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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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016 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	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**1,435,942**	1,302,799
Cost of sales		**(1,280,402)**	(1,196,908)
Gross profit		**155,540**	105,891
Other income	*5*	**16,896**	23,774
Other gains and losses	*6*	**(18,619)**	1,216
Gain from fire, net	*7*	**–**	5,513
Distribution and selling expenses		**(25,671)**	(25,858)
Administrative expenses		**(46,304)**	(42,874)
Finance costs	*8*	**(52,984)**	(51,800)
Profit before tax		**28,858**	15,862
Income tax expense	*9*	**(16,059)**	(2,305)
Profit and total comprehensive income for the year	*10*	**12,799**	13,557
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**14,846**	13,823
Non-controlling interests		**(2,047)**	(266)
		12,799	13,557
Earnings per share			
– Basic	*12*	**RMB1.19 cents**	RMB1.10 cents
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**1,106,576**	1,084,908
Prepaid lease payments		**44,347**	45,434
Intangible asset		**67**	117
Deposits on acquisition of property, plant and equipment		**53**	17,561
Goodwill		**34,829**	34,829
Tax recoverable		**–**	8,938
Deferred tax assets		**2,465**	4,295
		1,188,337	1,196,082
Current assets			
Inventories		**137,153**	141,182
Trade and other receivables	*13*	**53,597**	54,298
Bills receivable		**12,614**	15,833
Prepaid lease payments		**1,090**	1,093
Tax recoverable		**–**	2,287
Pledged bank deposits		**61,571**	36,195
Restricted bank deposit		**500**	20,059
Cash and bank balances		**93,443**	41,182
		359,968	312,129
Current liabilities			
Trade and other payables	*14*	**233,792**	268,445
Bills payable		**52,148**	52,965
Deferred income		**227**	154
Finance lease payable		**4,125**	940
Bank borrowings		**498,729**	375,100
Bond payables		**–**	199,066
Notes payable		**705**	–
Liability component of convertible bond		**1,128**	–
Derivative component of convertible bond		**50,853**	–
Current tax liabilities		**10,276**	5,478
		851,983	902,148
Net current liabilities		**(492,015)**	(590,019)
Total assets less current liabilities		**696,322**	606,063

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	At 31 December	
	2016	2015
	RMB'000	*RMB'000*
Non-current liabilities		
Consideration payables	**42,963**	38,548
Deferred income	**7,937**	8,195
Finance lease payable	**–**	3,898
Bank borrowings	**20,260**	79,100
Notes payable	**44,729**	–
Liability component of convertible bond	**68,289**	–
Deferred tax liabilities	**18,600**	12,727
	202,778	142,468
Net assets	**493,544**	463,595
Capital and reserves		
Share capital	**101,989**	101,989
Reserves	**359,568**	344,722
Equity attributable to the owners of the Company	**461,557**	446,711
Non-controlling interests	**31,987**	16,884
Total equity	**493,544**	463,595

NOTES:

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). Significant accounting policies adopted by the Group are disclosed below.

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

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. As of 31 December 2016, the Group had net current liabilities of approximately RMB492,015,000. 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 RMB431,100,000 currently included in current liabilities at 31 December 2016.

(ii) Undrawn banking facilities amounting to approximately RMB31,860,000.

(iii) Subsequent to the reporting date, the Group has also successfully obtained new banking facilities of approximately RMB15,000,000.

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

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

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

(a) Application of new and revised IFRSs

The IASB has issued a number of new and revised IFRSs that are first effective for annual periods beginning on or after 1 January 2016. Of these, the following amendments are relevant to the Group.

Amendments to IAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify various presentation issues relating to:

- Assessment of materiality versus minimum disclosure requirements of a standard.
- Disaggregation of specific line items in the statement of profit or loss and other comprehensive income and the statement of financial position. There is also new guidance on the use of subtotals.
- Confirmation that the notes do not need to be presented in a particular order.
- Presentation of other comprehensive income items arising from equity-accounted associates and joint ventures.

