



CHINA WEAVING MATERIALS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock code: 3778

Annual Report **2023**

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Corporate Information

BOARD OF DIRECTORS (THE "BOARD")

Executive Director

Mr. Zheng Yongxiang

Non-Executive Director

Mr. Zheng Hong (*Chairman*)

Independent Non-Executive Directors

Mr. Xu Yiliang

Mr. Li Guoxing

Mr. Wong Tak Shing (appointed on 27 November 2023)

Ms. Zhang Baixiang (resigned on 27 November 2023)

BOARD COMMITTEES

Audit committee

Mr. Wong Tak Shing (*Chairman*, appointed on 27 November 2023)

Mr. Xu Yiliang

Mr. Li Guoxing

Ms. Zhang Baixiang (resigned on 27 November 2023)

Remuneration committee

Mr. Xu Yiliang (*Chairman*)

Mr. Zheng Hong

Mr. Li Guoxing

Mr. Wong Tak Shing (appointed on 27 November 2023)

Ms. Zhang Baixiang (resigned on 27 November 2023)

Nomination committee

Mr. Zheng Hong (*Chairman*)

Mr. Xu Yiliang

Mr. Li Guoxing

Mr. Wong Tak Shing (appointed on 27 November 2023)

Ms. Zhang Baixiang (resigned on 27 November 2023)

COMPANY SECRETARY

Mr. Cheung Chi Fai Frank

AUTHORISED REPRESENTATIVES

Mr. Zheng Hong

Mr. Cheung Chi Fai Frank

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B5, 22/F,
NCB Innovation Centre,
888 Lai Chi Kok Road,
Kowloon, Hong Kong

MANUFACTURING BASE IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

Fengtian Development Zone
Fengxin County
Jiangxi Province, PRC

Corporate Information

LEGAL ADVISERS

As to Hong Kong law:

Morgan, Lewis and Bockius

As to PRC law:

Jiangxi Kangtuo Law Offices

AUDITOR

RSM Hong Kong

Certified Public Accountants

Registered Public Interest Entity Auditor

INVESTORS RELATIONSHIP CONSULTANT

Anli Financial Communications Limited

CAYMAN ISLANDS PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HONG KONG SHARE REGISTER AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712–1716

17/F, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China

(Fengxin Sub-branch)

Bank of China (Fengxin Sub-branch)

Bank of Communications Limited

(Nanchang Donghu Sub-branch)

Bank of Ganzhou

Bank of Jiujiang

China Construction Bank Corporation

(Fengxin Sub-branch)

China Everbright Bank Co. Ltd.

(Fuzhou Nanmen Sub-branch)

China Merchant Bank (Nanchang Branch)

Fengxin Rural Commercial Bank

Industrial and Commercial Bank of China Limited

(Fengxin Sub-branch)

Industrial Bank Co. Ltd.

(Nanchang Branch)

Shanghai Pudong Development Bank Co. Ltd.

(Nanchang Branch)

COMPANY WEBSITE

www.chinaweavingmaterials.com

STOCK CODE

3778

Chairman's Statement

2023 was a very difficult year for the textile industry in the PRC. The military conflict between Russia and Ukraine ("**Russia Ukraine Conflict**") has dragged on for over two years. New military conflict between Israel and the Hamas has started in the Gaza region in the Middle East ("**Gaza Conflict**") in October 2023. Major developed economies continue to suffer from high inflation and high interest rates. The above factors have suppressed global demand and consumption. The average prices of crude oil and cotton in 2023 were generally lower than that of 2022. Low prices of raw materials dragged down the prices of textile products and under such poor market conditions, the prices of textile products fell faster than that of the raw materials.

As the United States ("**US**") and the European Union ("**EU**") have imposed restrictive trade measures against textile products produced in the PRC, export market has suffered seriously. 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.

The domestic market for textile products showed a trend of recovery since the lifting of all the Covid-19 pandemic (the "**Pandemic**") control measures in January 2023. Given the weakness in the export market, the textile industry in the PRC became more dependent on the domestic consumption. As the domestic textile market was dominated by mass market products, China Weaving Materials Holdings Limited (the "**Company**") and its subsidiaries (collectively, 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.

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.

Zheng Hong
Chairman

Hong Kong, 26 March 2024

Management Discussion and Analysis

MARKET OVERVIEW

In 2023, the global economy has faced a lot of challenges. Russia Ukraine Conflict has not stopped and Gaza Conflict has started in the Middle East. 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 US has recorded an increase of around 2.5% for 2023 as compared with 1.9% for 2022. The GDP of the EU has recorded an increase of around 0.4% for 2023 as compared with 3.2% for 2022. The GDP of 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 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 fabrics 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Report of the Directors

The Directors are pleased to present their report and the consolidated audited financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the business of manufacturing and trading of yarns products and related raw materials. Details of the principal activities of the principal subsidiaries of the Company are set out in Note 44 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The results of the Group for the year ended 31 December 2023 and the financial position of the Group and the Company at that date are set out in the consolidated financial statements on pages 39 to 42 of this annual report and Note 42 to the consolidated financial statements.

BUSINESS REVIEW

Business Review and Future Development

Please refer to the "Chairman's Statement" and the "Business Review" and "Prospects" sections of the "Management Discussion and Analysis" of this annual report for details.

Principal Risks and Uncertainties

Please refer to the "Chairman's Statement", the "Market Overview" section of the "Management Discussion and Analysis", Note 2 and Note 6 to the consolidated financial statements of this annual report for details.

Events after the Reporting Period

The Company was unaware of any significant event since the end of the financial year ended 31 December 2023 and up to the date of this annual report that had a significant impact on the Group.

Business Analysis using Financial Key Performance Indicators

Please refer to the "Financial Review" section of the "Management Discussion and Analysis" of this annual report for details.

Compliance with Laws and Regulations

For the year ended 31 December 2023 and up to the date of this annual report, the Company was unaware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group.

