*	**17,677**	16,631
Bills receivables	*10*	**10,306**	6,599
Prepaid lease payments		**776**	776
Pledged bank deposits		**6,704**	19,167
Time deposit		**76,052**	–
Cash and bank balances		**90,637**	58,203
		282,512	203,451
Current liabilities			
Trade and other payables	*11*	**91,360**	125,183
Bills payables	*12*	**25,356**	51,420
Tax payable		**5,635**	8,380
Bank borrowings	*13*	**280,535**	207,986
		402,886	392,969
Net current liabilities		**(120,374)**	(189,518)
Total assets less current liabilities		**456,302**	423,861

		AS AT 31 DECEMBER	
		2014	2013
	NOTES	***RMB'000***	*RMB'000*
Non-current liabilities			
Deferred income		**6,115**	6,265
Bank borrowings	*13*	**15,000**	–
Deferred tax liability		**2,299**	4,835
		23,414	11,100
Net assets		**432,888**	412,761
Capital and reserves			
Share capital		**92,875**	82,899
Reserves		**340,013**	329,862
Total equity attributable to the owners of the Company		**432,888**	412,761

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As of 31 December 2014, the Group had net current liabilities of approximately RMB120,374,000 (2013: RMB189,518,000). Up to the date these consolidated financial statements were authorised for issuance, the relevant banks agreed to renew bank loans amounting to RMB210,700,000 currently included in current liabilities as at 31 December 2014. Taken into account the availability of these banking facilities and the Group's expected cash flows generated from operations, the management of the Group is satisfied 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.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board ("**IASB**").

The application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised IFRSs issues but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

IFRS 15 "Revenue from Contracts with Customers"

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation"

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

Currently, the Group uses the straight-line method for depreciation for its property, plant and equipment. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors do not anticipate that the application of these amendments to IAS 16 will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 27 "Equity Method in Separate Financial Statements"

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost
- In accordance with IFRS 9 "Financial Instruments" (or IAS 39 "Financial Instruments: Recognition and Measurement" for entities that have not yet adopted IFRS 9), or
- Using the equity method as described in IAS 28 "Investments in Associates and Joint Ventures".

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to IAS 27, there are consequential amendments to IAS 28 to avoid a potential conflict with IFRS 10 "Consolidated Financial Statements" and to IFRS 1 "First time Adoption of Hong Kong Financial Reporting Standards".

The Directors do not anticipate that the application of these amendments to IAS 27 will have a material impact on the Group's 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 ("PRC GAAP"), that are regularly reviewed by the chief operating decision-maker ("CODM") to allocate resources to the segments and to assess their performance.

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.

Other than revenue analysis by major products as disclosed in note 4, no operating results and other discrete financial information relating to the respective products is prepared regularly for internal reporting to the CODM for resources allocation and performance assessment. The executive directors review the loss or profit after tax from the management accounts of wholly owned operating subsidiaries, Jiangxi Jinyuan Textile Co. Ltd. ("Jiangxi Jinyuan") and Treasure Resources Corporation Limited ("Treasure Resources") for the purposes of resources allocation and performance assessment for the year ended 31 December 2014 and 2013, respectively. The operations of Jiangxi Jinyuan and Treasure Resources (2013: Jiangxi Jinyuan) represent single operating and reportable segment of the Company under IFRS 8 "Operating Segments".

Geographical information

Over 99% of the Group's revenue were derived from sales of polyester yarns, polyester-cotton blended yarns, cotton 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 2014 and 2013.

4. REVENUE

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

	2014	2013
	RMB'000	*RMB'000*
Sales of polyester yarns	**373,286**	446,616
Sales of polyester-cotton blended yarns	**393,029**	380,645
Sales of cotton yarns	**78,989**	53,011
Sales of cotton	**1,250**	–
	846,554	880,272

5. LOSSES FROM FIRE

On 31 December 2014, a fire broke out at the warehouse of one of the production bases of the Group situated at Fengxin County, Jiangxi Province, the PRC, causing damage to certain inventories and plant and machinery situated at Workshop One which is adjacent to the warehouse. The losses incurred as a result of the fire are summarised as follows:

	2014
	RMB'000
Loss on inventories	
Raw materials	**9,589**
Finished goods	**2,820**
	12,409
Loss on property, plant and equipment	**38,515**
Provision for restoration	**1,239**
	52,163

6. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest on:		
– Bank borrowings wholly repayable within five years	**16,909**	13,191
– Finance leases	**–**	117
	16,909	13,308
Other finance expenses	**236**	593
	17,145	13,901
Less: amounts capitalised	**–**	(2,747)
	17,145	11,154

7. INCOME TAX (CREDIT) EXPENSE

	2014	2013
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**2,214**	10,847
Withholding tax on distributed earnings from a subsidiary	**500**	–
Deferred tax	**(4,750)**	1,306
	(2,036)	12,153

The taxation for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014	2013
	RMB'000	*RMB'000*
(Loss) profit before tax	**(52,864)**	33,195
Tax at PRC EIT rate of 15% (2013: 25%)	**(7,930)**	8,298
Tax effect of income not taxable for tax purpose	**(838)**	(173)
Tax effect of expenses not deductible for tax purpose	**3,157**	1,620
Tax effect of deductible temporary differences not recognised	**5,611**	1,102
Withholding taxes charged on dividend declared by Jiangxi Jinyuan	**500**	–
Withholding tax arising from undistributed profits of Jiangxi Jinyuan	**(2,536)**	1,306
Income tax (credit) expenses for the year	**(2,036)**	12,153

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2014	2013
	RMB'000	*RMB'000*
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share		
(Loss) profit for the year attributable to owners of the Company	**(50,828)**	21,042

Number of shares	2014	2013
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,024,582**	1,012,500

For the years ended 31 December 2014 and 2013, no diluted (loss) earning per share is presented as there are no potential ordinary shares outstanding during the year.

9. TRADE AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**16,980**	3,840
Advance payment to suppliers	**–**	9,687
Prepayments and other receivables	**697**	3,104
	17,677	16,631

In general, the Group will receive 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.

	2014	2013
	RMB'000	*RMB'000*
1–30 days	**14,250**	3,493
31–90 days	**2,688**	337
Over 90 days	**42**	10
	16,980	3,840

Ageing of trade receivables which are past due but not impaired

	2014	2013
	RMB'000	*RMB'000*
Over 30 days	**2,730**	347

10. BILLS RECEIVABLES

The following is an analysis of bills receivables, presented based on the date of invoices issued:

	2014	2013
	RMB'000	*RMB'000*
1–30 days	**5,148**	2,253
31–60 days	**2,873**	1,902
61–90 days	**1,266**	890
91–120 days	**300**	600
121–150 days	**500**	504
Over 150 days	**219**	450
	10,306	6,599

The following were the Group's bills receivables as at 31 December 2014 and 2013 that were transferred to a bank or suppliers by discounting or endorsing those bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the bills receivables and the corresponding trade and other payables. These bills receivables are carried at amortised cost in the Group's consolidated statement of financial position.

	Bills receivables discounted to a bank with full recourse		**Bills receivables endorsed to suppliers with full recourse**	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Carrying amount of transferred assets	**1,493**	–	**7,914**	6,599
Carrying amount of associated liabilities	**(1,493)**	–	**(7,914)**	(6,599)

11. TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**27,705**	46,408
Value-added tax payable	**6,478**	84
Other payables	**3,330**	2,202
Other tax payable	**4,435**	2,380
Accrual for salary and wages	**6,246**	5,400
Accrual for social insurance	**25,080**	17,339
Other accrued charges	**4,103**	6,412
Payable for acquisition of property, plant and equipment	**8,660**	38,086
Deposits from customers	**5,080**	6,714
Dividend payables	**243**	158
	91,360	125,183

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

	2014	2013
	RMB'000	*RMB'000*
1–30 days	**21,864**	32,910
31–90 days	**5,473**	13,485
Over 90 days	**368**	13
	27,705	46,408

12. BILLS PAYABLES

The following is an analysis of bills payables, presented based on invoice date:

	2014	2013
	RMB'000	*RMB'000*
1–30 days	**7,206**	10,000
31–90 days	**18,150**	20,000
91–180 days	**–**	21,420
	25,356	51,420

13. BANK BORROWINGS

	2014 *RMB'000*	2013 *RMB'000*
Bank loans *(note i)*	**294,042**	204,000
Trust receipt loans *(note ii)*	**–**	3,986
Discounted bills with recourse	**1,493**	–
	295,535	207,986
Secured	**230,700**	198,986
Unsecured	**64,835**	9,000
	295,535	207,986
Carrying amount repayable *(note iii)*:		
Within one year	**280,535**	207,986
More than one year, but not exceeding two years	**15,000**	–
	295,535	207,986
Less: Amounts due within one year shown under current liabilities	**(280,535)**	(207,986)
	15,000	–

Notes:

i. Bank loans amounting to RMB230,700,000 (2013: 198,986,000) were secured by the Group's certain land use rights, property, plant and equipment and bank deposit.

ii. The Group has obtained banking facilities relating to trust receipt loans of approximately RMB4 million (2014: nil) as at 31 December 2013 and they bore bank charges of 2.04% of the issued trust receipt loans.

iii. The amounts due are based on the scheduled repayment dates set in the loan agreements.