The amendments as mentioned above have no material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

(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 2016. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to IAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. As the Group has not completed its assessment, further impacts may be identified in due course.

3. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports prepared in accordance with accounting policies which conform with the generally accepted accounting principles in the PRC according to the types of goods delivered, and are regularly reviewed by the chief operating decision-maker (the "CODM") to allocate resources to the segments and to assess their performance focuses on type of goods delivered.

The CODM which is responsible for allocating resources and assessing performance of the operating segments has been defined as the executive directors of the Company.

During the year ended 31 December 2016, the CODM has identified the following two reportable segments under IFRS 8 "Operating Segments". No operating segments have been aggregated to form the following reportable segments.

(a) Yarns – manufacturing and trading of yarns

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

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

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

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

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

Information about reportable segment profit or loss:

	Yarns *RMB'000*	Staple Fibres *RMB'000*	Total *RMB'000*
Year ended 31 December 2016			
Revenue from external customers	**1,435,884**	**58**	**1,435,942**
Intersegment revenue	**–**	**2,018**	**2,018**
Interest income	**808**	**7**	**815**
Interest expense	**(52,840)**	**–**	**(52,840)**
Depreciation and amortisation	**(55,772)**	**(1,595)**	**(57,367)**
Profit/(Loss) of reportable segments	**31,063**	**(4,291)**	**26,772**
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:			
Loss from fire	(5,219)	–	(5,219)
Insurance claim income	10,732	–	10,732
Profit/(Loss) of reportable segments	3,276	(542)	2,734

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

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Total revenue of reportable segments	**1,437,960**	1,302,799
Elimination of intersegment revenue	**(2,018)**	–
Group's revenue	**1,435,942**	1,302,799
Profit or loss		
Total profit of reportable segments	**26,772**	2,734
Elimination of intersegment losses	**78**	–
Adjusted for income in relation to government grants	**4,724**	13,420
Unallocated (expense)/income:		
Other income, gains and losses	**(707)**	1,458
Administrative and other expenses	**(2,009)**	(1,750)
Taxation	**(16,059)**	(2,305)
Group's profit for the year	**12,799**	13,557

Geographical information

Over 99% (2015: 99%) of the Group's non-current assets were located in the PRC, and accordingly, no related geographical information of non-current assets is presented.

Over 96% (2015: 96%) of the Group's revenue were derived from sales of yarns and polyester staple fibres in the PRC based on where goods are delivered to, which are also same as the location of customers.

Information about major customers

No revenue from single customer contributed over 10% of the total sales of the Group in the years ended 31 December 2016 and 2015.

4. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2016	2015
	RMB'000	*RMB'000*
Sales of finished goods	**1,429,620**	1,277,948
Sales of raw materials	**6,322**	24,851
	1,435,942	1,302,799

5. OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Interest income on bank deposits	**827**	1,524
Government grants	**4,724**	13,420
Income from scrap sales	**10,902**	7,399
Rental income	**408**	476
Others	**35**	955
	16,896	23,774

6. OTHER GAINS AND LOSSES

	2016	2015
	RMB'000	*RMB'000*
Fair value loss on derivative component of convertible bond	**(16,279)**	–
Net foreign exchange (loss)/gain	**(3,505)**	984
Loss on disposal of property, plant and equipment	**(141)**	(24)
Realised gain on financial assets at fair value through profit and loss	**1,306**	256
	(18,619)	1,216

7. GAIN 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 broken 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 incurred as a result of the fire accident are summarised as follows:

	2016	2015
	RMB'000	*RMB'000*
Loss on property, plant and equipment	**–**	(5,219)
Insurance claim income	**–**	10,732
	–	5,513

8. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on bank borrowings	**25,115**	30,682
Interest on bond payables	**12,634**	16,845
Interest on consideration payables	**4,356**	4,174
Interest on convertible bond	**8,790**	–
Interest on note payables	**1,945**	–
Finance leases charges	**144**	99
	52,984	51,800

9. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax ("**EIT**")		
Provision for the year	**7,741**	–
Over-provision in current year	**615**	–
Under-provision in prior year	**–**	68
	8,356	68
Deferred tax		
Reversal of temporary differences	**2,034**	2,237
Impact of change in tax rate	**5,669**	–
	7,703	2,237
	16,059	2,305

No provision for Hong Kong Profits Tax for the years ended 31 December 2016 and 2015 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 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. As such, the EIT rate for Jiangxi Jinyuan is a reduced tax rate of 15% for the years ended 31 December 2016 and 2015.

Huachun, a subsidiary, had been recognised as a state-encouraged high-new technology enterprise from 2013 to 2015 and was thus entitled to a preferential tax rate of 15% in 2013, 2014 and 2015. The status was expired during the year. Therefore, the EIT of Huachun is provided at a rate of 25% for the year ended 31 December 2016. As a result, the Group's deferred tax liabilities increased by approximately RMB5,669,000 in 2016.

Xinyuan, a subsidiary, is subject to the EIT tax rate at 25%.

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

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

10. PROFIT FOR THE YEAR

	2016	2015
	RMB'000	*RMB'000*
The Group's profit for the year is stated after charging the following:		
Auditor's remuneration		
– Audit	**857**	813
– Others	**180**	163
	1,037	976
Operating lease charges		
– Amortisation of prepaid lease payments	**1,090**	1,091
– Land and buildings	**474**	440
Amortisation of intangible asset (included in administrative expenses)	**50**	50
Cost of inventories sold	**1,280,402**	1,196,908
Depreciation	**56,300**	51,049

11. DIVIDENDS

The Board of Directors of the Company does not recommend any dividend in respect of the years ended 31 December 2016 and 2015.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following:

The calculation of the basic earnings per share is based on the profit for the year attributable to the owners of the Company and the weighted average number of ordinary shares of 1,252,350,000 (2015: 1,252,350,000) in issue during the year.

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**14,846**	13,823

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	**1,252,350**	1,252,350

As the conversion of the outstanding convertible bond into ordinary shares for the year ended 31 December 2016 would be anti-dilutive (2015: no potential dilutive shares outstanding), no diluted earnings per share was presented in both years.

13. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**17,360**	30,717
Advance payment to suppliers	**18,400**	10,753
Prepayments and other receivables	**14,428**	5,177
Value-added tax recoverable	**3,409**	7,651
	53,597	54,298

In general, the Group receives advance or bills from the customers before the products are delivered. The Group allows some of the long-term and loyal customers to have credit terms of 15–90 days depending on creditability of the customers.

No interest is charged on overdue trade receivables. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

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

	2016	2015
	RMB'000	*RMB'000*
0 – 30 days	**15,045**	26,166
31 – 90 days	**2,139**	3,872
Over 90 days	**176**	679
	17,360	30,717

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

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB2,369,000 (2015: RMB4,551,000) at 31 December 2016 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:

	2016	2015
	RMB'000	*RMB'000*
Up to 90 days	**2,211**	4,551
Over 90 days	**158**	–
Total	**2,369**	4,551

14. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**62,934**	107,758
Other payables	**7,932**	12,110
Other tax payables	**16,879**	10,786
Accrued for salary and wages	**16,532**	14,153
Other accrued charges	**74,715**	71,095
Payable for acquisition of property, plant and equipment	**24,742**	10,907
Deposits from customers	**21,222**	16,741
Dividend payables	**243**	243
Withholding tax payable	**–**	16,000
Consideration payables	**8,593**	8,652
	233,792	268,445

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

	2016	2015
	RMB'000	*RMB'000*
0 – 30 days	**47,683**	53,863
31 – 90 days	**10,452**	50,205
Over 90 days	**4,799**	3,690
	62,934	107,758

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 2016:

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which indicates that the Group's current liabilities exceeded its current assets by approximately RMB 492,015,000 as at 31 December 2016. As stated in Note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

MARKET OVERVIEW

In 2016, 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 the adjustments resulting from the transition of the economy, 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 ("**YoY**") rate of 6.9% for 2015 to 6.7% in 2016.