Environmental Policies and Performance

The Group is committed to energy saving and environmental protection. The Group has complied with the relevant environmental rules and regulations and possesses all the required approval from the relevant Chinese regulators. The subsidiaries of the Company, Jinyuan Textile Co. Ltd. Jiangxi ("**Jiangxi Jinyuan**") and Jiangxi Huachun Color Spinning Technology Development Co., Ltd. ("**Huachun**"), have obtained the ISO 14001 certificate on environmental management. Jiangxi Jinyuan has over 25,000 square metres of green areas within its factory premises and it has constructed a reservoir to collect rain water for use in the workshop. Jiangxi Jinyuan and Huachun have installed solar panels on the workshop rooftop to provide electricity for workshop lighting. The environment, social and governance report as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") will be issued separately by the Company.

Report of the Directors

Relationship with Employees

The Directors consider the Group has maintained a harmonious relationship with its employees.

Please refer to the “Employees, Remuneration and Share Option Scheme” section of the “Management Discussion and Analysis” of this annual report for details.

Relationship with Customers and Suppliers

The Group has a large customer base. As at 31 December 2023, the Group had over 1,800 customers. The Group does not rely on a few large customers. During the year ended 31 December 2023, sales to the Group’s five largest customers accounted for 17.6% of the total sales of the Group for 2023 and sales to the largest customer included therein accounted for 6.9% of the total sales of the Group for the same year.

Due to the nature of the raw materials and large quantities required by the Group, there are not too many raw materials suppliers with sufficient scale that could cater for the requirement of the Group. As at 31 December 2023, the Group had over 50 major suppliers of raw materials, production equipment and production accessories. Purchases from the Group’s five largest suppliers accounted for 55.3% of the total purchases of the Group for the year ended 31 December 2023 and purchases from the Group’s largest supplier included therein accounted for 15.3% of the total purchases of the Group for the same year. The Directors consider the Group has maintained a harmonious business relationship with its suppliers.

The Group communicates regularly with its customers and suppliers and carries out reciprocal site visits to understand each other’s requirements and collect market intelligence.

None of the Directors or any of their associates or any substantial Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company’s issued share capital) had any beneficial interest in the Group’s five largest customers and suppliers at any time during the year.

DIVIDEND

The Board has not recommended the payment of final dividend in respect of the year ended 31 December 2023.

FINANCIAL SUMMARY

A summary of the financial information of the Group for the last five financial years (including the year ended 31 December 2023) is set out on page 115 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in Note 20 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company’s share capital are set out in Note 34 to the consolidated financial statements.

Report of the Directors

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association adopted on 29 June 2022 and as amended from time to time (the "**Articles**") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company (the "**Shares**") during the year ended 31 December 2023.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB75 million.

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2023, the Group did not make any charitable contribution.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Director:

Mr. Zheng Yongxiang

Non-Executive Director:

Mr. Zheng Hong (*Chairman*)

Independent Non-Executive Directors:

Mr. Xu Yiliang

Mr. Li Guoxing

Mr. Wong Tak Shing (appointed on 27 November 2023)

Ms. Zhang Baixiang (resigned on 27 November 2023)

Pursuant to Articles 83(3) of the Articles, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election.

Report of the Directors

As such, Mr. Wong Tak Shing will retire as a Director at the forthcoming annual general meeting of the Company to be held on 6 June 2024 (the “**Annual General Meeting**”) and will offer himself for re-election.

Pursuant to Article 84 of the Articles, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation.

By virtue of Article 84 of the Articles, all the Directors who retire at the Annual General Meeting, being eligible, will offer themselves for re-election.

As such, Mr. Zheng Yongxiang and Mr. Xu Yiliang will retire from office as Directors at the Annual General Meeting and will offer themselves for re-election.

DIRECTORS’ AND SENIOR MANAGEMENT’S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 29 to 31 of this annual report.

DIRECTORS’ SERVICE CONTRACTS

Each of Mr. Zheng Yongxiang, the executive Director, and Mr. Zheng Hong, the non-executive Director, has respectively entered into a service contract with the Company for a term of three years commencing from 3 December 2023 and may be terminated by not less than three months’ prior notice in writing served by either party on the other.

Mr. Wong Tak Shing, an independent non-executive Director, has signed an appointment letter with the Company for a term of three years commencing from 27 November 2023. Mr. Xu Yiliang, an independent non-executive Director, has signed an appointment letter with the Company for a term of three years commencing from 20 October 2022. Mr. Li Guoxing, an independent non-executive Director, has signed an appointment letter with the Company for a term of three years commencing from 5 December 2022. These appointments may be terminated by not less than one month’s prior notice in writing served by the Company. The details of the remuneration of each of the Directors are disclosed in Note 16 to the consolidated financial statements. No Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation. The Directors are subject to retirement by rotation at least once every three years as required by the Articles.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence from the Group. Based on such confirmations, the Company considers that each of such Directors to be independent from the Group for the purpose of Rule 3.13 of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2023.

Report of the Directors

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the interest or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) under the provisions of Divisions 7 and 8 of Part XV of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), are set out below:

Name of Director	Nature of Interest	Position	Number of Shares	Approximate percentage of shareholding in the Company ⁽²⁾
Mr. Zheng Hong	Interest of a controlled corporation	Long Position	514,305,000 ⁽¹⁾	41.07%
Mr. Zheng Yongxiang	Beneficial owner	Long Position	167,025,200	13.34%

Notes:

- (1) These Shares are held by Popular Trend Holdings Limited (“Popular Trend”), the entire issued share capital of which is owned by Mr. Zheng Hong.
- (2) The percentage is calculated based on the total number of 1,252,350,000 Shares in issue as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, none of the Directors (including their spouse and children under 18 years of age) had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Pursuant to a resolution of the Shareholders passed on 25 June 2021, the Company has adopted a share option scheme (the “Scheme”). The purpose of the Scheme is to recognise and acknowledge the contributions the eligible participants had or may have made to the Group. The Scheme was conditionally adopted on 25 June 2021 and took effect on 29 June 2021 upon satisfaction of the relevant conditions, and shall expire on 24 June 2031, being the date immediately prior to the 10th anniversary of the adoption date of the Scheme. The remaining life of the Scheme is approximately 7.2 years as at the date of this annual report. The terms of the Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

Eligible participants of the Scheme include any full time or part time employee (including senior executives, officers and managers), directors (including executive, non-executive and independent non-executive directors) and any consultant(s) of the Company or any of its subsidiaries who, as determined by the Board, have contributed or will contribute to the growth and development of the Group.

