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 2022

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 financial year ended 31 December 2022 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 2022

	Note	**2022** *RMB'000*	2021 *RMB'000* (Restated)
CONTINUING OPERATIONS			
Revenue	*4*	**1,318,133**	1,640,903
Cost of sales		**(1,260,031)**	(1,337,727)
Gross profit		**58,102**	303,176
Other income	*5*	**23,613**	37,578
Other gains and losses	*6*	**(8,091)**	(17,590)
Distribution and selling expenses		**(24,390)**	(26,154)
Administrative expenses		**(54,482)**	(54,363)
Reversal of impairment loss on property, plant and equipment		**18,825**	–
Profit from continuing operations		**13,577**	242,647
Finance costs	*7*	**(22,676)**	(20,522)
(Loss)/Profit before tax from continuing operations		**(9,099)**	222,125
Income tax credit/(expense)	*8*	**4,224**	(36,413)
(Loss)/Profit for the year from continuing operations	*9*	**(4,875)**	185,712

	Note	2022 RMB'000	2021 RMB'000 (Restated)
DISCONTINUED OPERATION			
(Loss)/Profit for the year from a discontinued operation	*10*	**(7,689)**	18,687
(Loss)/Profit and total comprehensive (expenses)/income for the year		**(12,564)**	204,399
(Loss)/Profit and total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(12,564)**	202,544
Non-controlling interests		**–**	1,855
		(12,564)	204,399
(Loss)/Profit and total comprehensive (expense)/income for the year attributable to owners of the Company arises from:			
Continuing operations		**(4,875)**	183,857
Discontinued operation		**(7,689)**	18,687
(Loss)/Earnings per share		**(12,564)**	202,544
From continuing and discontinued operations			
– Basic	*12*	**(RMB1.00) cents**	RMB16.17 cents
– Diluted		**N/A**	N/A
From continuing operations			
– Basic	*12*	**(RMB0.39) cents**	RMB14.68 cents
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		**976,984**	899,158
Right-of-use assets		**46,037**	48,316
Deposits on acquisition of property, plant and equipment		**8,308**	10,267
Goodwill		**20,617**	20,617
Deferred tax assets		**1,157**	5,412
		1,053,103	983,770
Current assets			
Inventories		**132,891**	314,647
Current tax assets		**4,824**	–
Trade and other receivables	*13*	**16,736**	47,498
Bills receivable		**3,311**	370
Pledged bank deposits		**121,044**	60,246
Cash and bank balances		**263,398**	283,034
		542,204	705,795
Current liabilities			
Trade and other payables	*14*	**211,481**	215,454
Contract liabilities		**12,209**	24,763
Bills payable		**98,913**	47,319
Deferred income		**264**	264
Lease liabilities		**637**	2,765
Bank and other borrowings		**431,155**	501,061
Current tax liabilities		**1,485**	23,784
		756,144	815,410
Net current liabilities		**(213,940)**	(109,615)
Total assets less current liabilities		**839,163**	874,155

	2022	2021
	RMB'000	*RMB'000*
Non-current liabilities		
Deferred income	**6,302**	6,566
Bank and other borrowings	**83,373**	49,413
Deferred tax liabilities	**34,432**	36,982
	124,107	92,961
Net assets	**715,056**	781,194
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	**101,989**	101,989
Reserves	**613,067**	679,205
Total equity	**715,056**	781,194

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**"). IFRSs comprise individual International Financial Reporting Standards ("**IFRS**"); International Accounting Standards ("**IAS**"); and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

A number of new or revised IFRSs are first effective for the current accounting period of the Group. Note 2 provides information of these developments which are relevant to the Group's operations. The application of these developments did not have material impact on the Group.

As of 31 December 2022, the Group's current liabilities exceeded its current assets by approximately RMB213,940,000. 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, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis as the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

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

   (i) The Group can successfully obtain its bankers' approval for rollover of its short-term bank borrowings. Up to the date of the consolidated financial statement authorised for issue, certain bankers renewed or agreed to renew the Group's bank borrowings amounting to approximately RMB164,800,000 currently included in current liabilities at 31 December 2022.

   (ii) The Group will also continue to seek for further financing. Certain existing property, plant and equipment and right-of-use assets can be offered as security for further financing.

(b) In the light of the recovery from COVID-19 pandemic, the Group is closely monitoring the latest developments and will continue to assess the impact of the recovery from COVID-19 pandemic, as well as any change in government policy, global financial market, economy and business environment on the Group's operations from time to time and adjust its production and sales strategies for its business to generate sufficient operating cash flows.

Having taken into account the above, the directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due within the next 12 months. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

2. ADOPTION OF NEW AND REVISED IFRSs

(a) Application of new and revised IFRSs

The Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3	Business Combinations - Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to IFRSs 2018-2020 Cycle

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

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

The Group has not applied any new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2022. 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 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 Non-current Liabilities with Covenants	1 January 2024

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports prepared in accordance with accounting policies which conform with the generally accepted accounting principles in the PRC 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 director of the Company.