The range of effective interest rates (which are also equal to contractual interest rates) on the Group's borrowings, except for the trust receipt loan as mentioned in note ii above, are as follows:

	2014	2013
Effective interest rate:		
Fixed-rate borrowings	**6.00% – 6.77%**	6.00% – 6.56%
Variable – rate borrowings	**6.16% – 7.00%**	6.16% – 7.80%

The Group's borrowings that are denominated in currencies other than the functional currency of the Group are set out below:

	2014	2013
	RMB'000	*RMB'000*
Hong Kong Dollars	**3,342**	–
United States Dollars	**1,493**	–

14. CAPITAL COMMITMENTS

	2014	2013
	RMB'000	*RMB'000*
Contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment and construction of new production facilities and infrastructure	**1,305**	29,723
Capital expenditure in respect of the acquisition of property, plant and equipment and construction of new production facilities and infrastructure authorised but not contracted for	**–**	2,266

15. EVENT AFTER THE REPORTING PERIOD

(i) On 30 September 2014, the Company and Jiangxi Jinyuan, entered into an acquisition agreement with the vendors, being seven individuals resident in the PRC, to purchase all equity interest in Jiangxi Huachun Color Spinning Technology Development Co., Ltd ("Huachun") for a total consideration of RMB200,000,000.

Huachun is principally engaged in manufacturing and trading of polyester yarns, grey and deep grey melange yarns and cotton yarns in Jiangxi province, the PRC. After completion of the acquisition, the Company and its subsidiaries will be able to expand its production capacity and diversify its product portfolio.

The transaction was completed on 6 January 2015 and the first instalment of consideration of RMB80 million was paid, with the remaining outstanding consideration of RMB120 million to be settled in accordance with the acquisition agreement.

(ii) The Group reported the fire incident broken out at the warehouse of one of the production bases of the Group situated at Jiangxi, the PRC on 31 December 2014. Subsequent to the year ended 31 December 2014, the Group received confirmation from Ping An Property & Casualty Insurance Company of China, Ltd. (中國平安財產保險股份有限公司) ("Ping An") for an insurance claim of RMB5,432,000 which was paid to the Group in March 2015. Up to the date of approval of the consolidated financial statements, the Group has not reached agreement in respect of the amount of compensation from any insurer other than Ping An. The losses in respect of inventories and property, plant and equipment amounting to RMB52,163,000 in aggregate do not take into account of any compensation from Ping An and possible compensation from any other insurer other than Ping An. In the opinion of the Directors, it is not probable to estimate the compensation amount, any amounts eventually recoverable from the insurers will be recognised in the future periods only when it is made known to the Company.

MARKET OVERVIEW

In 2014, the international economic conditions remained challenging. The United States of America (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 gross domestic product ("**GDP**") of the People's Republic of China (the "**PRC**") grew at a year-on-year ("**YoY**") rate of 7.4%, indicating that the PRC economy has seen a slowdown from rapid growth to moderate-to-high speed.

The complicated international environments, over capacity and tight liquidity in the PRC have affected many industries, including the textile industry. The rising domestic production costs in the PRC have also presented challenges to the industry and the increases of production costs have become a norm. Apart from sluggish overseas demand, a softening domestic economy and escalating production cost, the shift in the PRC government's national cotton temporary reserve policy has exacerbated the problem in the short term. The domestic cotton prices in the PRC have dropped significantly since April 2014 as a result of the replacement of the government's national cotton temporary reserve policy with granting direct subsidies to cotton farmers. The change of government policies has brought down the prices of domestic cotton in the PRC and narrowed their price gap with that of international cotton. This has lessened the pressure of competition from imported yarns taking advantage of lower international cotton prices; this is in general considered to be beneficial to the textile industry in the PRC in the long run. However, lower prices of cotton reserve have dragged the prices of domestic cotton into a downward trend. The fall in cotton prices induced decline in cotton yarns prices, squeezing both the sale prices and margin of cotton yarns manufacturers.