Report of the Directors

The total number of Shares available for issue under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the total number of Shares in at the date of approval of the Scheme, being 125,235,000 Shares, representing approximately 10% of the issued share capital of the Company as at the adoption date of the Scheme. Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to eligible participants specified by the Company.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not in aggregate exceed 30% of the Shares in issue from time to time.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time.

Share options granted to a Director, chief executive or substantial shareholder of the Company (as defined under the Listing Rules), or to any of their respective associates (as defined under the Listing Rules), are required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). In addition, any share options granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates of the Company, (i) representing in aggregate more than 0.1%, or such other percentage as may from time to time provided under the Listing Rules, of the Shares in issue on the date of grant; and (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets at the date of each grant, are subject to issue of a circular and Shareholders' approval in general meeting by way of a poll.

The offer of a grant of share options may be accepted by a participant not later than 10 business days after the date of offer, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Report of the Directors

The subscription price for Shares under the Scheme shall be a price determined by the Board in its absolute discretion, save such price will not be less than the higher of:

- i. the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of the offer of the grant, and
- ii. the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

The exercise period for the share options granted is determined by the Board in its absolute discretion, which may commence from the date of acceptance of the offer for the grant of share options but in any event shall not exceed 10 years from the date of grant.

Subject to the earlier termination of the Scheme in accordance with the Scheme rules, the Scheme will remain effective until (but not including) 25 June 2031.

No option has been granted under the Scheme since the adoption of the Scheme and up to the date of this report.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURE

Save as disclosed in the section headed "Share Option Scheme" above, at no time during the year were rights to acquire benefits by means of the acquisition of share in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2023, so far as is known to any Director or chief executive of the Company, the persons or corporations (other than a Director or chief executive of the Company) who had interest or short positions in the Shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of Interest	Long Position	Number of Shares	Approximate percentage of shareholding in the Company (Note 2)
Popular Trend ^(Note 1)	Beneficial owner	Long Position	514,305,000	41.07%

Notes:

- (1) Popular Trend is wholly-owned by Mr. Zheng Hong.
- (2) The percentage is calculated based on the total number of 1,252,350,000 Shares in issue as at 31 December 2023.

Report of the Directors

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contracts of significance have been entered into between the Company or any of its subsidiaries and the controlling Shareholders during the year ended 31 December 2023.

NON-COMPETE UNDERTAKINGS

Each of the controlling Shareholders, namely Popular Trend and Mr. Zheng Hong, has confirmed to the Company of his/its compliance with the non-compete undertakings that he/it provided to the Company on 3 December 2012. The independent non-executive Directors have reviewed the status of the compliance and confirmed that all of these non-compete undertakings have been complied with by the controlling Shareholders.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2023 and up to and including the date of this annual report.

PENSION SCHEME

The Group has established various welfare plans including the provision of basic pension funds, basic medical insurance, unemployment insurance and other relevant insurance for employees who are employed by the Group pursuant to the rules and regulations and the existing policy requirements of the PRC and Hong Kong government.

CONNECTED TRANSACTIONS

Save as disclosed below, no connected transaction was entered into or in existence for the year ended 31 December 2023.

Exempt Connected Transactions

At 31 December 2023, certain banking facilities were guaranteed by the Executive Director and a close family member of the Executive Director and the Non-executive Director.

The abovementioned transactions amounted to financial assistance received by the Group from connected persons. As they were conducted on normal commercial terms or better and were not secured by the assets of the Group, pursuant to Rule 14A.90 of the Listing Rules, such transactions constituted fully exempt connected transactions and thus were fully-exempt from the Shareholders' approval, the annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2023, the Group has entered into short term lease agreement with the Executive Director in respect of an office premises and a car park space, the amount of lease payment was approximately RMB106,000.

The above mentioned transaction falls under Chapter 14A.76(1)(c) of the Listing Rules as a de minimis transaction as it is conducted on normal commercial terms or better and all the percentage ratios (other than the profit ratio) are less than 5% and the total consideration is less than HK\$3,000,000. Such transactions constituted fully exempt connected transactions and thus were fully-exempt from the Shareholders' approval, the annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Report of the Directors

Save as disclosed above, none of other related party transactions as set out in Note 39 to the consolidated financial statements constitute non-exempt connected transactions of the Group in accordance with the Listing Rules during the year ended 31 December 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public since the listing date of the Company up to the date of this annual report.

PERMITTED INDEMNITY PROVISION

The Articles provide that for the time being acting in relation to any of the affairs of the Company, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of duties of his office or otherwise in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, subsisted at the end of or at any time during 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 4:30 p.m. on Friday, 31 May 2024.

AUDITOR

The consolidated financial statements for the year ended 31 December 2023 have been audited by RSM Hong Kong who shall retire at the forthcoming Annual General Meeting. A resolution will be proposed at the forthcoming Annual General Meeting to re-appoint RSM Hong Kong as auditor of the Company.

On behalf of the Board

Zheng Hong
Chairman

Hong Kong, 26 March 2024

Corporate Governance Report

The Board hereby presents this Corporate Governance Report for the year ended 31 December 2023.

A. CODE OF CORPORATE GOVERNANCE PRACTICES

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.

B. DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted 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.

C. BOARD OF DIRECTORS

Directors’ and Officers’ Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Board Composition

The Board currently comprises one executive Director, one non-executive Director and three independent non-executive Directors. The Board has received from each independent non-executive Director a written annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and is satisfied with the independence of the independent non-executive Directors. Under the Articles, every Director is subject to retirement by rotation at least once every three years and their re-election is subject to a vote by the Shareholders. All independent non-executive Directors are appointed for a specific term.

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group’s strategic objectives. Day-to-day management of the Group’s business is delegated to the senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group’s overall strategic and financial policies including dividend policy, material contracts and major investments. All Board members have separate and independent access to the Group’s senior management to fulfill their duties. They also have full and timely access to relevant information about the Group and are kept abreast of the conduct, business activities and development of the Group. Independent professional advice can be sought at the Group’s expense upon their request.