After a drastic fall in the second half of 2015, international oil prices further plummeted to below US$30 per barrel in February 2016. Then oil prices rebounded in the second quarter of 2016 and hovered between US$45 per barrel and US$50 per barrel for most of the time in the second half of 2016. Recovery in prices of oil related raw materials translated into higher prices for polyester yarn products and the market conditions for polyester yarns products have improved accordingly.

Since the shift in the PRC's government national cotton temporary reserve policy in 2014, the domestic cotton prices in the PRC have been shifting lower. The domestic cotton futures prices once fell below the mark of RMB10,000 per tone in March 2016. However, as the PRC government launched its policy concerning output of national cotton reserve for 2015/16 in April 2016 and resumed the auction of national cotton reserve, the domestic cotton prices picked up and continued an upward trend for the second half of 2016. The rise in domestic cotton prices was due to several factors including the general low level of inventories in textile enterprises; slow auction output of national cotton reserve resulting from new public inspection requirement; unfavourable expectation of domestic cotton production and participation of speculation funds in the futures market. Higher prices of cotton increased translated into higher prices for cotton yarn products. Furthermore, the price gap between imported cotton and domestic cotton has been narrowing since the shift in the PRC's government national cotton temporary reserve policy. The narrowing price gap coupled with the depreciation of the Renminbi ("**RMB**") has led to an increase in the import price of cotton yarn and a decrease in its import volume, thereby contributing to a more favourable market for the domestic cotton yarn market.

BUSINESS REVIEW

The sales volume of yarn products of China Weaving Materials Holdings Limited (the "**Company**") together with it subsidiaries, (the "**Group**") increased by 9.1% from approximately 112,165 tonnes for the year ended 31 December 2015 to approximately 122,351 tonnes for the year ended 31 December 2016. The production volume of yarn products of the Group increased by 4.8% from approximately 113,223 tonnes for the year ended 31 December 2015 to approximately 118,709 tonnes for the year ended 31 December 2016. The revenue of the Group increased by 10.2% to approximately RMB1,435.9 million for the year ended 31 December 2016 as compared to RMB1,302.8 million for the year ended 31 December 2015. The gross profit and the profit attributable to the owners of the Company for the year ended 31 December 2016 were approximately RMB155.5 million and approximately RMB14.8 million, respectively.

Following the completion of the acquisition of Jiangxi Huachun Color Spinning Technology Development Co., Ltd. ("**Huachun**") in 2015, the Group has rationalized its production capacities and further diversified its product portfolio by the introduction of viscose-cotton blended yarns and stretchable core viscose yarns.

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. At 31 December 2016, the total issued and paid up 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. Xinyuan marks the Group's first step into upward vertical integration. The designed capacity of Xinyuan is 30,000 tonnes per annum. Xinyuan has commenced trial production in November 2016.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the year ended 31 December 2016 was approximately RMB1,435.9 million, representing an increase of approximately RMB133.1 million, or 10.2%, as compared to the corresponding period last year. The analysis of the sales of the Group's products is as below:

	Year ended 31 December 2016		Year ended 31 December 2015	
	RMB'000		*RMB'000*	
Polyester yarns	**468,432**	**32.6%**	516,937	39.7%
Polyester-cotton and viscose-cotton blended yarns	**569,509**	**39.7%**	473,451	36.3%
Cotton yarns	**86,998**	**6.1%**	93,129	7.2%
Viscose and Stretchable core viscose yarns	**112,634**	**7.8%**	14,202	1.1%
Grey and deep grey mélange yarns	**192,047**	**13.4%**	180,229	13.8%
Raw material	**6,322**	**0.4%**	24,851	1.9%
	1,435,942	**100.0%**	1,302,799	100.0%

