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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 2023

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 2023 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 2023

	Note	**2023** *RMB'000*	2022 *RMB'000*
CONTINUING OPERATIONS			
Revenue	*4*	**1,107,045**	1,318,133
Cost of sales		**(1,095,782)**	(1,260,031)
Gross profit		**11,263**	58,102
Other income	*5*	**42,742**	23,613
Other losses	*6*	**(348)**	(8,091)
Distribution and selling expenses		**(23,023)**	(24,390)
Administrative expenses		**(50,836)**	(54,482)
Reversal of impairment loss on property, plant and equipment		**–**	18,825
(Loss)/Profit from continuing operations		**(20,202)**	13,577
Finance costs	*7*	**(21,396)**	(22,676)
Loss before tax from continuing operations		**(41,598)**	(9,099)
Income tax credit	*8*	**15,075**	4,224
Loss for the year from continuing operations	*9*	**(26,523)**	(4,875)

	Note	2023 RMB'000	2022 RMB'000
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	10	**–**	(7,689)
Loss and total comprehensive expense for the year		**(26,523)**	(12,564)
Loss and total comprehensive expense for the year attributable to owners of the Company arises from:			
Continuing operations		**(26,523)**	(4,875)
Discontinued operation		**–**	(7,689)
		(26,523)	(12,564)
Loss per share	12		
From continuing and discontinued operations			
– Basic		**(RMB2.12) cents**	(RMB1.00) cents
– Diluted		**N/A**	N/A
From continuing operations			
– Basic	12	**(RMB2.12) cents**	(RMB0.39) cents
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment		**924,955**	976,984
Right-of-use assets		**41,101**	46,037
Deposits on acquisition of property, plant and equipment		**590**	8,308
Goodwill		**20,617**	20,617
Deferred tax assets		**–**	1,157
		987,263	1,053,103
Current assets			
Inventories		**224,222**	132,891
Current tax assets		**–**	4,824
Trade and other receivables	*13*	**31,340**	16,736
Bills receivable		**2,500**	3,311
Pledged bank deposits		**64,654**	121,044
Cash and bank balances		**190,068**	263,398
		512,784	542,204
Current liabilities			
Trade and other payables	*14*	**219,944**	211,481
Contract liabilities		**10,991**	12,209
Bills payable		**74,754**	98,913
Deferred income		**264**	264
Lease liabilities		**–**	637
Bank and other borrowings		**406,092**	431,155
Current tax liabilities		**–**	1,485
		712,045	756,144
Net current liabilities		**(199,261)**	(213,940)
Total assets less current liabilities		**788,002**	839,163

	2023	2022
	RMB'000	*RMB'000*
Non-current liabilities		
Deferred income	**6,038**	6,302
Bank and other borrowings	**70,071**	83,373
Deferred tax liabilities	**23,360**	34,432
	99,469	124,107
Net assets	**688,533**	715,056
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	**101,989**	101,989
Reserves	**586,544**	613,067
Total equity	**688,533**	715,056

NOTES:

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**"). IFRS Accounting Standards comprise 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).

A number of new or revised IFRS Accounting Standards 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.

During the year ended 31 December 2023, the Group incurred net loss of approximately RMB26,523,000 and operating cash outflow of approximately RMB80,106,000. In addition, the Group's current liabilities exceeded its current assets by approximately RMB199,261,000 as at 31 December 2023. These conditions indicate 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 RMB95,000,000 currently included in current liabilities at 31 December 2023.

    (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) The Group is closely monitoring the latest developments and will continue to assess the impact of 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 IFRS ACCOUNTING STANDARDS

(a) Application of new and revised IFRS Accounting Standards

Impact on application of Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has adopted Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies" for the first time in the current year. IAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 "Making Materiality Judgements" (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

In addition to the adoption of the above amendments to standards, in the current period, the Group has adopted all other new and revised IFRS Accounting Standards issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 January 2023. They do not have a material effect on the Group's consolidated financial statements.