Corporate Governance Report

The Board has three independent non-executive Directors in compliance with Rule 3.10(1) of the Listing Rules that every board of directors of a listed issuer must include at least three independent non-executive Directors. In addition, at least one independent non-executive Director, namely, Mr. Wong Tak Shing, possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed three independent non-executive Directors, representing more than one-third of the Board in compliance with Rule 3.10A of the Listing Rules.

Each of Mr. Zheng Yongxiang, the executive Director, and Mr. Zheng Hong, the non-executive Director, has respectively entered into a service contract with the Company for a term of three years commencing from 3 December 2023 and may be terminated by not less than three months' prior notice in writing served by either party on the other.

Mr. Wong Tak Shing, an independent non-executive Director, has signed an appointment letter with the Company for a term of three years commencing from 27 November 2023. Mr. Xu Yiliang, an independent non-executive Director, has signed an appointment letter with the Company for a term of three years commencing from 20 October 2022. Mr. Li Guoxing, an independent non-executive Director, has signed an appointment letter with the Company for a term of three years commencing from 5 December 2022. These appointments may be terminated by not less than one month's prior notice in writing served by the Company.

The Board comprises the following Directors:

Executive Director:

Mr. Zheng Yongxiang

Non-Executive Director:

Mr. Zheng Hong (*Chairman*)

Independent Non-Executive Directors:

Mr. Xu Yiliang

Mr. Li Guoxing

Mr. Wong Tak Shing (appointed on 27 November 2023)

Ms. Zhang Baixiang (resigned on 27 November 2023)

Chairman and Chief Executive Officer

The Company has appointed Mr. Zheng Hong as the Chairman and Mr. Zheng Yongxiang has assumed the role of the Chief Executive Officer. The roles of the Chairman and the Chief Executive Officer are segregated. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in discharging its responsibilities. The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

Mr. Zheng Hong is the younger brother of Mr. Zheng Yongxiang. Save as disclosed herein, to the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board.

Corporate Governance Report

Meeting Attendance

The attendance of individual members of the Board at Board meetings, meetings of the Board committees and general meetings during the year ended 31 December 2023, as well as the number of such meetings held, are set out as follows:

	Meetings attended/held				Annual General Meeting
	Board	Remuneration Committee	Nomination Committee	Audit Committee	
Number of meetings	5	3	2	3	1
Executive Director:					
Mr. Zheng Yongxiang	4/5	–	–	–	1/1
Non-Executive Director:					
Mr. Zheng Hong	4/5	2/3	2/2	–	1/1
Independent Non-Executive Directors:					
Mr. Xu Yiliang	5/5	3/3	2/2	3/3	1/1
Mr. Li Guoxing	4/5	2/3	1/2	3/3	1/1
Mr. Wong Tak Shing (appointed on 27 November 2023)	1/5	1/3	0/2	1/3	0/1
Ms. Zhang Baixiang (resigned on 27 November 2023)	4/5	2/3	2/2	2/3	1/1

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of the executive Director during the year.

Board Committees

The Board has established the remuneration committee, nomination committee and audit committee (collectively, “**Board Committees**”) with defined terms of reference. The terms of reference of the Board Committees are posted on the website of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company’s expenses.

Remuneration Committee

A remuneration committee was established by the Company on 3 December 2011 (the “**Remuneration Committee**”) with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee include reviewing and determining the terms of remuneration packages, bonuses and other compensation payable to the Directors and members of senior management of the Group. Mr. Xu Yiliang, an independent non-executive Director, is the chairman of the Remuneration Committee. The other members are Ms. Zhang Baixiang (resigned on 27 November 2023), Mr. Wong Tak Shing (appointed on 27 November 2023) and Mr. Li Guoxing, who are also independent non-executive Directors, and Mr. Zheng Hong, the non-executive Director.

Corporate Governance Report

During the year ended 31 December 2023, three meetings were held by the Remuneration Committee. The Remuneration Committee reviewed and approved the remuneration packages of the Directors and senior management. The Remuneration Committee also reviewed and approved the remuneration packages of Mr. Wong Tak Shing, an independent non-executive Directors appointed on 27 November 2023.

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2023 is set out below:

Remuneration Bands (HK\$)	Number of persons
Nil to 1,000,000	2

Further particulars regarding the five highest paid employees and the Directors' remuneration as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in Notes 15 and 16 to the consolidated financial statements.

Nomination Committee

A nomination committee was established by the Company on 3 December 2011 (the "**Nomination Committee**") with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and members of senior management of the Group. The Nomination Committee comprises all the independent non-executive Directors, namely, Ms. Zhang Baixiang (resigned on 27 November 2023), Mr. Wong Tak Shing (appointed on 27 November 2023), Mr. Xu Yiliang and Mr. Li Guoxing and the non-executive Director, Mr. Zheng Hong. Mr. Zheng Hong is the chairman of the Nomination Committee. The terms of reference of the Nomination Committee can be obtained from the Company upon request.

During the year ended 31 December 2023, two meetings were held by the Nomination Committee. The Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and assessed the independence of all the independent non-executive Directors. The Nomination Committee reviewed the qualifications of Mr. Wong Tak Shing and recommended his appointment as an independent non-executive Director.

Audit Committee

An audit committee was established by the Company on 3 December 2011 (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and approve the Group's financial reporting process, risk management and internal control systems. The Audit Committee comprises all the independent non-executive Directors, namely, Ms. Zhang Baixiang (resigned on 27 November 2023), Mr. Wong Tak Shing (appointed on 27 November 2023), Mr. Xu Yiliang and Mr. Li Guoxing. Mr. Wong Tak Shing is the chairman of the Audit Committee.

Corporate Governance Report

During the year ended 31 December 2023, the Audit Committee had three meetings and performed the following work:

- Review of the annual financial results for the year ended 31 December 2022 and interim financial results for the six months ended 30 June 2023 and review of the accounting principles and practices adopted by the Group;
- Meeting and discussion with the external auditor on matters arising from the annual audit of the financial statements of the Group;
- Review of the audit plan and report prepared by the external auditor on matters in relation to the annual audit of the financial statements of the Group;
- Review and discussion with the external auditor on the internal control systems of the Group;
- Review of the independence of RSM Hong Kong.