Apart from the drop in raw cotton prices, the international crude oil prices plummeted by almost 50% in the second half of 2014, such magnitude of adjustment has not been seen since the 1980s. 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 oil prices in 2014 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 price and squeeze in gross margin during a downward cycle.

BUSINESS REVIEW

Despite the challenging market conditions in 2014, the sales volume of the Group slightly increased by 1.4% from approximately 59,422 tonnes for the year ended 31 December 2013 to approximately 60,261 tonnes for the year ended 31 December 2014. The production volume of the Group decreased by 3.3% from approximately 61,849 tonnes for the year ended 31 December 2013 to approximately 59,843 tonnes for the year ended 31 December 2014. The revenue of the Group decreased by approximately 3.8% to approximately RMB846.6 million for the year ended 31 December 2014 as compared to RMB880.3 million for the year ended 31 December 2013, as a result of lower selling prices driven by lower raw material prices. The decrease in the Group's production volume was mainly due to a longer Chinese New Year holiday in 2014 as compared to that of 2013 and disruption to the production in April 2014 resulting from the repair work of the Fengxin County, Fengtian Development Zone high voltage transmission system. The gross profit and the loss attributable to the owners of the Company for the year ended 31 December 2014 was approximately RMB42.1 million and approximately RMB50.8 million, respectively.

As disclosed in the Company's announcements dated 2 Jan 2015 and 5 Jan 2015, the Group suffered from a fire accident 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 has been 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. Installation of the 50,000 spindles at Phase III was completed in the third quarter of 2014 but is yet to be in full operation. The production volume of Phase III in 2014 was only approximately 3,800 tonnes, representing approximately 6.3% of the total production volume in 2014. Hence, the suspension of the production at Phase III has no material effect on the sales and production of the Group. Restoration and repair works and replacement of damaged equipment have been carried out soon after the accident. Arrangements have been made to relocate the production line to Workshop Two of Phase III. Workshop Two at Phase III has been constructed to cater for future expansion and it has the same design capacity of 50,000 spindles as Workshop One and it has not been affected by the fire accident at all. Such relocation could ensure the resumption of production at the shortest possible time. It is expected that production capacity of approximately 20,000 spindles could be resumed around May 2015 and the rest of the production capacity could be gradually resumed in the third and fourth quarters of 2015 in Workshop Two.

The newly installed open-end spun production facilities are also located at Phase III and it was put under trial production in quarter four of 2014. The production capacity is 1,600 heads (equivalent to approximately 20,000 spindles). It suffered no damage at all in the fire accident but the trial production was also suspended as the high voltage transformer system for the whole Phase III was damaged in the fire and requires replacement. It is expected that the production of open-end spun yarns will also be resumed around May 2015.

As disclosed in the Company's announcements dated 30 September 2014 and 7 Jan 2015, the Group has entered into an agreement to acquire the entire equity interest in Huachun and completed the acquisition respectively. Apart from immediately increasing the production capacity of the Group by 300,000 spindles and giving the Group immediate access to the grey mélange yarns market, the acquisition is also expected to achieve synergy in terms of sales, material procurement and production. As grey mélange yarns yield a better margin than our existing products, the introduction of grey mélange yarns into our product portfolio is anticipated to improve our overall margin.

Also as disclosed in the Company's announcement dated 20 November 2014, the Company has entered into an agreement to place 126,000,000 shares at HK$0.80 per share. The placement was completed in November 2014 and the net proceeds of the placement amounted to approximately HK$99.6 million which had been applied towards the partial settlement of the consideration for the acquisition of Huachun.

FINANCIAL REVIEW

Turnover

Turnover of the Group for the year ended 31 December 2014 was approximately RMB846.6 million, representing a decrease of approximately RMB33.7 million, or 3.8%, as compared to that of the year ended 31 December 2013. Sales of polyester yarn, polyester-cotton blended yarn, cotton yarn and cotton trading accounted for approximately 44.1% (2013: 50.8%), 46.5% (2013: 43.2%), 9.3% (2013: 6.0%) and 0.1% (2013: nil) of total sales of the Group for the year ended 31 December 2014, respectively. The decrease in the turnover of the Group for the year ended 31 December 2014 was attributable to the decrease in average unit selling prices of the Group's yarn products as a result of lower raw material prices. The overall average selling price of yarn products of the Group decreased by approximately 5.1% from approximately RMB14,814 per tonne for the year ended 31 December 2013 to approximately RMB14,027 per tonne for the year ended 31 December 2014.