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

(b) New and revised IFRS Accounting Standards in issue but not yet effective

The Group has not applied any new and revised IFRS Accounting Standards that have been issued but are not yet effective for the financial year beginning 1 January 2023. These new and revised IFRS Accounting Standards include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
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 directors of the Company anticipate that the application of all other amendments to IFRS Accounting Standards will not have material impact on the consolidated financial statements in the foreseeable future.

3. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports prepared in accordance 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 discontinued last 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) (2022: 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 (Continuing operations) *RMB'000*	Staple fibres (Discontinued operation) *RMB'000*	Total *RMB'000*
Year ended 31 December 2023			
Revenue from external customers	**1,107,045**	**–**	**1,107,045**
Interest income	**5,570**	**–**	**5,570**
Interest expense	**(21,396)**	**–**	**(21,396)**
Depreciation	**(74,501)**	**–**	**(74,501)**
Loss of reportable segments	**(54,589)**	**–**	**(54,589)**
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)

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:

	2023	2022
	RMB'000	*RMB'000*
Continuing operations		
Profit or loss		
Segment's loss from continuing operations	**(54,589)**	(9,378)
Adjusted for income in relation to government grants	**15,228**	3,531
Unallocated expense, net:		
Other income, gains and losses	**44**	(1,337)
Administrative and other expenses	**(2,281)**	(1,915)
Income tax credit	**15,075**	4,224
Group's loss for the year from continuing operations	**(26,523)**	(4,875)

	2023	2022
	RMB'000	*RMB'000*
Discontinued operation		
Profit or loss		
Segment's loss from a discontinued operation	**–**	(2,550)
Adjusted for income in relation to government grants	**–**	273
Income tax expense	**–**	(5,412)
Group's loss for the year from a discontinued operation	**–**	(7,689)

Geographical information

Over 99% (2022: 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% (2022: 99%) of the Group's revenue were derived from sales of yarns 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 both years.

4. REVENUE

The principal activities of the Group are manufacturing and trading of yarn products (2022: 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 yarn products (2022: yarn and polyester staple fibres products) 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:

	2023	2022
	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	**1,107,045**	1,318,133
Sales of polyester staple fibres, from a discontinued operation	**–**	60,255
	1,107,045	1,378,388

5. OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Continuing operations		
Interest income	**5,667**	4,310
Government grants	**15,228**	3,531
Income from scrap sales	**20,572**	14,294
Rental income	**953**	906
Others	**322**	572
	42,742	23,613

6. OTHER LOSSES

	2023	2022
	RMB'000	*RMB'000*
Continuing operations		
Net foreign exchange losses	**181**	1,341
Loss on disposal of property, plant and equipment	**167**	6,750
	348	8,091

7. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Continuing operations		
Interest on bank and other borrowings	**21,383**	22,624
Interest on lease liabilities	**13**	52
	21,396	22,676

8. INCOME TAX CREDIT

	2023	2022
	RMB'000	*RMB'000*
Continuing operations		
Current tax		
PRC Corporate Income Tax ("**CIT**")		
Provision for the year	**–**	–
Over-provision in prior year	**(5,160)**	(517)
	(5,160)	(517)
Deferred tax		
Origination and reversal of temporary differences	**(9,915)**	(3,707)
Total	**(15,075)**	(4,224)

No provision for Hong Kong Profits Tax for the years ended 31 December 2023 and 2022 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 Huachun are entitled to a preferential tax rate of 15% for the years ended 31 December 2023 and 2022.