The Group's audited consolidated results for the year ended 31 December 2023 had been reviewed by the Audit Committee.

Training for Directors

During the year ended 31 December 2023, the Directors participated in the following trainings:

	Type of training
Executive Director:	
Mr. Zheng Yongxiang	A, B
Non-Executive Director:	
Mr. Zheng Hong	B
Independent Non-Executive Directors:	
Mr. Xu Yilioang	B
Mr. Li Guoxing	B, C
Mr. Wong Tak Shing (appointed on 27 November 2023)	C
Ms. Zhang Baixiang (resigned on 27 November 2023)	B

A: attending in house training sessions.

B: reading newspapers, journals and updates distributed by the Group relating to economy, general business and regulatory matters.

C: attending training sessions required by the relevant professional bodies of which he is a member.

Company Secretary

Mr. Cheung Chi Fai Frank, the company secretary of the Company (the "Company Secretary"), is a full time employee of the Group. During the year ended 31 December 2023, Mr. Cheung had complied with Rule 3.29 of the Listing Rules in relation to taking of relevant professional training.

Corporate Governance Report

Board Diversity Policy

Pursuant to the CG Code, the Board adopted a board diversity policy on 23 August 2013. The Company recognises and embraces the benefits of diversity of its Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The Board will consider setting measurable objectives for achieving diversity on the Board at appropriate time. Currently, there is no female Director on the Board. To enhance gender diversity, the Nomination Committee will recommend and nominate at least one female Director to the Board by 31 December 2024.

As at the date of this report, the diversity profile of the Board was summarized as follows:

	Mr. Zheng Hong	Mr. Zheng Yongxiang	Mr. Xu Yiliang	Mr. Wong Tak Shing	Mr. Li Guoxing
Gender	Male	Male	Male	Male	Male
Designation	Non-executive director	Executive director	Independent non-executive director	Independent non-executive director	Independent non-executive director
Age	48	55	63	61	53
Length of Service (up to the date of this report)	13 years	13 years	7.5 years	0.4 years	4.4 years
Skill, knowledge and professional experience					
– Accounting and finance				✓	
– Banking and capital market			✓		✓
– Business management	✓	✓	✓		
– Legal/Regulatory				✓	✓
– Related industry knowledge/ experience	✓	✓			
– Strategic planning and risk management	✓	✓	✓		

Dividend Policy

The Company has adopted a dividend policy under which, in proposing dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and strike a balance between future growth and rewarding the Shareholders. The Company does not have any pre-determined payout ratio. The Board shall consider the following factors in proposing dividends: financial results and positions; cash flow position; gearing ratio, credit facilities and indebtedness level; business conditions and strategies; future operations and income; capital requirements and budgets; interests of the Shareholders; any restrictions on payment of dividends; and any other factor that the Board deems relevant. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

Corporate Governance Report

D. FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL CONTROLS

Financial Reporting

The Directors acknowledge their responsibility for preparing the Group's financial statements which give a true and fair view and are in accordance with appropriate International Financial Reporting Standards. Appropriate accounting policies are being selected and applied consistently.

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. 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 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.

The responsibilities of the external auditor with respect to the audit of the consolidated financial statements are set out in the Independent Auditor's Report on pages 32 to 38.

Corporate Governance Report

Auditor's Remuneration

During the year ended 31 December 2023, the Group has incurred auditor's remuneration in respect of audit and non-audit services of approximately RMB1,184,000 and RMB263,000, respectively, which was paid or payable to the Company's auditor, RSM Hong Kong.

Risk Management and Internal Control

The Group's risk management and internal control systems are designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. The systems are implemented to minimise risks to which the Group is exposed and can provide reasonable, but not absolute, assurance against material misstatement or loss rather than the elimination of risks associated with its business activities.

The Board acknowledges that it is responsible for maintaining adequate systems of risk management and internal control for the Group and the Directors had conducted annual review of their effectiveness during the year through the Audit Committee. Such review covered all material controls, including financial, operational and compliance controls and risk management functions. The Board is satisfied that the Group's risk management and internal control systems, including financial, operational and compliance controls and risk management functions as appropriate to the Group, have been put in place and that no significant areas of improvement which are required to be brought to the attention of the Audit Committee have been revealed. The Board considers the risk management and internal control systems effective and adequate.

E. COMMUNICATIONS WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHT

The Board recognises the importance of effective communication with the Shareholders and investors. The Company communicates with the Shareholders and investors through various channels including publication of interim and annual reports, announcements, circulars and other corporate communications and publications available on the websites of the Stock Exchange and the Company.

The general meetings of the Company provide an opportunity for direct communication between the Board and the Shareholders. The Company encourages participation of the Shareholders through annual general meetings and other general meetings where the Shareholders meet and exchange views with the Board, and exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details of proposed resolutions to be sent to the Shareholders no less than 21 clear days before the meetings. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual Directors.

The Board always ensures that Shareholders' and investors' views are heard and understood, and welcomes their questions and concerns relating to the Group's management and governance. The Company's website provides email address and telephone number to enable the Shareholders to make any enquiries and concerns to the Board. Shareholders and investors may also at any time send their enquiries and concerns to the Board by addressing to the Company Secretary by post or by email. The contact details are set out in the "Corporate Information" section of this annual report.

Corporate Governance Report

Procedures for Shareholders to Convene an Extraordinary General Meeting and to put forward Proposals at General Meetings

Pursuant to Article 58 of the Articles, any one or more Member(s) (as defined therein) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Proposing a Person for Election as a Director

Pursuant to Article 85 of the Articles, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice (as defined therein) signed by a Member (as defined therein) (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Constitutional Documents

There has been no significant change in the Company's constitutional documents during the year ended 31 December 2023.