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 and market conditions, our 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 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 price. The average unit purchase prices of PSF's and raw cotton were lower in 2014 than in 2013 and the Group lowered the prices of its various yarn products accordingly during this period.

Gross profit and gross profit margin

Gross profit of the Group for the year ended 31 December 2014 decreased from approximately RMB57.8 million for the year ended 31 December 2013 to approximately RMB42.1 million for year ended 31 December 2014. The gross profit margin of the Group decreased from approximately 6.6% for the year ended 31 December 2013 to approximately 5.1% for year ended 31 December 2014. The decrease in gross profit was mainly due to depressed selling prices resulting from the downward prices trends of both cotton and PSF.

Other Income

Other income of the Group decreased from approximately RMB21.2 million for the year ended 31 December 2013 to approximately RMB15.3 million for the year ended 31 December 2014, representing a decrease of 27.8% or approximately RMB5.9 million. The decrease in other income was mainly due to decrease in both other government grants and income from scrap sales.

Distribution and selling expenses

Distribution and selling expenses of the Group increased from approximately RMB11.9 million for the year ended 31 December 2013 to approximately RMB12.4 million for the year ended 31 December 2014, representing an increase of approximately RMB0.5 million, or 4.2%. Distribution and selling expenses as a percentage of turnover of the Group was approximately 1.5% for the year ended 31 December 2014 (2013: 1.4%). The increase in the Group's distribution and selling expense was mainly due to increase in sales volume from approximately 59,422 tonnes for the year ended 31 December 2013 to approximately 60,261 tonnes for year ended 31 December 2014 and change in customers mix requiring some deliveries to more distant locations.

Administrative expenses

Administrative expenses of the Group increased from approximately RMB22.7 million for the year ended 31 December 2013 to approximately RMB28.6 million for the year ended 31 December 2014, representing an increase of 26.0% or approximately RMB5.9 million. Administrative expenses as a percentage of turnover of the Group was approximately 3.4% for the year ended 31 December 2014 (2013: 2.6%). The increase in the Group's administrative expenses was mainly due to i) increase in depreciation and related land and property taxes arising from worker's dormitories, support building and other auxiliary structures of the new production site completed by the end of 2013, ii) increase in staff cost in relation to the new production facilities, iii) increased research and development cost and iv) professional fees incurred in connection with the acquisition of Huachun and the application for the status of "High-New Technology Enterprise" in the PRC.

Finance cost

Finance cost of the Group increased from RMB11.2 million for the year ended 31 December 2013 to approximately RMB17.1 million for the year ended 31 December 2014, representing an increase of 54.1% or approximately RMB6.0 million. The increase in the Group's finance cost was mainly due to the lack of capitalization of interest expense for construction in progress (amount capitalized for the year ended 31 December 2013: RMB2.7 million) and increased in bank borrowing.

Income tax expense

The Group's effective income tax credit rate for the year ended 31 December 2014 was approximately 3.9%, as compared to an income tax rate of 36.6% for the corresponding period in 2013. The income tax credit of the Group was mainly due to deferred tax credits arising from the fire loss in 2014.

Loss attributable to owners of the Company and net loss margin

Loss attributable to owners of the Company for the year ended 31 December 2014 was approximately RMB50.8 million, as compared to approximately RMB21.0 million of profit attributable to owners of the Company for the year ended 31 December 2013. The Group's net loss was mainly due to the decrease in gross profit and losses from fire, partially offset by decrease in income tax expenses.

Loss per share

The basic loss per share of the Company for the year ended 31 December 2014 was approximately RMB4.96 cent, representing a decrease in earnings per share of approximately 3.4 times as compared to approximately RMB2.08 cent basic earnings per share for the year ended 31 December 2013. The decrease in basic earnings per share of the Company was due to the decrease in net profit for the year ended 31 December 2014.

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 2014, net cash generated from operating activities of the Group amounted to approximately RMB2.6 million (year ended 31 December 2013: RMB90.1 million). The Group had time deposit of approximately RMB76.1 million (31 December 2013: nil) and cash and bank balances of approximately RMB90.6 million (31 December 2013: RMB58.2 million) and pledged bank deposits of approximately RMB6.7 million (31 December 2013: RMB19.2 million) as at 31 December 2014. The Group's cash and bank balances were mainly held in Hong Kong Dollars and Renminbi.