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, which has discontinued in current year

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**")), Treasure Resources Corporation Limited ("**Treasure Resources**") and 江西鑫源特種纖維有限公司 (for identification purpose, Jiangxi Xinyuan Special Fibres Company Limited ("**Xinyuan**")) (after restructuring since 1 October 2022) (2021: the operations of Jiangxi Jinyuan, Huachun and Treasure Resources) represent the operating and reportable segment of the sales of yarns.

The operation of Xinyuan represented the operating and reportable segment of the sales of polyester staple fibres before 1 October 2022 and since then restructured to the operating and reportable segment of the sales of yarns as Xinyuan's assets (including property, plant and equipment and right-of-use assets) were reallocated to support operations of Jiangxi Jinyuan.

After reviewing the staple fibres segment's business environment and its operation performance, on 9 July 2022, the directors decided to cease the production of polyester staple fibres in Xinyuan and the complete operation ceased on 30 September 2022 after the cessation of manufacturing and trading of polyester staple fibres.

Segment profits or losses do not include government grants, corporate income, gains and losses, unallocated administrative expenses and income tax credit/expense.

The Group accounts for intersegment sales and transfers 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* (Continuing operations)	Staple fibres *RMB'000* (Discontinued operation)	Total *RMB'000*
Year ended 31 December 2022			
Revenue from external customers	**1,318,133**	**60,255**	**1,378,388**
Intersegment revenue	**–**	**62,197**	**62,197**
Interest income	**4,304**	**66**	**4,370**
Interest expense	**(22,676)**	**(2,766)**	**(25,442)**
Depreciation	**(63,591)**	**(2,073)**	**(65,664)**
Other material non-cash items:			
Reversal of impairment loss on property, plant and equipment (Note)	**18,825**	**–**	**18,825**
(Allowance for inventories)/Reversal of allowance for inventories	**(1,594)**	**1,093**	**(501)**
Loss of reportable segments	**(9,378)**	**(2,550)**	**(11,928)**
Year ended 31 December 2021			
Revenue from external customers	1,640,903	83,412	1,724,315
Intersegment revenue	–	108,029	108,029
Interest income	4,835	33	4,868
Interest expense	(20,522)	(4,175)	(24,697)
Depreciation	(65,100)	(2,920)	(68,020)
Other material non-cash items:			
Reversal of impairment loss on property, plant and equipment	–	3,908	3,908
Reversal of impairment loss on right-of-use assets	–	273	273
Allowance for inventories	–	(1,093)	(1,093)
Profit of reportable segments	216,815	12,075	228,890

Note: Reversal of impairment loss on property, plant and equipment was recognised and included in the reportable segment of the sales of yarns for the year ended 31 December 2022 due to the significant improvement in the financial performance of Xinyuan's assets expected after the discontinued operation and restructuring of operation to support the operations of Jiangxi Jinyuan.

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

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Profit or loss		
Segment's (loss)/profit from continuing operations	**(9,378)**	216,815
Adjusted for income in relation to government grants	**3,531**	7,393
Unallocated expense, net:		
Other income, gains and losses	**(1,337)**	139
Administrative and other expenses	**(1,915)**	(2,222)
Income tax credit/(expense)	**4,224**	(36,413)
Group's (loss)/profit for the year from continuing operations	**(4,875)**	185,712

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Discontinued operation		
Profit or loss		
Segment's (loss)/profit from a discontinued operation	**(2,550)**	12,075
Adjusted for income in relation to government grants	**273**	1,200
Income tax (expense)/credit	**(5,412)**	5,412
Group's (loss)/profit for the year from a discontinued operation	**(7,689)**	18,687

Geographical information

Over 99% (2021: 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 99% (2021: 99%) 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 revenue of the Group in the both years.

4. REVENUE

The principal activities of the Group are manufacturing and trading of yarn and polyester staple fibres products. The Group derives revenue from transfer of goods at a point in time. The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales of yarns and polyester staple fibres such that it does not disclose the information about its remaining performance obligations as the contracts have an original expected duration of one year or less.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products for the year is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
Sales of yarns, from continuing operations	**1,318,133**	1,640,903
Sales of polyester staple fibres, from a discontinued operation	**60,255**	83,412
	1,378,388	1,724,315

5. OTHER INCOME

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Interest income	**4,310**	4,835
Government grants	**3,531**	7,393
Income from scrap sales	**14,294**	24,253
Rental income	**906**	808
Others	**572**	289
	23,613	37,578

6. OTHER GAINS AND LOSSES

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Net foreign exchange (losses)/gains	**(1,341)**	349
Loss on disposal of property, plant and equipment	**(6,750)**	(17,939)
	(8,091)	(17,590)

7. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Interest on bank and other borrowings	**22,624**	20,330
Interest on lease liabilities	**52**	192
	22,676	20,522

8. INCOME TAX (CREDIT)/EXPENSE

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Current tax		
PRC Corporate Income Tax ("**CIT**")		
Provision for the year	**–**	36,850
Over-provision in prior year	**(517)**	(1,551)
	(517)	35,299
Deferred tax		
(Origination and reversal)/recognition of temporary differences	**(3,707)**	1,114
Total	**(4,224)**	36,413

No provision for Hong Kong Profits Tax for the years ended 31 December 2022 and 2021 have been made as there is no assessable profit subject to Hong Kong Profits Tax.