Directors and Senior Management

EXECUTIVE DIRECTOR

Zheng Yongxiang (鄭永祥), aged 55, was appointed as an executive Director on 4 May 2011. He is also a director of most of the subsidiaries of the Group. Mr. Zheng Yongxiang has over 22 years of experience in the textile industry. He joined Jiangxi Jinyuan in 2005 as a general manager and is primarily responsible for formulating the policy and monitoring the operation of the Group. Prior to joining Jiangxi Jinyuan, Mr. Zheng Yongxiang served as the general manager of Shaoxing Gangtai Weaving Company Limited (紹興港泰針紡有限公司) from 2001 to 2005. He received the award of Outstanding Entrepreneur in 2007 (2007年度優秀企業家) from the Yichun Municipal Peoples' Government in 2008 and was awarded the Outstanding Architects of Yichun in the Reforming and Open Up for 30 Years (改革開放30年宜春市優秀建設者) in 2008 and the Best Ten Yichun Citizen (十佳宜春人) in 2009. He was the Chairman of Federation of Industry and Commerce of Fengxin County, Jiangxi Province (江西省奉新縣工商業聯合會) from 2012 to 2015. Mr. Zheng Yongxiang was a representative of Jiangxi Fengxin County People's Congress (江西省奉新縣人民代表大會) from 2015 to 2022. Mr. Zheng Yongxiang graduated from the Open University of China (中央廣播電視大學) with a diploma of accounting (finance and accounting) in 2010. Mr. Zheng Yongxiang is the elder brother of Mr. Zheng Hong, the chairman and the non-executive Director of the Company.

NON-EXECUTIVE DIRECTOR

Zheng Hong (鄭洪), aged 48, was appointed as the chairman of the Company and an executive Director on 4 May 2011. Mr. Zheng Hong was re-designated as a non-executive Director on 5 December 2019. He is also a director of certain subsidiaries of the Group. He has over 23 years of experience in the textile industry. He is one of the founders of the Group and was a director of Jiangxi Jinyuan, a subsidiary of the Group, from 2005 to 2017. He is the vice president (副會長) of the Chinese Cotton and Textile Industry Association (中國棉紡織行業協會), the vice supervisor (副主任) of the cotton trading committee of the Chinese Cotton and Textile Industry Association (中國棉紡織行業協會棉花貿易專業委員會) and a committee member of the Chinese Textile Products Technical Committee (中國棉紡織品技術委員會). Mr. Zheng Hong was awarded as the China Textile Outstanding Labour (全國紡織工業勞動模範) in 2010. He was elected as one of the Top Ten Outstanding Young Entrepreneurs of the Textile Industry in China (全國棉紡織產業十大傑出青年企業家) and the National Outstanding Young Textile Entrepreneur (全國優秀紡織青年企業家) in 2014 and 2017 respectively. He was awarded an MBA degree by Fudan University (復旦大學) in 2014 and he completed the Commercial Enterprises Information Strategy and Knowledge Management CEO Advanced Programme (工商企業信息戰略與知識管理總裁高級研修班) at Tsinghua University (清華大學) in 2005. Mr. Zheng Hong is the younger brother of Mr. Zheng Yongxiang, the executive Director.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Xu Yiliang (許貽良), aged 63, was appointed as an independent non-executive Director on 20 October 2016. Mr. Xu has over 40 years of experience in banking and finance. Mr. Xu has held various positions in the Fengxin County Branch of the People's Bank of China and various sales and management positions in the Industrial and Commercial Bank of China Limited, including Credit Analyst, Vice Section Head, Section Head, Vice President and President of the Fengxin County and Jingan County Branch and Credit Centre Supervisor of the Yichun City Branch from 1982 to 2016. Mr. Xu graduated with a diploma from the Academy of Banking in Jiangxi (江西省銀行學校) in 1982, a professional diploma from the City Finance School of the Staff University of the People's Bank of China in Jiangxi (江西省人民銀行職工大學) in 1987 and a degree in Economic Management from the Distance Learning Academy of the Central Parties' School (中央黨校函授學院) in 2001. He also obtained the qualifications of Senior Economist (高級經濟師) in 2012.

Li Guoxing (李國興), aged 53, was appointed as an independent non-executive Director on 5 December 2019. Mr. Li has over 21 years of experience in legal practices in the PRC. Mr. Li was a lawyer at Fujian Huide Law Firm from 2003 to 2006 and at Fujian Haochen Law Firm from 2006 to 2010. Mr. Li joined Fujian Mintian Law Firm in 2010 and currently is a partner of the firm. Mr. Li graduated with a diploma in Legal Studies from Huaqiao University in 2000 and obtained his legal practice qualification from the PRC Justice Department in 2002. Mr. Li graduated with a degree in Legal Studies from Huaqiao University in 2007. From 1991 to 2002, Mr. Li held various technical positions in the China Civil Aviation Department in Fuzhou and Fuzhou International Airport after he graduated with a diploma in Aircraft Mechanical Engineering from the Shanghai Academy of the China Civil Aviation Department.

Wong Tak Shing (黃德盛), aged 61, was appointed as an independent non-executive Director on 27 November 2023. Mr. Wong has over 30 years of experience in accounting, corporate finance, personnel and administration. Mr. Wong is currently an independent non-executive Director of Beijing Chunlizhengda Medical Instruments Co., Ltd. (Stock Code 1858), a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Mr. Wong was previously an executive director of China Ocean Fishing Holdings Limited (Stock Code: 8047), an independent non-executive director of Pa Shun International Holdings Limited (Stock Code: 0574), and Digital Domain Holdings Limited (Stock Code: 0547), these companies are listed on the Stock Exchange. He was previously an independent non-executive director of China Digital Culture (Group) Limited (Stock Code: 8175), a company delisted from the Stock Exchange in May 2023.

From March 2011 to August 2019, Mr. Wong worked for Greentech Technology International Limited (Stock code: 195) with his last position as regional chief financial officer. From January 2010 to February 2011, Mr. Wong was the chief financial officer of Global Energy Resources International Group Ltd. (Stock code 8192). From April 2006 to May 2007, Mr. Wong was an executive director, the chief financial officer and company secretary of China Ocean Fishing Holdings Limited (Stock Code: 8047). Mr. Wong was a consultant of Chu Lung Hai, Jimmy & Co. CPA from January 2004 to April 2006. From March 2000 to November 2003, Mr. Wong was the company secretary and vice president of Sun Media Group Holdings Limited Ltd. (Stock code 307). From July 1991 to April 1999, he worked for Asia Television Limited with his last position as controller personnel and administration. From January 1990 to June 1991, he worked for Jademan Enterprises Limited with his last position as accounting manager. From January 1989 to June 1989, he was a semi-senior accountant in Deloitte Haskins & Sells (subsequently renamed as Deloitte Touche Tohmatsu) in Hong Kong. From November 1985 to January 1988, he worked in PriceWaterhouse (subsequently renamed as PriceWaterhouseCoopers) in Hong Kong as an audit assistant.