Capital Structure and Pledge on Assets

The Group's interest-bearing borrowings were made in Renminbi and Hong Kong Dollars. As at 31 December 2014, the Group's interest-bearing borrowings amounted to approximately RMB295.5 million (31 December 2013: RMB208.0 million), RMB280.6 million (95.0%) of which (31 December 2013: 100%) was repayable within one year. These bank borrowings were secured by the Group's land use rights, buildings, plant and machinery with a carrying value of approximately RMB256.7 million in aggregate (31 December 2013: RMB256.8 million).

Gearing Ratio

The gearing ratio of the Group, which is equal to the total of bank borrowings and bills payable to total assets, was approximately 37.1% as at 31 December 2014 (31 December 2013: 31.8%). Net current liabilities and net assets at 31 December 2014 was approximately RMB120.4 million (31 December 2013: RMB189.5 million) and approximately RMB432.9 million (31 December 2013: RMB412.8 million), respectively.

Foreign Exchange Exposure

As the Group conducts 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 2014. The Group has foreign currency cash and bank balances, other receivables, bank borrowing and other payable, which mainly expose the Group to risk 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 2014 are approximately RMB82.4 million (31 December 2013: RMB3.1 million) and RMB15.4 million (31 December 2013: RMB15.8 million), respectively.

Contingent Liabilities

As at 31 December 2014, the Group did not have any contingent liabilities.

Employees, Remuneration and Share Option Scheme

As at 31 December 2014, the Group had a total of 1,705 (31 December 2013: 1,769) 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 has 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.

PROSPECTS

In 2014, the textile industry in the PRC continued to encounter adversity arising from a general weakness in demand. Apart from sluggish overseas demand, a softening domestic economy and escalating production cost, yarns manufacturers in the PRC was hit hard by downward trends in raw material prices. The prices of raw cotton and PSF have followed a downward trend in 2014 as a result of the shift in the PRC government's national cotton temporary reserve policy and the plunge in crude oil prices respectively. The falling raw material prices induced drop in yarns prices, squeezing both the sale prices and margin of cotton yarns manufacturers.

Looking forward, the sluggish overseas demand and softening domestic economy will continue to pose challenges to the textile industry in the PRC. The cancellation of the government's national cotton temporary reserve policy is generally considered beneficial to the textile industry in the PRC in the long run although it pushed the domestic cotton prices into a downward trend in the short term. In 2015, domestic cotton prices have shown signs of stabilization and the price gaps between domestic and international cotton appeared to have narrowed within a reasonable range. Crude oil prices have also been stabilizing after falling almost 50% in the second half of 2014. Prices of PTA and PSF have followed suit accordingly.

2014 was a very difficult year for the Group as it suffered from a fire accident while conducting business in an adverse external environment. However, with the dedication and professionalism of the management, disrupted production would be resumed soon. The successful acquisition of Huachun in January 2015 is expected to bring synergies in product offering, sales and marketing, material procurement and production for the Group.

Taking into account the benefit from the enlarged product portfolio and increased economy 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.

Merger and Acquisition

The Group has entered into an agreement to acquire the entire equity interest of Huachun on 30 September 2014 and has completed the acquisition on 6 January 2015. Save as disclosed above, for the year ended 31 December 2014, no acquisition or disposal of subsidiaries or associates was made by the Company or the Group.

DIVIDEND

The Board does not recommend a final dividend in respect of the year ended 31 December 2014.

BONUS ISSUE OF SHARES

The Board recommends a bonus issue (the "**Bonus Issue**") of shares of the Company of HK$0.10 each ("**Shares**") on the basis of one bonus Share ("**Bonus Share**") for every ten existing Shares held by shareholders of the Company (the "**Shareholders**") registered as such on the register of members of the Company on 8 June 2015 (the "**Record Date**"). On the basis of 1,138,500,000 existing Shares in issue as at the date of this announcement, and assuming (i) no further Shares will be issued or repurchased before the Record Date; (ii) there are no non-qualifying Shareholders, it is anticipated that 113,850,000 Bonus Shares will be issued under the Bonus Issue. The Bonus Shares will be credited as fully paid by way of capitalization of an amount standing to the credit of the share premium account of the Company. Immediately upon completion of the Bonus Issue, there will be a total of 1,252,350,000 Shares in issue as enlarged by the Bonus Issue.