CIT is calculated at the prevailing tax rate on the taxable income of the subsidiaries in the PRC.

Jiangxi Jinyuan and Huachun, the Company's subsidiaries, have been recognised as state-encouraged high-new technology enterprises since 2014 and 2019 respectively. As such, Jiangxi Jinyuan and Huahcun are entitled to a preferential tax rate of 15% for the years ended 31 December 2022 and 2021.

Xinyuan, the Company's subsidiary, is subject to the CIT tax rate at 25%.

According to the PRC CIT law, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned from 1 January 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise.

9. (LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's (loss)/profit for the year from continuing operations is stated after charging the following:

(a) Employee Benefits Expense

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Employee benefits expense		
(excluding directors' emoluments):		
Salaries, bonuses and allowances	**180,136**	187,782
Retirement benefits scheme contributions	**7,805**	5,612
	187,941	193,394

(b) Other items

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Auditor's remuneration		
– Audit	**1,141**	1,067
– Others	**239**	231
	1,380	1,298
Cost of inventories sold	**1,260,031**	1,337,727
Allowance for inventories (included in cost of inventories sold)	**1,594**	–
Depreciation on property, plant and equipment	**61,845**	63,002
Depreciation on right-of-use assets	**2,142**	2,646

Cost of inventories sold from continuing operations includes employee benefits expense, depreciation on property, plant and equipment and depreciation on right-of-use assets of approximately RMB174,878,000 (2021: RMB178,717,000 (Restated)), RMB51,835,000 (2021: RMB54,040,000 (Restated)) and RMB1,133,000 (2021: RMB1,279,000 (Restated)) respectively. which are included in the amounts disclosed separately above.

10. DISCONTINUED OPERATION

On 30 September 2022, the Group discontinued Xinyuan's operation in the manufacturing and trading of polyester staple fibres as disclosed in Note 3. There were no profit or loss calculated upon the discontinuation of operation because the assets and liabilities were not disposed of but reallocated to support the operations of Jiangxi Jinyuan under the reportable segment of manufacturing and trading of yarns, except for a gain on disposal of certain production equipment of RMB591,000 (net of transaction cost of RMB1,150,000) before the manufacturing and trading operation of polyester staple fibres discontinued.

	From 1 January 2022 to 30 September 2022 *RMB'000*	Year ended 31 December 2021 *RMB'000*
Discontinued operation		
Revenue	**60,255**	83,412
Cost of sales	**(57,304)**	(69,083)
Gross profit	**2,951**	14,329
Other income	**1,400**	3,078
Other gains and losses	**666**	(56)
Distribution and selling expenses	**(521)**	(928)
Administrative expenses	**(4,007)**	(3,154)
Reversal of impairment loss on property, plant and equipment	**–**	3,908
Reversal of impairment loss on right-of-use assets	**–**	273
Finance costs	**(2,766)**	(4,175)
(Loss)/Profit before tax	**(2,277)**	13,275
Income tax (expense)/credit	**(5,412)**	5,412
(Loss)/Profit for the year from a discontinued operation attributable to owners of the Company	**(7,689)**	18,687
(Loss)/Profit for the year from a discontinued operation include the following:		
(a) Employee benefits expense (excluding directors' emoluments):		
Salaries, bonuses and allowances (including termination benefits of approximately RMB591,000 (2021: nil))	**3,361**	5,311
Retirement benefits scheme contributions/(over-provision)	**167**	(87)
	3,528	5,224
(b) Other items:		
Cost of inventories sold	**(57,304)**	(69,083)
Reversal of allowance for inventories/(Allowance for inventories) (included in cost of inventories sold)	**1,093**	(1,093)
Depreciation on property, plant and equipment	**(1,936)**	(2,740)
Depreciation on right-of-use assets	**(137)**	(180)
Auditor's remuneration	**–**	–
Gain on disposal of property, plant and equipment	**591**	–
Net foreign exchange gains/(losses)	**37**	(56)
Interest income	**66**	34
Amortisation of deferred income	**114**	114

11. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
2021 Final dividend of HK5.0 cents per ordinary share	**53,574**	–
2020 Final dividend of HK2.0 cents per ordinary share out of share premium account	**–**	20,829
2021 Interim dividend of HK1.5 cents per ordinary share	**–**	15,511
	53,574	36,340

The Board of Directors of the Company does not recommend the payment of final dividend in respect of the year ended 31 December 2022 (2021: HK5.0 cents per ordinary share).

12. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the (loss)/profit for the year attributable to the owners of the Company and the weighted average number of ordinary shares of 1,252,350,000 (2021: 1,252,350,000) in issue during the year:

	2022	2021
	RMB'000	*RMB'000*
(Loss)/Earnings for the purpose of calculating basic (loss)/ earnings per share ((loss)/profit for the year attributable to owners of the Company)		
From continuing operations	**(4,875)**	183,857
From a discontinued operation	**(7,689)**	18,687
	(12,564)	202,544

	2022	2021
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**1,252,350**	1,252,350

No diluted earnings per share has been presented as there were no potential dilutive shares outstanding for the years ended 31 December 2022 and 2021.

13. TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**7,068**	12,862
Advance payments to suppliers	**8,172**	29,428
Prepayments and other receivables	**1,459**	2,283
Other tax recoverables	**37**	2,925
	16,736	47,498

In general, the Group receives advances 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 30 – 90 days depending on creditability of the customers.

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.

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, based on the invoice date which approximates the respective revenue recognition dates:

	2022	2021
	RMB'000	*RMB'000*
0 – 30 days	**6,640**	9,866
31 – 90 days	**69**	2,033
91 – 180 days	**–**	160
181 – 365 days	**57**	220
Over 365 days	**302**	583
	7,068	12,862

14. TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**14,312**	22,436
Other payables	**7,151**	6,808
Other tax payables	**22,121**	28,224
Accrued salaries and wages	**12,275**	19,774
Other accrued charges	**148,796**	135,003
Payables for acquisition of property, plant and equipment	**6,826**	3,209
	211,481	215,454

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

	2022	2021
	RMB'000	*RMB'000*
0 – 30 days	**11,345**	14,950
31 – 90 days	**486**	80
91 – 180 days	**825**	6,149
Over 365 days	**1,656**	1,257
	14,312	22,436

EXTRACT OF THE AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2022:

"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 2022, 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 Standards 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 RMB213,940,000 as at 31 December 2022. As stated in Note 2, this event or condition indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

MARKET OVERVIEW

In 2022, the global economy has faced a lot of challenges. The roll-out of vaccines around the world and the relaxation of control measures to contain the Covid-19 pandemic (the "**Pandemic**") in most countries provided a good start for 2022. However the outbreak of military conflict between Russia and Ukraine ("**Russia Ukraine Conflict**") in February has introduced a major uncertainty in the global economy. The GDP of the United States (the "**US**") has recorded an increase of around 2.1% for 2022 as compared with 5.9% for 2021. The GDP of the European Union (the "**EU**") has recorded an increase of around 3.6% for 2022 as compared with 5.4% for 2021. The GDP of the People's Republic of China (the "**PRC**") has recorded an increase of around 3.0% for 2022 as compared with 8.1% for 2021.

The gradual recovery of the global economy has stimulated a rapid recovery in the demand of the international crude oil market. The international crude oil price increased from around US$75 per barrel at the end of 2021 to over US$120 per barrel in March 2022 following the outbreak of the Russia Ukraine Conflict. It then fluctuated between US$100 and US$120 per barrel for most of the time between March and June 2022. It then further dropped from around $100 per barrel in July 2022 to around $80 per barrel in September 2022 and fluctuated around that level for most of the time in the fourth quarter of 2022. The upward moving crude oil price in the first half of 2022 has pushed up the prices of oil-related downstream products, including raw materials for polyester yarn products. Such upward trend benefited the prices of polyester yarn products. However, the growth momentum of the PRC economy has slowed down in the first quarter of 2022. The outbreak of a new wave of Pandemic in Shanghai and its surrounding area around April 2022 and the associated Pandemic control measures have further adversely affected the economy. Domestic consumption in the PRC has been affected and different industries, including the textile industries have been affected. The down movement of the crude oil price in the second half of 2022 has depressed the prices of oil-related downstream products, including raw materials for polyester yarn products. Together with a weak domestic economy, market prices of the polyester yarn products were under pressure.

The international cotton prices also benefited from the recovery of the global economy. The international cotton prices have followed an upward trend and have risen from around US110 cents per pound at the end of 2021 to over US140 cents per pound in April 2022; the prices then hovered around US140 cents per pound between April 2022 until the end of June 2022. The prices dropped sharply from US140 cents per pound to below US100 cents per pound at the end of June 2022 following the interest rate hike by the US Federal Reserve of 50 basis points and 75 basis points in May and June 2022 respectively. The prices rebounded to around US120 cents in August 2022 and then edged down to around US80 cents in October 2022 and fluctuated around such level in the fourth quarter of 2022. The tightening of monetary policy by the US Federal Reserve to combat inflation triggered the fear for global recession and a significant drop in commodities prices. The domestic cotton prices in the PRC have been trading at a pattern similar to that of international cotton in general. They have been fluctuating between RMB20,000 per tonne and RMB22,000 per tonne in most part of the first half of 2022 and then fell sharply to below RMB18,000 per tonne by the end of June 2022. The prices further fell in the second half of the year and fluctuated between RMB15,000 and RMB16,000 per tonne for most of the time during that period. The downward trend of cotton prices in the second half of 2022, together with poor market conditions have put the market prices of cotton blended yarn products under pressure.