The increase in the revenue of the Group for the year ended 31 December 2016 was mainly attributable to the increase in sales volume of yarn products from approximately 112,165 tonnes for the year ended 31 December 2015 to approximately 122,351 tonnes for the year ended 31 December 2016. The overall average selling price of yarn products of the Group increased by approximately 1.0% from approximately RMB11,615 per ton for the year ended 31 December 2015 to approximately RMB11,736 per ton for the year ended 31 December 2016.

Gross Profit and Gross Profit Margin

Gross profit of the Group increased from approximately RMB105.9 million for the year ended 31 December 2015 to approximately RMB155.5 million for the year ended 31 December 2016. The gross profit margin of the Group increased from approximately 8.1% for the year ended 31 December 2015 to approximately 10.8% for the year ended 31 December 2016. The increase in gross margin was mainly due to increase in sales and increase in gross profit margin. The increase in sales was mainly due to the substantial increase in sales volume attributable to viscose related yarn products. The increase in gross profit margin was mainly due to increase in the selling prices of the yarn products of the Group which were driven by the increase in prices of raw material in the second half of 2016, while the raw material utilized in the production were procured at lower prices in prior months.

Other Income

Other income of the Group decreased from approximately RMB23.8 million for the year ended 31 December 2015 to approximately RMB16.9 million for the year ended 31 December 2016, representing a decrease of approximately RMB6.9 million or 29.0%. The decrease in other income was mainly due to a reduction in government grant, partially offset by an increase in income from scrap sales.

Other gains and losses

Other losses for the year ended 31 December 2016 was approximately RMB18.6 million while other gains for the year ended 31 December 2015 was approximately RMB1.2 million. Other losses in 2016 were mainly due to i) fair value loss on the derivative component of the Convertible Bond issued by the Company in August 2016 of approximately RMB16.3 million, ii) net foreign exchange loss of approximately RMB3.5 million mainly arising from the year end re-translation of the liability component of convertible bond and the notes payable issued by the Company in August 2016 which are denominated in HKD. Those losses were partly offset by the realised gain on commodities futures contracts of approximately RMB1.3 million.

Distribution and Selling Expenses

Distribution and selling expenses of the Group remained about approximately the same at approximately RMB25.7 million for the year ended 31 December 2016 as compared to approximately RMB25.9 million for the year ended 31 December 2015. Distribution and selling expenses as a percentage of revenue of the Group was approximately 1.8% for the year ended 31 December 2016 (year ended 31 December 2015: 2.0%).

Administrative Expenses

Administrative expenses of the Group increased slightly to approximately RMB46.3 million for the year ended 31 December 2016 as compared to approximately RMB42.9 million for the year ended 31 December 2015, representing an increase of 7.9% or approximately RMB3.4 million. The increase was mainly due to administrative expenses attributable to the Xinyuan which became operational in 2016. Administrative expenses as a percentage of revenue of the Group was approximately 3.2% for the year ended 31 December 2016 (year ended 31 December 2015: 3.3%).

Finance Costs

Finance costs of the Group increased from approximately RMB51.8 million for the year ended 31 December 2015 to approximately RMB53.0 million for the year ended 31 December 2016, representing an increase of 2.3% or approximately RMB1.2 million. The increase in the Group's finance costs was mainly due to increase in interest on convertible bond and notes payable, substantially offset by decrease in interest on bank borrowings and bond payables.

Income Tax Expense

The Group's effective income tax rate for the year ended 31 December 2016 was approximately 55.6%, as compared to 14.5% for the corresponding period in 2015. The increase in effective income tax rate was mainly because i) there was a change in tax rate of a subsidiary in the PRC from 15% to 25% which affected the deferred tax liabilities with respect to the fair value adjustment of its Property, Plant and Equipment arising from the business combination in 2015 and ii) a subsidiary in the PRC had fully utilised its tax losses brought forward against the current year's assessable profit.

