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# **CHINA WEAVING MATERIALS HOLDINGS LIMITED**

## **中國織材控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3778)**

### **PROFIT WARNING**

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO. The Board wishes to inform the Shareholders and potential investors that based on the preliminary assessment of the Group's unaudited consolidated management accounts and information currently available to the Board, it is expected that the Group may record a substantial decrease in its consolidated net profit or a consolidated net loss for the year ending 31 December 2022 as compared to that for the year ended 31 December 2021.

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

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

The board of directors (the “**Directors**”) of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that based on the preliminary review of the Group's unaudited consolidated management accounts for the ten months ended 31 October 2022, the Group recorded a consolidated revenue and consolidated net loss of approximately RMB1,164 million and RMB5 million, respectively. As such, it is expected that the Group may record a substantial decrease in its consolidated net profit or a consolidated net loss for the year ending 31 December 2022 (the “**Year**”) as compared to that for the year ended 31 December 2021. The consolidated revenue and consolidated net profit of the Company for the year ended 31 December 2021 was approximately RMB1,724 million and RMB204 million, respectively.

The expected decrease in the consolidated net profit or a consolidated net loss of the Group for the Year is mainly attributable to the decrease in gross profit resulting from decrease in revenue and decrease in gross profit margin of the Group's yarn products. The decrease in revenue was mainly due to the decrease in sales volume of the Group's yarn products due to poor market conditions. The decrease in gross profit margin was mainly due to the increase in cost of production driven by higher cost of materials in the first half of the Year not being fully passed to the customers through the increase in the selling price of Group's yarn products, which were increased to a lesser extent in line with the prevailing trends of the prices of such products in the market. In the second half of the Year, as the cost of materials kept falling in the third quarter of the Year, the selling prices of the Group's yarn products faced increased pressure and have been falling at a faster rate than that of the materials due to poor market conditions, which further contributed to the deterioration of the Group's gross profit margin.

The Group's financial performance for the first half of 2022 was affected by the movement of international crude oil prices and the economy of the People's Republic of China (the "**PRC**"). International crude oil prices have been fluctuating upward throughout 2021 and in the first half of 2022. Russia's military conflict with Ukraine ("**Russia Ukraine Conflict**") since February 2022 has exacerbated such increase. The prices of downstream products of crude oil, including polyester staple fibre ("**PSF**"), a downstream product of crude oil, have been driven up accordingly. In addition, the growth momentum of the PRC economy has slowed down in the first half of 2022. The outbreak of a new wave of Covid-19 pandemic (the "**Pandemic**") in the Shanghai and surrounding area in around April 2022 and the associated Pandemic control measures have further adversely affected the economy of the PRC. Due to unfavourable market conditions, the increase in the selling prices of the yarn products of the Group has not been able to catch up with that of the increase in the cost of production in the first half of 2022. Please refer to the Company's 2022 interim report published on 20 September 2022 for further information on the Group's performance for the first half of 2022.

In the second half of 2022, in response to runaway inflation, the Federal Reserve of the United States (the "**US**") tightened the monetary policy and started raising interest rates in March. The rapid hiking of US interest rates since the second quarter of 2022 has triggered the fear for recession and led to a general fall in commodities prices including that of PSF in the third quarter of the Year. The fall in cost of raw materials dragged down the prices of yarn products. However, due to poor market demand, the prices of yarn products faced increased pressure and fell at a faster rate than that of the raw materials. In order to maintain market share and reduce inventory, the Group has adopted a more aggressive pricing strategy at the expense of the margin since the third quarter of the Year.

The information contained in this announcement is only based on the preliminary assessment by the Board on the unaudited consolidated management accounts of the Group for the ten months ended 31 October 2022 and information currently available to the Board. It is not based on any figures or information that has been audited or reviewed by the auditor of the Company. The final results announcement of the Company for the Year is expected to be released by the end of March 2023 in accordance with the Listing Rules.

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

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

The PRC, 21 November 2022

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