As most economies including the US, the EU and most Asian countries lifted their quarantine restrictions during 2022, daily lives and economic activities have begun to return to normal. However, both the US and the EU have been experiencing high inflation due to supply chain bottlenecks, high energy and food prices, surging consumer demand and higher wages. The Russia Ukraine Conflict has exacerbated inflation by further pushing up the energy and food prices. In response to runaway inflation, the US Federal Reserve tightened the monetary policy and raised the interest rate. The Federal Funds Rate rose from around zero in the first quarter of 2022 to 4.25% to 4.50% in December 2022. The rapid hiking of US interest rate has triggered the fear for recession and led to a significant fall in commodities prices. The tightening of monetary policy by the US has also created a strong dollar. A strong dollar normally draws capital into the US at the expense of capital outflow from other economies, especially less well developed economies. A strong dollar will create import inflation and will increase the debt burden in many developing economies as they usually carry substantial amount of foreign debts, typically dominated in US dollar. Economic setback in developing economies will drag on the recovery of the global economies.

The PRC has been very successful in containing the Pandemic and enjoyed a GDP growth rate of 8.1% in 2021 but the momentum of growth has slowed down in 2022 with a GDP growth rate of only 3.0%. The outbreak of a new wave of Pandemic in Shanghai and its surrounding area in around April 2022 and the associated Pandemic control measures have further adversely affected the economy. The Pandemic was quickly brought under control and the PRC government has introduced various policies and measures to stimulate the economy. Despite the resilience of the PRC economy, the complicated external environment will introduce a lot of uncertainties and challenges for the future.

BUSINESS REVIEW

The sales volume of yarn products of the Group decreased by 13.7% from approximately 119,901 tonnes for the year ended 31 December 2021 to approximately 103,479 tonnes for the year ended 31 December 2022. The decrease in sales volume was mainly due to the unfavourable market conditions. The production volume of yarn products of the Group decreased by 19.9% from approximately 124,996 tonnes for the year ended 31 December 2021 to approximately 100,173 tonnes for the year ended 31 December 2022. The decrease in production volume was mainly due to a lower production utilization rate in the second half of 2022 to ease the pressure on inventory in response to the unfavourable market conditions. The revenue of the yarn products of the Group decreased by 19.7% to approximately RMB1,318.1 million for the year ended 31 December 2022 as compared to RMB1,640.9 million for the year ended 31 December 2021. The gross profit from sales of yarn products and the loss attributable to the owners of the Company for the year ended 31 December 2022 were approximately RMB58.1 million and approximately RMB12.6 million, respectively.

The PRC has been very successful in containing the Pandemic in 2020 and 2021; the manufacturing activities in the PRC have not been seriously affected. The manufacturing sectors in the PRC have benefited from flow of orders from other South East Asian countries as their manufacturing sectors were affected by the Pandemic during that period. However, with the lifting of quarantine restrictions, the economic activities of most countries have returned to normal in 2022. The manufacturing enterprises of South East Asian countries have resumed activities and engaged in competitions with their counterparts in the PRC.

The momentum of economic growth in the PRC has slowed down in the first half of 2022. The outbreak of a new wave of Pandemic in Shanghai and its surrounding area in around April 2022 and the associated Pandemic control measures have further adversely affected the economy. In the US, the Federal Reserve massively increased the Federal Fund Rate in the second half of 2022 in order to contain inflation resulting from recovery from the Pandemic and the Russia Ukraine Conflict. The massive interest rate hike triggered the fear for global recession and affected business confidence. In the EU, the continuation of the Russia Ukraine Conflict has been causing tremendous human and economic hardship in the region.

The Uyghur Forced Labor Prevention Act (the "**UFLPA**") was enacted by the US in December 2021 and came into effect in June 2022. The UFLPA codified a rebuttable presumption that goods mined, produced, or manufactured in the Xinjiang Uyghur Autonomous Region of the PRC ("**Xinjiang**") were made with forced labor and therefore not entitled to entry at any port of the United States under the Tariff Act of 1930 of the US. The UFLPA has serious implications for textile exporters in the PRC as Xinjiang region produces over 80% of the cotton in the PRC in 2020 and Xinjiang cotton has been widely used in textile products in the PRC. The UFCLA greatly increases the cost of supply chain tracing compliance for PRC textile exporters and puts them in a disadvantaged position. Importers in the US are motivated to switch orders from the PRC to other Southeast Asian countries to avoid the risk of shipment detention or forfeiture under the UFLPA by the US Customs and Border Protection and the cost of compliance with supply chain tracing. The implementation of the UFCLA is expected to have a serious detrimental effect on the PRC textile export business to the US. The above factors have contributed to an unfavourable textile market in the PRC. Although the Group did not directly export its products to the US, it has been indirectly affected by the impact of UFLPA on the textile market in the PRC.