Profit attributable to Owners of the Company and Net Profit Margin

Profit attributable to owners of the Company for the year ended 31 December 2016 was approximately RMB14.8 million, representing an increase of approximately RMB1.0 million, or 7.2%, as compared to that for the year ended 31 December 2015. The net profit margin of the Group for the year ended 31 December 2016 remained approximately the same at 1.0% as compared with 1.1% for the year ended 31 December 2015. The increases in the Group's net profit were mainly due to the increase in gross margin, partially offset by increase in other loss and income tax expenses.

Earnings per Share

The basic earnings per share of the Company for the year ended 31 December 2016 was approximately RMB1.19 cents, approximately the same as RMB1.10 cents for the year ended 31 December 2015. The increase in basic earnings per share of the Company was due to the increase in net profit for the year ended 31 December 2016.

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 2016, net cash inflow from operating activities of the Group amounted to approximately RMB100.1 million (year ended 31 December 2015: RMB86.1 million). The Group had cash and bank balances of approximately RMB93.4 million (31 December 2015: RMB41.2 million), pledged bank deposits of approximately RMB 61.6 million (31 December 2015: RMB36.2 million) and restricted bank deposit of approximately RMB0.5 million (31 December 2015: RMB20.1 million) at 31 December 2016. The Group's cash and bank balances were mainly held in Hong Kong Dollars and RMB.

Capital Structure and Pledge of Assets

The Group's interest-bearing borrowings were mainly made in RMB and Hong Kong dollars. At 31 December 2016, the Group's interest-bearing borrowings amounted to approximately RMB638.0 million (31 December 2015: RMB658.1 million), RMB504.7 million (79.1%) of which (31 December 2015: RMB575.1 million (87.4%)) was repayable within one year or on demand. The Group's banking facilities were secured by its land use rights, properties, plant and equipment and pledged bank deposits with a carrying value of approximately RMB763.4 million in aggregate (31 December 2015: RMB724.8 million). The share capital of a subsidiary company of the Group was also pledged to secure the Group's banking facilities. The Group's notes and convertible bond were secured by 514,305,000 ordinary shares of the Company held by Popular Trend Holdings Limited ("**Popular Trend**"), a company wholly owned by an executive director of the Company and the cash maintained by Popular Trend under a collateral account, and is guaranteed by an executive director of the Company.

Gearing Ratio

The gearing ratio of the Group, which is equal to the total of bank borrowings, notes payable, liability component of convertible bond, finance lease payables, bills payable, bond payables and consideration payables to total assets, was approximately 47.9% at 31 December 2016 (31 December 2015: 50.3%). Net current liabilities and net assets at 31 December 2016 was approximately RMB492.0 million (31 December 2015: RMB590.0 million) and approximately RMB493.5 million (31 December 2015: RMB463.6 million), respectively.

Foreign Exchange Exposure

The Group has foreign currency cash and bank balances, pledged bank deposits, restricted bank deposit, trade and other receivables, bills payable, notes payable, convertible bond, bank borrowings, finance lease payable and other payables, which mainly expose the Group to risk in Hong Kong Dollars and US Dollars. The Group had not used any financial instruments for hedging purposes during the year ended 31 December 2016. However, the Group will constantly assess the foreign exchange exposure it encounters so as to decide on the hedging policy required against the possible foreign exchange exposure that may arise.

Contingent Liabilities

At 31 December 2016, the Group did not have any contingent liabilities.

Employees, Remuneration and Share Option Scheme

At 31 December 2016, the Group had a total of 3,287 employees (31 December 2015: 3,103). Remuneration for employees, including the directors of the Company (the "**Directors**"), is determined in accordance with performance, professional experiences and the prevailing market practices. The Group's management reviews the Group's employee remuneration policy and arrangement on a regular basis. Apart from pension, discretionary bonus will also be granted to certain employees as awards in accordance with individual performance. The Company had adopted a share option scheme on 3 December 2011, under which the Company may grant options to eligible persons including Directors and employees. No share option has been granted pursuant to the scheme since its adoption.