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 FOR THE YEAR FROM CONTINUING OPERATIONS

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

	2023	2022
	RMB'000	*RMB'000*
Auditor's remuneration		
– Audit	**1,184**	1,141
– Others	**263**	239
	1,447	1,380
Cost of inventories sold	**1,095,782**	1,260,031
Allowance for inventories (included in cost of inventories sold)	**–**	1,594
Depreciation on property, plant and equipment	**74,657**	61,845
Depreciation on right-of-use assets	**2,204**	2,142

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 RMB150,523,000 (2022: RMB174,878,000), RMB62,449,000 (2022: RMB51,835,000) and RMB1,133,000 (2022: RMB1,133,000) respectively, where depreciation 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*
Discontinued operation	
Revenue	60,255
Cost of sales	(57,304)
Gross profit	2,951
Other income	1,400
Other gains	666
Distribution and selling expenses	(521)
Administrative expenses	(4,007)
Finance costs	(2,766)
Loss before tax	(2,277)
Income tax expense	(5,412)
Loss for the year from a discontinued operation attributable to owners of the Company	(7,689)
Loss for the year from a discontinued operation included the following:	
Cost of inventories sold	(57,304)
Reversal of allowance for inventories (included in cost of inventories sold)	1,093
Depreciation on property, plant and equipment	(1,936)
Depreciation on right-of-use assets	(137)
Auditor's remuneration	–
Gain on disposal of property, plant and equipment	591
Net foreign exchange gains	37
Interest income	66
Amortisation of deferred income	114
Cash flows from a discontinued operation:	
Net cash inflows from operating activities	25,495
Net cash inflows from investing activities	9,824
Net cash outflows from financing activities	(35,907)
Net cash outflows	(588)

11. DIVIDENDS

The Board of Directors of the Company does not recommend the payment of final dividend in respect of the year ended 31 December 2023 (2022: Nil).

During the year ended 31 December 2022, the final dividend amounted to approximately RMB53,754,000 was recognised in respect of the year ended 31 December 2021.

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to the owners of the Company and the weighted average number of ordinary shares of 1,252,350,000 (2022: 1,252,350,000) in issue during the year:

	2023	2022
	RMB'000	*RMB'000*
Loss for the purpose of calculating basic loss per share (loss for the year attributable to owners of the Company)		
From continuing operations	**(26,523)**	(4,875)
From a discontinued operation	**–**	(7,689)
	(26,523)	(12,564)

	2023	2022
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss 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 2023 and 2022.

13. TRADE AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**15,643**	7,068
Advance payments to suppliers	**15,352**	8,172
Prepayments and other receivables	**305**	1,459
Other tax recoverables	**40**	37
	31,340	16,736

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:

	2023	2022
	RMB'000	*RMB'000*
0 – 30 days	**14,950**	6,640
31 – 90 days	**620**	69
91 – 180 days	**73**	–
181 – 365 days	**–**	57
Over 365 days	**–**	302
	15,643	7,068

The carrying amounts of the Group's trade receivables are denominated in RMB.

14. TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**13,606**	14,312
Other payables	**6,670**	7,151
Other tax payables	**17,951**	22,121
Accrued salaries and wages	**17,011**	12,275
Other accrued charges	**161,884**	148,796
Payables for acquisition of property, plant and equipment	**2,822**	6,826
	219,944	211,481

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:

	2023	2022
	RMB'000	*RMB'000*
0 – 30 days	**9,788**	11,345
31 – 90 days	**–**	486
91 – 180 days	**2,761**	825
Over 365 days	**1,057**	1,656
	13,606	14,312

In general, the Group makes advance payment to suppliers before the materials or goods are received. The creditors may, in some cases, allow a credit period. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

The carrying amounts of the Group's trade payables are denominated in RMB.

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 2023:

"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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as 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 incurred net loss of approximately RMB26,523,000 and operating cash outflow of approximately RMB80,106,000 for the year ended 31 December 2023. In addition, the Group's current liabilities exceeded its current assets by approximately RMB199,261,000 as at 31 December 2023. As stated in Note 2, these 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 2023, the global economy has faced a lot of challenges. The military conflict between Russia and Ukraine ("**Russia Ukraine Conflict**") has not stopped and new military conflict between Israel and the Hamas has started in the Gaza region in the Middle East ("**Gaza Conflict**"). Major developed economies continue to suffer from high inflation, and successive interest rates hikes led to a sharp rise in interest rates. The above factors have suppressed global demand and consumption. The GDP of the United States (the "**US**") has recorded an increase of around 2.5% for 2023 as compared with 1.9% for 2022. The GDP of the European Union (the "**EU**") has recorded an increase of around 0.4% for 2023 as compared with 3.2% for 2022. The GDP of the People's Republic of China (the "**PRC**") has recorded an increase of around 5.2% for 2023 as compared with 3.0% for 2022.