The above factors resulted in a very difficult market for the textile industry in the PRC and the Group was affected accordingly. The Group was not able to fully pass the increase in cost of production driven by higher cost of materials in the first half of 2022 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 2022, as the cost of materials kept falling in the third quarter, the selling prices of the Group's yarn products faced increasing pressure and have been falling at a faster rate than that of the materials due to poor market conditions. 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 2022.

As announced by the Company in July 2021, the Group has begun the construction of a highly automated workshop with a capacity of 50,000 spindles (the "**New Workshop**") in the third quarter of 2021. The construction of the New Workshop and the installation of the production line have been completed in the fourth quarter of 2022. 25,000 spindles have commenced commercial production and the remaining 25,000 spindles have been undergoing trial production in the first quarter of 2023. The New Workshop is expected to be operating in full scale in the second quarter of 2023. As the new production line is equipped with the latest technology, it has a high degree of automation which will achieve savings in labour cost and increase the production efficiency of the Group. Upon completion and full deployment of the New Workshop, certain older production lines of the Group could be released for revamp. A higher level of automation will result in labour cost saving which increases the competitive advantage of the Group.

The Company's subsidiary, Jiangxi Xinyuan Special Fibres Company Limited ("**Xinyuan**") was engaged in the manufacture and trading of polyester staple fibres ("**PSF**") which are one of the basic raw materials of the Group for the production of polyester yarns. The sales volume of PSF decreased by 42.1% from approximately 31,324 tonnes for the year ended 31 December 2021 to approximately 18,150 tonnes for the year ended 31 December 2022. The production volume of PSF decreased by 60.9% from approximately 34,117 tonnes for the year ended 31 December 2021 to approximately 13,343 tonnes for the year ended 31 December 2022.

The Group invested in Xinyuan with the intention to capitalize on the trend of using environment friendly yarns products in the textile industry and to support the Group in the upstream operations. The Group expected the use of environmentally friendly yarns would become popular as some international apparel brands have begun mandating the use of environmentally friendly raw materials for their products. Accordingly, the production line of Xinyuan was designed to utilize recycled plastic chips as one of its raw materials and thus the related products are considered environmentally friendly. However, since the PRC government restricted the import of overseas waste in the end of 2017, the supply of recycled plastic chips has been very tight and the prices of recycled plastic chips have gone up. This has led to the narrowing of price disparity between PSF manufactured from recycled raw materials and PSF manufactured directly from petroleum by-products like polyethylene terephthalate ("**PET**") chips. In the meantime, the mandating of usage of environmentally friendly raw materials in the textile industry has not progressed as expected. PSF manufactured from recycled raw materials has come under intense competition pressure and Xinyuan has since then been operating at a loss and dependent on the financial support from the Group.

In order to alleviate the difficulty in procuring recycled plastic chips, Xinyuan has modified its production line in 2018 so that it could utilize PET chips as raw materials as well. With the improvement in the textile market as a whole, the performance of Xinyuan has improved in 2020 and 2021. However, the market conditions of textile industry turned unfavourable in 2022 and the segment profit of Xinyuan decreased by approximately 95.9% from RMB7.4 million for the six months ended 30 June 2021 to RMB0.3 million for the six months ended 30 June 2022. In order to improve the performance, further investment would be required for modification of the production line to switch to 100% PET chips feeding and to increase the production capacity so that it could achieve certain economy of scale. Under the current market conditions, the management considered it too risky to further invest in Xinyuan. As the Group is cautious about the market in the short to medium term, it decided to cease the operation of Xinyuan on 9 July 2022 in order to preserve financial resources and focus on its core business. Xinyuan entered into an agreement with an independent third party on 27 August 2022 to dispose of most of the production equipment relating to the staple fibres segment, with a net carrying amount of approximately RMB8.3 million, at a cash consideration of RMB10 million and therefore recorded a gain on the disposal of approximately RMB0.6 million, (net of transaction cost of RMB1.1 million). The disposal was completed in the second half of 2022. The Group considers an orderly realization of its marketable assets extracted the best value out of Xinyuan amid the unfavourable market conditions faced by the Group. The other remaining assets of Xinyuan have been re-deployed within the Group to support the yarn manufacturing operations.

FINANCIAL REVIEW

Revenue

Revenue of the Group from continuing operations for the year ended 31 December 2022 was approximately RMB1,318.1 million, representing a decrease of approximately RMB322.8 million, or 19.7%, as compared to last year. The analysis of the sales of the Group's products from continuing operations is as below:

	Year ended 31 December			
	2022		2021	
	RMB'000		*RMB'000*	
			(restated)	
Polyester yarns	**487,888**	**37.0%**	485,695	29.7%
Polyester-cotton and viscose-cotton blended yarns	**468,382**	**35.6%**	781,297	47.6%
Grey and deep grey mélange yarns and grey mélange-cotton blended yarns	**353,167**	**26.8%**	361,689	22.0%
Viscose and stretchable core viscose yarns	**6,941**	**0.5%**	9,794	0.6%
Cotton yarns	**–**	**0.0%**	774	0.0%
Others	**1,755**	**0.1%**	1,654	0.1%
	1,318,133	**100.0%**	1,640,903	100.0%