Significant Investments and Material Acquisitions and Disposal of Subsidiaries

During the year ended 31 December 2016, the Group did not have any significant investments or acquisitions or sales of subsidiaries.

PROSPECTS

After a drastic fall in the first quarter of 2016, international crude oil prices and domestic cotton prices have followed an upward trend in the second half of 2016. Higher prices of raw materials translated into higher prices for yarn products. The continuing refinement of the cotton reserve policy by the PRC government continued to narrow the price gap between domestic cotton and overseas cotton. Also, the depreciation of the RMB in 2016 has increased the prices of imported yarn products. The above mentioned factors have improved the market conditions for domestic yarn manufacturers.

In 2016, the Group has further rationalised its production capacities and diversified its product portfolio by the introduction of viscose-cotton blended yarns and stretchable core viscose yarns. The Group has begun its upward vertical integration by establishing Xinyuan, which is engaged in the manufacturing of polyester staple fibres. Xinyaun has commenced trial production in November 2016.

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 will continue to put more effort into new products development and increase its effort in developing markets for its new products. Taking into account the benefits from the enlarged product portfolio and the economies of scale, the Group is confident about its future. The Group believes it is well positioned to take advantage of any positive outlook in the textile industry given its scale of production, strong brand recognition and professional management.

DIVIDEND

The Board does not recommend any dividend in respect of the year ended 31 December 2016.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company (the "**Annual General Meeting**") will be held on Monday, 5 June 2017. 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 Wednesday, 31 May 2017 to Monday, 5 June 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 29 May 2017.

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 2016.

FUND RAISING ACTIVITIES

On 9 August 2016, the Company issued redeemable fixed coupon notes in the principal amount of HK$50,000,000 (the "**Notes**") and redeemable fixed coupon convertible bond in the principal amount of HK$110,000,000 which carries conversion rights to convert up to 227,000,000 conversion shares at the conversion price (being the initial price of HK$0.45 per conversion share which is subject to adjustment) (the "**Bond**") to CCBI International Overseas Limited. Popular Trend Holdings Limited, a controlling shareholder of the Company ("**the Mortgagor**") has entered into a share mortgage with CCB International Overseas Limited in respect of a mortgage over 514,305,000 ordinary shares of HK$0.10 in the capital of the Company ("**Shares**") held by the Mortgagor as continuing security for the Notes and the Bond. As at the date of this report, the Shares represent approximately 41.07% of the entire issued share capital of the Company.

Details of the Notes and the Bond were set out in the Company's announcements dated 11 July 2016 and 9 August 2016.

CODE OF CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, during the year ended 31 December 2016, the Company had complied with the code provisions of the existing Corporate Governance Code (the "**CG Code**") and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. In respect of code provision C.2.5 of the CG Code, the Company has not set up an Internal Audit ("**IA**") function. The Company has considered the size and complexity of the operations of the Group and the potential cost involved in setting up an IA function, the Company considers the existing organisation structure and the close supervision of the executive management could provide sufficient internal control and risk management for the Group. The Audit Committee under the Board will review the effectiveness of the internal control and risk management of the Group. The Board will conduct an annual review for the need of an IA function on an annual basis.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct governing the Directors' securities transactions. The Company confirms that, having made specific enquiry of all the Directors, each of them has complied with the required standard as set out in the Model Code throughout the year ended 31 December 2016.

AUDIT COMMITTEE

The audit committee of the Board has reviewed together with the management the accounting principles and policies adopted by the Group and reviewed the audited consolidated financial statements for the year ended 31 December 2016.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.chinaweavingmaterials.com. The annual report of the Company for the year ended 31 December 2016 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, 2017

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