The international crude oil price fluctuated between US$70 and US$80 per barrel during most of the time in 2023. The average price of international crude oil in 2023 was lower than that of 2022. The downward trend in crude oil prices have suppressed the prices of oil-related downstream products, including raw materials for polyester yarn products and the selling prices of polyester yarn products were affected accordingly. Due to unfavourable market conditions, the selling prices of yarn products faced increased pressure and fell at a faster rate than that of the raw materials.

The international cotton prices remained relatively stable throughout 2023 after a big swing in 2022. The prices fluctuated between US75 cents and US85 cents per pound during most of the time in 2023. The average prices of international cotton in 2023 were lower than that of 2022. The weakness in international cotton prices was mainly due to a weak global economy and a high interest rate environment.

The domestic cotton prices have been trending slightly upward since the beginning of 2023 due to the expectation of a tightened supply in the mid to long term. The domestic cotton prices in the PRC increased from around RMB15,000 per tonne at the beginning of 2023 to a peak of around RMB17,000 per tonne in September 2023. As the textile market was weaker than expected in the fourth quarter of 2023, the prices fell back to around RMB15,000 per tonne towards the end of 2023. There was no change in the PRC government policies in 2023 in relation to collection of cotton reserve, direct subsidy to cotton farmers and the orderly auction of the cotton reserve. Accordingly, the domestic cotton prices in the PRC have not been affected by the continuing policies.

The PRC government has lifted all the Covid-19 pandemic (the "**Pandemic**") control measures in January 2023, normal lives and economic activities have resumed. The domestic sales of the PRC's textile industry showed a trend of gradual recovery. However, due to various unfavourable factors such as complicated international trade environment, restructuring of global supply chain and high domestic production cost, the textile industry was under pressure in 2023. In terms of domestic sales, according to the statistics from the National Bureau of Statistics of China, the retail sales of commodities such as apparel, footwear, headwear, and knitted products by enterprises above the designated size for 2023 amounted to approximately RMB1,409.5 billion, representing a period-on-period increase of approximately 12.9%. However, PRC's export sales remained sluggish, the export of yarns frabics and textile products and apparel for 2023 was only approximately US$134.4 billion and US$165.3 billion respectively, representing a period-on-period decrease of approximately 8.0% and 8.5% respectively, according to the General Administration of Customs of the PRC.

BUSINESS REVIEW

The sales volume of yarn products of the Group decreased by 6.9% from approximately 103,479 tonnes for the year ended 31 December 2022 to approximately 96,330 tonnes for the year ended 31 December 2023. The decrease in sales volume was mainly due to the unfavourable market conditions. The production volume of yarn products of the Group slightly increased by 1.8% from approximately 100,173 tonnes for the year ended 31 December 2022 to approximately 101,955 tonnes for the year ended 31 December 2023. The revenue from the sales of yarn products of the Group decreased by 16.0% to approximately RMB1,107 million for the year ended 31 December 2023 as compared to RMB1,318 million for the year ended 31 December 2022. The gross profit and the loss attributable to the owners of the Company for the year ended 31 December 2023 were approximately RMB11.3 million and approximately RMB26.5 million, respectively.

Since the lifting of the Pandemic control measures in January 2023, the domestic sales of the PRC's textile industry showed a gradual trend of recovery. However, the increase in domestic sales of textile products was partly contributed by the discount sales by retailers in order to reduce the level of inventories. The export market of textile products remains very challenging under the current global economic conditions and restrictive trade measures against the PRC adopted by the US and EU. The businesses of our downstream customers engaged in the supply chain of export textile products were greatly affected. As exported textile products are generally high-end products, the productions of which generally require high-end yarn products like fine cotton-polyester blended yarn products. The weakness in the export market has adversely affected the market for high-end yarn products which deliver higher margins.