Directors and Senior Management

Mr. Wong graduated from the University of New England, Australia in 1989 with a Diploma in Financial Management and from the University of Southampton, U.K. with a bachelor's degree of Science in the Social Sciences in Business Economics and Accounting in 1985. Mr. Wong is currently an associate member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

Liu Weimin (劉偉民), aged 54, is a deputy general manager of Jiangxi Jinyuan. Mr. Liu joined the Group in 2005 and is responsible for production technology management. He has over 33 years of experience in the textile industry. Prior to joining Jiangxi Jinyuan, Mr. Liu served as the head of production department in Fujian Mawei Development Zone Chuanlong Textile Company Limited (福建省馬尾開發區川隆紡織有限公司) from 1990 to 1993. From 1993 to 1995, he served as the head of production department of Fujian Jingwei Group Company Limited (福建經緯集團有限公司). From 1995 to 2004, he served as the factory manager and chief engineer of Jinjiang Fuxin Textile Company Limited (晉江福鑫紡織有限公司). Mr. Liu completed the internal auditor training in 2011 provided by Nan Chang Sino Enterprise Management Consulting Centre according to the ISO 9001: 2008 and GB/T24001-2004 (ISO14001:2004) Standard.

Cheung Chi Fai Frank (張志輝), aged 61, was appointed as the Company Secretary and chief financial officer of the Company in May 2011. He is also an independent non-executive director of Continental Holdings Limited (stock code: 513), a company listed in Hong Kong. He has over 32 years' experience in accounting, finance and business management. He obtained an MBA from the University of Technology, Sydney in 1995 and a professional diploma in accountancy from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in 1985. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Cheung was an independent non-executive director of K.H. Group Holdings Limited (stock code: 1557), a company listed in Hong Kong, from March 2016 to August 2018. He was a part-time tutor at the Open University of Hong Kong from March 2009 to July 2011. He was an executive director of Sun Innovation Holdings Limited (stock code: 547), a company listed in Hong Kong, from 2004 to 2007. He also acted as the chief financial officer of Sun Innovation Holdings Limited from 2007 to 2008. He was an independent director of LJ International Inc. (NASDAQ: JADE) from June to October 2007, a director of e-Lux (Hong Kong) Company Limited, a subsidiary of e-Lux Corporation (JASDAQ: 6811), from 2001 to 2003, in charge of the telecommunications value added services in Hong Kong, Taiwan and the PRC. He was the group financial controller and a director of New Media Corporation, a subsidiary of e-New Media Company Limited (stock code: 128), a company listed in Hong Kong, from 1995 to 1999 and 1999 to 2000, respectively.

Independent Auditor's Report



RSM Hong Kong

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**TO THE SHAREHOLDERS OF
CHINA WEAVING MATERIALS HOLDINGS LIMITED**
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Weaving Materials Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 39 to 114, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, the key audit matters we identified are:

1. Impairment assessment of property, plant and equipment and right-of-use assets
2. Impairment assessment of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment assessment of property, plant and equipment and right-of-use assets</p> <p><i>Refer to Notes 8, 20 and 21 to the consolidated financial statements</i></p> <p>In view of the unfavorable financial performance of Jinyuan Textile Co., Ltd., Jiangxi ("Jiangxi Jinyuan"), a subsidiary of the Company, under the reportable segment of manufacturing and trading of yarns, management considered there were impairment indicators and performed an assessment of the property, plant and equipment and right-of-use assets pertaining to the cash-generating unit ("CGU") of operations of Jiangxi Jinyuan as at 31 December 2023 to determine the recoverable amount of the CGU to which the assets belong based on the value in use of the CGU.</p> <p>Management has engaged an independent external valuer to assist in determining the value in use of the CGU. The impairment assessment is a judgemental process, requiring estimates in respect of the forecast future cash flows associated with the CGU, including the growth rates for revenue and costs, and the discount rate.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> – Understanding management's process of impairment assessment of property, plant and equipment and right-of-use assets pertaining to the CGU of operations of Jiangxi Jinyuan and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors; – Understanding and evaluating management's control procedures in relation to the impairment assessment; – Evaluating the expertise and independence of the external valuer; – Challenging the reasonableness of management's key assumptions underlying the cash flow forecasts in the valuation model, with reference to the historical budgets and performance of the CGU and the reasons for any deviations, our understanding of the business and independent market data;

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment assessment of property, plant and equipment and right-of-use assets (Continued)</p> <p><i>Refer to Notes 8, 20 and 21 to the consolidated financial statements (Continued)</i></p> <p>Management has concluded that there is no impairment loss on property, plant and equipment and right-of-use assets pertaining to the CGU of operations of Jiangxi Jinyuan during the year ended 31 December 2023.</p> <p>As at 31 December 2023, the carrying amounts of property, plant and equipment and right-of-use assets pertaining to the CGU of operations of Jiangxi Jinyuan were approximately RMB528,287,000 and RMB28,707,000 respectively.</p>	<p>Our procedures included (Continued):</p> <ul style="list-style-type: none"> – Working with valuation specialists to review the appropriateness of the valuation approach and methodology, the accuracy of the calculations in the valuation model, and the reasonableness of the components comprising the discount rate compared to independent market data; and – Reviewing the appropriateness of the disclosure in the consolidated financial statements.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment assessment of goodwill</p> <p><i>Refer to Note 22 to the consolidated financial statements</i></p> <p>As at 31 December 2023, included in the Group's consolidated statement of financial position was goodwill with carrying amount of approximately RMB20,617,000 arising from the acquisition of 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.). Management is required to undertake goodwill impairment review at least annually or whenever there is an impairment indicator. The recoverable amount of the CGU to which the goodwill is allocated is based on the value in use of the CGU. Management has engaged an independent external valuer to assist in determining the value in use of the CGU. The impairment assessment is a judgemental process, requiring estimates in respect of the forecast future cash flows associated with the CGU, including the growth rate for revenue and costs, and the discount rate.</p> <p>Management has concluded that there is no impairment in respect of the goodwill allocated to the CGU as the CGU's recoverable amount is higher than its carrying amount.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> – Understanding management's process of impairment assessment of goodwill and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors; – Understanding and evaluating management's control procedures in relation to the impairment assessment; – Evaluating the expertise and independence of the external valuer; – Challenging the reasonableness of management's key assumptions underlying the cash flow forecasts in the valuation model, with reference to the historical budgets and performance of the CGU and the reasons for any deviations, our understanding of the business and independent market data; – Working with valuation specialists to review the appropriateness of the valuation approach and methodology, the accuracy of the calculations in the valuation model, and the reasonableness of the components comprising the discount rate compared to independent market data; and – Reviewing the appropriateness of the disclosure in the consolidated financial statements.