The decrease in the revenue of the Group from continuing operations for the year ended 31 December 2022 was mainly attributable to the decrease in sales volume and the decrease in the average selling prices of the yarns products. The sales volume of yarn products of the Group decreased by 13.7% from approximately 119,901 tonnes for the year ended 31 December 2021 to approximately 103,479 tonnes for the year ended 31 December 2022. The decrease in sales volume was mainly due to the unfavourable market conditions. The average selling price of yarn products of the Group decreased by 6.92% from approximately RMB13,685 per tonne for the year ended 31 December 2021 to approximately RMB12,738 per tonne for the year ended 31 December 2022. The decrease in the average selling prices was mainly due to i) the unfavourable market conditions and ii) the downward positive correlation between the selling prices of yarn products and prices of raw materials in the second half of 2022.

Gross Profit and Gross Profit Margin

Gross profit of the Group from continuing operations decreased from approximately RMB303.2 million for the year ended 31 December 2021 to approximately RMB58.1 million for the year ended 31 December 2022. The gross profit margin of the Group decreased from approximately 18.5% for the year ended 31 December 2021 to approximately 4.4% for the year ended 31 December 2022. The decrease in gross profit margin was due to the decrease in sales volume and gross profit margin. The decrease in sales volume was 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 2022 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 2022, as the cost of materials kept falling in the third quarter of 2022, the selling prices of the Group's yarn products faced increasing pressure and have been falling at a faster rate than that of the materials due to poor market conditions. 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 2022. The above factors have contributed to the deterioration of the Group's gross profit margin.

Other Income

Other income of the Group from continuing operations decreased from approximately RMB37.6 million for the year ended 31 December 2021 to approximately RMB23.6 million for the year ended 31 December 2022, representing a decrease of approximately RMB14.0 million or 37.2%. The decrease in other income from continuing operations was mainly due to the decrease in income from scrap sales.

Other Gains and Losses

Other losses of the Group from continuing operations were approximately RMB8.1 million for the year ended 31 December 2022 as compared to other losses of approximately RMB17.6 million for the year ended 31 December 2021. Decrease in other losses from continuing operations was mainly due to the reduction in the loss on disposal of property, plant and equipment.

Distribution and Selling Expenses

Distribution and selling expenses of the Group from continuing operations decreased from approximately RMB26.2 million for the year ended 31 December 2021 to approximately RMB24.4 million for the year ended 31 December 2022, representing a decrease of approximately RMB1.8 million or 6.9%. The decrease in distribution and selling expenses from continuing operations was mainly due to the decrease in sales volume. Distribution and selling expenses as a percentage of revenue of the Group was approximately 1.9% for the year ended 31 December 2022 (year ended 31 December 2021: 1.6%).

Administrative Expenses

Administrative expenses of the Group from continuing operations remained almost unchanged at approximately RMB54.5 million for the year ended 31 December 2022 as compared to approximately RMB54.4 million for the year ended 31 December 2021. Administrative expenses as a percentage of revenue of the Group was approximately 4.1% for the year ended 31 December 2022 (year ended 31 December 2021: 3.3%).

Finance Costs

Finance costs of the Group from continuing operations increased from approximately RMB20.5 million for the year ended 31 December 2021 to approximately RMB22.7 million for the year ended 31 December 2022, representing an increase of approximately RMB2.2 million or 10.7%. The increase in the Group's finance costs from continuing operations was mainly due to increase in bank and other borrowings during the year ended 31 December 2022.

Income Tax Credit

The Group's income tax credit from continuing operations was approximately RMB4.2 million for the year ended 31 December 2022 as compared with an income tax charge of approximately RMB36.4 million for the year ended 31 December 2021. The Group's effective income tax credit rate for the year ended 31 December 2022 was approximately 46.2% as compared to an effective income tax rate of 16.4% for the year ended 31 December 2021. The income tax credit from continuing operations was mainly due to the losses in the operating subsidiaries of the Group in the PRC.

Loss attributable to Owners of the Company and Net Loss Margin

Loss attributable to owners of the Company for the year ended 31 December 2022 was approximately RMB12.6 million, as compared to approximately RMB202.5 million of profit attributable to owners of the Company for the year ended 31 December 2021. The Group's net loss was mainly due to the decrease in gross margin. The net loss margin of the Group for the year ended 31 December 2022 was approximately 1.0% as compared with a net profit margin of approximately 12.3% for the year ended 31 December 2021. The Group's net loss margin was mainly due to the decrease in gross profit.

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 2022, the Group generated net cash inflow from operating activities. The Group had cash and bank balances of approximately RMB263.4 million (31 December 2021: RMB283.0 million), pledged bank deposits of approximately RMB121.0 million (31 December 2021: RMB60.2 million) as at 31 December 2022. The Group's cash and bank balances were mainly held in Renminbi ("**RMB**").