Although the costs of raw materials of yarn products were lower in the year ended 31 December 2023 as compared with that of 2022, the selling prices of yarn products fell at a rate faster than that of the raw materials due to poor market conditions. As the domestic textile market was dominated by mass market products, the Group has adjusted its product portfolio and production arrangements, focusing more on polyester and grey mélange yarn products, which are mass market products. However, mass market products especially polyester yarn products, have been very competitive and generally deliver lower selling prices and margins. The Group has increased its marketing effort by engaging more interactions with its customers. The Group also adopted an aggressive pricing strategy in order to achieve sufficient sales volume to maintain the economy of scale. The above factors have contributed to the lower revenue and poor gross margin for the year ended 31 December 2023.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the year ended 31 December 2023 was approximately RMB1,107.0 million, representing a decrease of approximately RMB301.1 million, or 22.8%, as compared to last year. The analysis of the sales of the Group's products is as below:

	Year ended 31 December 2023 *RMB'000*		Year ended 31 December 2022 *RMB'000*	
Polyester yarns	**434,619**	**39.3%**	487,888	37.0%
Polyester-cotton and viscose-cotton blended yarns	**349,725**	**31.6%**	468,382	35.6%
Grey and deep grey mélange yarns and grey mélange-cotton blended yarns	**320,174**	**28.9%**	353,167	26.8%
Viscose and stretchable core viscose yarns	**2,465**	**0.2%**	6,941	0.5%
Others	**62**	**0.0%**	1,755	0.1%
	1,107,045	**100.0%**	1,318,133	100.0%

The decrease in the revenue of the Group for the year ended 31 December 2023 was mainly attributable to the decrease in sales volume and average selling prices of the yarn products. Due to poor market conditions, the sales volume decreased by approximately 6.9% from approximately 103,479 tonnes for the year ended 31 December 2022 to approximately 96,330 tonnes for the year ended 31 December 2023. The average selling price of yarn products of the Group decreased 17.1% from approximately RMB12,738 per tonne for the year ended 31 December 2022 to approximately RMB10,558 per tonne for the year ended 31 December 2023. The decrease in the average selling price of the yarn products was due to the correlation with the lower prices of raw materials and the adjustment of the product portfolio of the Group. As our downstream customers engaged in the supply chain of export textile products were adversely affected by the continuing weakness in the export market, the demand for high-end yarn products has been dwindling. The Group has responded to the market conditions by shifting its focus to products that are geared for downstream customers engaged in the domestic market. However, the domestic textile market was dominated by mass market products which are very competitive and generally deliver lower selling prices and margins.

Gross Profit and Gross Profit Margin

Gross profit of the Group decreased from approximately RMB58.1 million for the year ended 31 December 2022 to approximately RMB11.3 million for the year ended 31 December 2023. The gross profit margin of the Group decreased from approximately 4.4% for the year ended 31 December 2022 to approximately 1.0% for the year ended 31 December 2023. The decrease in gross profit was mainly due to the decrease in sales volume and decrease in gross profit margin. The decrease in sales volume was due to unfavourable market conditions. The decrease in gross profit margin was due to the selling prices of yarn products decreased at a rate greater than that of raw materials and the adjustment in the product mix of the Group. The Group has adjusted its product portfolio in response to the market situation, focusing more on polyester yarn products in order to cater for the needs of the downstream customers engaging in the domestic mass market. However, the margin of polyester yarn profits was lower than that of other yarn products. The Group has also adopted an aggressive pricing strategy in order to boost sales. The above factors have collectively contributed to the deterioration of profit margin.

Other Income

Other income of the Group increased from approximately RMB23.6 million for the year ended 31 December 2022 to approximately RMB42.7 million for the year ended 31 December 2023, representing an increase of approximately RMB19.1 million or 81.0%. The increase in other income was mainly due to increase in government grants and income from scrap sales.