Conditions of the Bonus Issue

The completion of the Bonus Issue is conditional upon:

(i) the approval by the Shareholders at the annual general meeting of the Company to be held on 28 May 2015 (the "**Annual General Meeting**");

(ii) the Stock Exchange granting the approval for the listing of, and permission to deal in, the Bonus Shares; and

(iii) compliance with the relevant legal procedures and requirements (if any) under the applicable laws of the Cayman Islands and articles of association of the Company to conduct the Bonus Issue.

Application will be made to the Stock Exchange in respect of such approval for the listing of, and permission to deal in, the Bonus Shares. A separate resolution will be proposed to the Shareholders at the forthcoming Annual General Meeting to consider, and if thought fit, approve the Bonus Issue.

Bonus Shares

It is expected that certificates for the Bonus Shares will be posted on or about 23 June 2015 after all the conditions have been fulfilled at the risk of the Shareholders entitled thereto to their respective addresses shown on the register of members of the Company on the Record Date. Dealing in the Bonus Shares is expected to commence on or about 24 June 2015.

Upon issuance, the Bonus Shares will rank *pari passu* in all respects with the Shares then in issue, including the entitlement to receiving dividends and other distributions the record date for which falls on or after the date of allotment and issue of those Bonus Shares.

The total number of Bonus Shares to be issued to any Shareholders will be rounded down to a whole number, if there are any fractional entitlements of the Bonus Shares. Such fractional entitlements arising from the Bonus Issue (if any) will not be issued to the Shareholders, but will be cancelled by the Company.

Reasons for the proposed Bonus Issue

The Board proposed the Bonus Issue in recognition of the support of the Shareholders. In addition, the Directors believe that the Bonus Issue will enable the Shareholders to participate in the business growth of the Company and enhance the liquidity of the Shares in the market.

Overseas Shareholders

If, as at the close of the business on the Record Date, any Shareholder's address as recorded on the register of members of the Company is in a place outside Hong Kong ("**Overseas Shareholder(s)**"), the Board will make enquiries as to whether the Bonus Issue to such Overseas Shareholder(s) may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange. If, after making such enquiry, the Board is of the opinion that there is no legal restriction under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, such Overseas Shareholder(s) will be permitted to participate in the Bonus Issue. If, however, after making such enquiry, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restriction under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer to such Overseas Shareholder(s), no issue of the Bonus Shares will be made to such Overseas Shareholder(s).

Overseas Shareholders receiving a copy of the circular about the Bonus Issue may not treat the same as an invitation to participate in the Bonus Issue unless invitation could lawfully be made to him/her/it without requiring the Company or such Overseas Shareholders to comply with any registration or other legal requirements in the relevant territory.

In circumstances where any Overseas Shareholders are not permitted to participate in the Bonus Issue, arrangements will then be made for the Bonus Shares which would otherwise have been issued to those Overseas Shareholders to be sold in the market as soon as practicable after dealings in the Bonus Shares commence. Any net proceeds of such sale, after deduction of expenses, of HK$100 or more will be distributed in Hong Kong dollars to the relevant Overseas Shareholders, by post at his own risk, unless the amount falling to be distributed to such person is less than HK$100, in which case it will be retained for the benefit of the Company.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting will be held on Thursday, 28 May 2015. Notice of the Annual General Meeting will be published and dispatched to 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, 26 May 2015 to Thursday, 28 May 2015, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming Annual General Meeting to be held on Thursday, 28 May 2015, 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 Friday, 22 May 2015.

For the purpose of determining the Shareholders who are entitled to the proposed Bonus Shares, which is subject to the approval by the Shareholders at the Annual General Meeting, the register of members of its Company will be closed from Thursday, 4 June 2015 to Monday, 8 June 2015, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to the proposed Bonus Shares, 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 Wednesday, 3 June 2014.

FUND RAISING EXERCISE

The Company has entered into an agreement to place 126,000,000 shares at HK$0.80 per share on 20 November 2014. The placement was completed in November 2014 and the net proceeds of the placement amounted to approximately HK$99.6 million which had been applied towards the partial settlement of the consideration for the acquisition of Huachun.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Save as disclosed in the "Fund Raising Exercise" paragraph above, 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 2014.

CODE OF CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2014, the Company had complied with the code provisions of the existing Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules.

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 2014.

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 2014.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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 2014 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on this 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 2014 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, 26 March, 2015

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