Capital Structure and Pledge of Assets

The Group's interest-bearing borrowings were mainly made in RMB and Hong Kong dollars ("**HK$**"). As at 31 December 2022, the Group's interest-bearing borrowings amounted to approximately RMB515.2 million (31 December 2021: RMB553.2 million), RMB431.8 million (83.8%) of which (31 December 2021: RMB503.8 million (91.1%)) was repayable within one year or on demand. The Group's banking facilities were secured by its right-of-use assets, properties, plant and equipment and pledged bank deposits with a carrying value of approximately RMB537.7 million in aggregate (31 December 2021: RMB511.2 million).

Gearing Ratio

The gearing ratio of the Group, which is equal to the total of bank and other borrowings, lease liabilities and bills payable to total assets, was approximately 38.5% as at 31 December 2022 (31 December 2021: 35.5%). Net current liabilities and net assets as at 31 December 2022 was approximately RMB213.9 million (31 December 2021: RMB109.6 million) and RMB715.1 million (31 December 2021: RMB781.2 million), respectively.

Foreign Exchange Exposure

The Group has foreign currency cash and bank balances, pledged bank deposits, other receivables, bank and other borrowings, lease liabilities and other payables, which mainly expose the Group to risk in HK$ and United States dollars. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2022 were approximately RMB17.5 million (31 December 2021: RMB2.4 million) and RMB15.1 million (31 December 2021: RMB20.4 million), respectively. The Group had not used any financial instrument for hedging purposes during the year ended 31 December 2022.

Contingent Liabilities

As at 31 December 2022, the Group did not have any significant contingent liabilities.

Employees, Remuneration and Share Option Scheme

As at 31 December 2022, the Group had a total of 2,423 employees (31 December 2021: 2,925). 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 adopted a share option scheme on 25 June 2021, 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 2022, the Group did not have any significant investments or acquisitions or sales of subsidiaries.

PROSPECTS

The roll-out of vaccines around the world and the relaxation of control measures to contain the Pandemic in most countries provided a good start for 2022. However, the outbreak of the Russia Ukraine Conflict in February 2022 has introduced a major uncertainty in the global economy. As most economies including the US, the EU and most Asian countries lifted their quarantine restrictions during 2022, daily lives and economic activities have begun to return to normal. However, both the US and the EU have been experiencing high inflation due to supply chain bottlenecks, high energy and food prices, surging consumer demand and higher wages. The Russia Ukraine Conflict has exacerbated inflation by further pushing up the energy and food prices. In response to runaway inflation, the US Federal Reserve tightened the monetary policy and raised interest rates. The rapid hiking of US interest rates has triggered the fear for recession and led to a significant fall in commodities prices. The tightening of monetary policies in the US has created a strong dollar and imposed economic hardship on most developing economies.

The momentum of economic growth in the PRC has slowed down in 2022. The outbreak of a new wave of Pandemic in Shanghai and its surrounding area in around April 2022 and the associated Pandemic control measures have further adversely affected the economy. In the US, the massive interest rate hike by the Federal Reserve in the second quarter triggered the fear for global recession and affected business confidence. As other Southeast Asian countries reopened their economies and resumed manufacturing activities, competition for orders has come back. The coming into effect of the UFCLA is expected to have a serious detrimental effect on the PRC textile export business to the US. The above factors have contributed to an unfavourable textile market in the PRC.

The Group considers the future of the textile market is challenging. Upon the completion and full deployment of the New Workshop, certain older production lines of the Group could be released for revamp. A higher level of automation will result in labour cost saving which increases the competitive advantage of the Group. As the Group is cautious about the future of the market, it decided to cease the operation of Xinyuan in July 2022 in order to preserve financial resources of the Group and focus on the core business, and is divesting its equipment in an orderly manner. The Group will continue to closely monitor the market conditions and take necessary measures to adjust its inventory level, production capacities, product mix and pricing strategy. The Group will continue to emphasize industrial safety and seek improvement in efficiency in the production process by means of automation. Taking into account the benefits from the enlarged product portfolio and the economies of scale, the Group believes it is well positioned to take advantage of any turnaround in the textile industry.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company (the "**Annual General Meeting**") will be held on Wednesday, 31 May 2023. 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.

DIVIDEND

The Board of the Directors of the Company does not recommend the payment of final dividend in respect of the year ended 31 December 2022.

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 Thursday, 25 May 2023 to Wednesday, 31 May 2023 (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 4:30p.m. on Wednesday, 24 May 2023.

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 2022.

CODE OF CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, during the year ended 31 December 2022, the Company had complied with the code provisions of the existing Corporate Governance Code (the "**CG Code**") as set out in Part 2 of Appendix 14 to the Listing Rules.

In respect of code provision D.2.2 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 organisational structure and the close supervision of the executive management could provide sufficient internal control and risk management for the Group. The audit committee of the Board will review the effectiveness of the internal control and risk management of the Group. The Board will conduct a 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 2022.

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 2022.

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 2022 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 draft consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by RSM Hong Kong on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual 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 2022 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

The PRC, 29 March 2023

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.