Other Losses

Other losses of the Group decreased from approximately RMB8.1 million for the year ended 31 December 2022 to approximately RMB0.3 million for the year ended 31 December 2023, representing a decrease of approximately RMB7.8 million or 96.3%. The decrease in other losses was mainly due to decrease in net foreign exchange losses and loss on disposal of property, plant and equipment.

Distribution and Selling Expenses

Distribution and selling expenses of the Group decreased from approximately RMB24.4 million for the year ended 31 December 2022 to approximately RMB23.0 million for the year ended 31 December 2023, representing a decrease of approximately RMB1.4 million or 5.7%. The decrease was mainly due to the decrease in sales volume of yarn products by approximately 6.9%. Distribution and selling expenses as a percentage of revenue of the Group was approximately 2.1% for the year ended 31 December 2023 (year ended 31 December 2022: 1.9%).

Administrative Expenses

Administrative expenses of the Group decreased from approximately RMB54.5 million for the year ended 31 December 2022 to approximately RMB50.8 million for the year ended 31 December 2023, representing a decrease of approximately RMB3.7 million or 6.7%. The decrease in administrative expenses was mainly due to the decrease in staff cost and certain government taxes. Administrative expenses as a percentage of revenue of the Group was approximately 4.6% for the year ended 31 December 2023 (year ended 31 December 2022: 4.1%).

Finance Costs

Finance costs of the Group decreased from approximately RMB22.7 million for the year ended 31 December 2022 to approximately RMB21.3 million for the year ended 31 December 2023, representing a decrease of approximately RMB1.4 million or 6.2%. The decrease in finance cost was mainly due to the decrease in bank borrowings and lower interest rates as the People's Bank of China has reduced the Loan Prime Rate during 2023.

Income Tax Credit

The income tax credit of the Group increased from approximately RMB4.2 million for the year ended 31 December 2022 to approximately RMB15.1 million for the year ended 31 December 2023, representing an increase of approximately RMB10.9 million or 2.6 times. The Group's effective income tax credit rate for year ended 31 December 2023 was approximately 36.3% as compared with 46.2% for the year ended 31 December 2022. The income tax credit was due to reversal of over-provision in prior year of approximately RMB5.2 million and deferred tax credit of approximately RMB9.9 million arising from recognition of certain deferred tax assets.

Loss attributable to Owners of the Company and Net Loss Margin

Loss attributable to owners of the Company for the year ended 31 December 2023 was approximately RMB26.5 million, as compared to approximately RMB12.6 million for the year ended 31 December 2022. The Group's net loss was mainly due to the decrease in gross profit. The net loss margin of the Group for the year ended 31 December 2023 was approximately 2.4% as compared with approximately 1.0% for the year ended 31 December 2022. The Group's net loss margin was mainly due to the decrease in gross profit.

Loss per Share

The basic loss per share of the Company for the year ended 31 December 2023 was approximately RMB2.12 cents as compared with approximately RMB0.39 cents for the year ended 31 December 2022. The increase in loss per share of the Company was due to increase in the net loss for the year ended 31 December 2023.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in the PRC. During the year ended 31 December 2023, the Group had a net cash outflow from operating activities. The Group had cash and bank balances of approximately RMB190.1 million (31 December 2022: RMB263.4 million), pledged bank deposits of approximately RMB64.7 million (31 December 2022: RMB121.0 million) at 31 December 2023. The Group's cash and bank balances were mainly held in RMB.

Capital Structure and Pledge of Assets

The Group's interest-bearing borrowings were mainly made in RMB. At 31 December 2023, the Group's interest-bearing borrowings amounted to approximately RMB476.2 million (31 December 2022: RMB515.2 million), RMB406.1 million (85.3%) of which (31 December 2022: RMB431.1 million (83.8%)) was repayable within one year or on demand. The Group's banking facilities were secured by its right-of-use assets, property, plant and equipment and pledged bank deposits with a carrying value of approximately RMB459.3 million in aggregate (31 December 2022: RMB537.7 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 36.7% at 31 December 2023 (31 December 2022: 38.5%). Net current liabilities and net assets at 31 December 2023 were approximately RMB199.3 million (31 December 2022: RMB213.9 million) and RMB688.5 million (31 December 2022: RMB715.1 million), respectively.

Foreign Exchange Exposure

The Group has foreign currency cash and bank balances, other receivables, other borrowings and other payables (31 December 2022: cash and bank balances, pledged bank deposits, other receivables, bank and other borrowings, lease liabilities and other payables) which mainly exposed the Group to risks in United States Dollar and Hong Kong Dollar. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2023 were approximately RMB3.1 million (31 December 2022: RMB17.5 million) and RMB5.6 million (31 December 2022: RMB15.1 million), respectively. The Group had not used any financial instrument for hedging purposes during the year ended 31 December 2023.

Contingent Liabilities

As at 31 December 2023, the Group did not have any contingent liabilities.

Employees, Remuneration and Share Option Scheme

As at 31 December 2023, the Group had a total of 2,422 employees (31 December 2022: 2,423). Remuneration for employees, including the Directors, is determined in accordance with performance, professional experiences and the prevailing market practices. The Group's management reviews the Group's employee remuneration policy and arrangement on a regular basis. Apart from pension, discretionary bonus will also be granted to certain employees as awards in accordance with individual performance. The Company 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 2023, the Group did not have any significant investments or acquisitions or disposal of subsidiaries.

PROSPECTS

During the year ended 31 December 2023, the textile industry faced a lot of challenges. The Russia Ukraine Conflict has not stopped and Gaza Conflict has started, major developed economies continue to suffer from high inflation, and successive interest rates hikes led to a sharp rise in interest rates. The above factors have suppressed global demand and consumption. Other unfavourable factors such as complicated international trade environment, restructuring of global supply chain and high domestic production cost have contributed to the weakness in the export market for the textile products of the PRC. The PRC government has lifted all the Pandemic control measures in January 2023, normal lives and economic activities have resumed. The domestic sales of the PRC's textile industry showed a gradual trend of recovery. However, the export market of textile product remains very challenging under the current global economic conditions and restrictive trade measures against the PRC adopted by the US and EU. The demand for high-end textile products geared to export to the traditional western markets will continue to remain weak. The weakness in the export sector will increase the dependence on the domestic market which has been dominated by mass market products and characterized by severe competition.

The market consensus is that the interest rate in the US has peaked in 2023. With the reduction in interest rates in the US likely to happen in 2024, the consumer market is likely to improve. The global economy will still be affected by the outcome of the Russia Ukraine Conflict and Gaza conflict. Looking forward, with the implementation of stimulating policies by the PRC government, it is expected that the PRC economy will maintain its resilience and continue to grow.

The Group considers the future of the textile market is challenging. 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 increased level of automation 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 Thursday, 6 June 2024. 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 did not recommend the payment of final dividend in respect of the year ended 31 December 2023.

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 Monday, 3 June 2024 - Thursday, 6 June 2024 (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 Friday, 31 May 2024.

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 2023.

CODE OF CORPORATE GOVERNANCE

Save as disclosed below, during the year ended 31 December 2023, the Company had complied with the code provisions of the existing Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules.

In respect of code provision D.2.5 of Part 2 the CG Code, the Company has not set up an internal audit ("**IA**") function. Having 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 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 C3 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 2023.

AUDIT COMMITTEE

The audit committee of the Company has reviewed together with the management the accounting principles and policies adopted by the Group and reviewed the audited consolidated financial information for the year ended 31 December 2023.

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 2023 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 2023 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 suppliers and our shareholders for their trust and support and various government bodies for their support.

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

Hong Kong, 26 March 2024

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 Mr. Wong Tak Shing, Mr. Xu Yiliang and Mr. Li Guoxing as the independent non-executive Directors.