Independent Auditor's Report (Continued)

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all of the information included in the annual report of the Company other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Tak Man, Stephen.

RSM Hong Kong

Certified Public Accountants

26 March 2024

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	9	1,107,045	1,318,133
Cost of sales		(1,095,782)	(1,260,031)
Gross profit		11,263	58,102
Other income	10	42,742	23,613
Other losses	11	(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	20	–	18,825
(Loss)/Profit from continuing operations		(20,202)	13,577
Finance costs	12	(21,396)	(22,676)
Loss before tax from continuing operations		(41,598)	(9,099)
Income tax credit	13	15,075	4,224
Loss for the year from continuing operations	14	(26,523)	(4,875)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	19	–	(7,689)
Loss and total comprehensive expense for the year		(26,523)	(12,564)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
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			
From continuing and discontinued operations			
– Basic	18	(RMB2.12) cents	(RMB1.00) cents
– Diluted		N/A	N/A
From continuing operations			
– Basic	18	(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	20	924,955	976,984
Right-of-use assets	21	41,101	46,037
Deposits on acquisition of property, plant and equipment		590	8,308
Goodwill	22	20,617	20,617
Deferred tax assets	33	–	1,157
		987,263	1,053,103
Current assets			
Inventories	23	224,222	132,891
Current tax assets		–	4,824
Trade and other receivables	24	31,340	16,736
Bills receivable	25	2,500	3,311
Pledged bank deposits	26	64,654	121,044
Cash and bank balances	26	190,068	263,398
		512,784	542,204
Current liabilities			
Trade and other payables	27	219,944	211,481
Contract liabilities	28	10,991	12,209
Bills payable	29	74,754	98,913
Deferred income	30	264	264
Lease liabilities	31	–	637
Bank and other borrowings	32	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

Consolidated Statement of Financial Position (Continued)

At 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Deferred income	30	6,038	6,302
Bank and other borrowings	32	70,071	83,373
Deferred tax liabilities	33	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	34	101,989	101,989
Reserves		586,544	613,067
Total equity			
		688,533	715,056

Approved by the Board of Directors on 26 March 2024 and are signed on its behalf by:

Zheng Hong
DIRECTOR

Zheng Yongxiang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company					
	Share capital RMB'000	Share premium RMB'000 (Note 43(b)(i))	PRC statutory reserves RMB'000 (Note 43(b)(ii))	Special reserve RMB'000 (Note 43(b)(iii))	Retained profits RMB'000	Total RMB'000
At 1 January 2022	101,989	53,074	175,808	148,739	301,584	781,194
Loss and total comprehensive expense for the year	-	-	-	-	(12,564)	(12,564)
Transfer	-	-	457	-	(457)	-
Dividends (Note 17)	-	-	-	-	(53,574)	(53,574)
At 31 December 2022 and 1 January 2023	101,989	53,074	176,265	148,739	234,989	715,056
Loss and total comprehensive expense for the year	-	-	-	-	(26,523)	(26,523)
At 31 December 2023	101,989	53,074	176,265	148,739	208,466	688,533

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		
From continuing operations	(41,598)	(9,099)
From a discontinued operation	–	(2,277)
	(41,598)	(11,376)
Adjustments for:		
Amortisation of deferred income	(264)	(264)
Depreciation of property, plant and equipment	74,657	63,781
Depreciation of right-of-use assets	2,204	2,279
Loss on disposal of property, plant and equipment	167	6,159
Allowance for inventories, net of reversal	–	501
Reversal of impairment loss on property, plant and equipment	–	(18,825)
Interest income	(5,667)	(4,376)
Interest expenses	21,396	25,442
Net foreign exchange (gain)/losses	(70)	1,196
Operating cash flows before movements in working capital	50,825	64,517
(Increase)/Decrease in inventories	(91,331)	181,255
(Increase)/Decrease in trade and other receivables	(14,604)	30,762
Decrease/(Increase) in bills receivable	811	(2,941)
Increase/(Decrease) in trade and other payables	12,467	(7,590)
Decrease in contract liabilities	(1,218)	(12,554)
(Decrease)/Increase in bills payable	(24,159)	1,233
Cash (used in)/generated from operations	(67,209)	254,682
Interest paid	(21,383)	(25,390)
Interest on lease liabilities	(13)	(52)
Income tax refunded/(paid), net	8,499	(26,606)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(80,106)	202,634

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement of pledged bank deposits	(64,654)	(121,044)
Withdrawal of pledged bank deposits	121,044	60,246
Interest received	5,667	4,376
Purchase of property, plant and equipment	(16,484)	(82,146)
Proceeds from disposal of property, plant and equipment	255	15,491
Deposits paid for acquisition of property, plant and equipment	(120)	(6,349)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	45,708	(129,426)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	397,800	517,280
Repayment of bank and other borrowings	(436,114)	(554,317)
Dividends paid to the owners of the Company	–	(53,574)
Principal element of lease payments	(618)	(2,233)
NET CASH USED IN FINANCING ACTIVITIES	(38,932)	(92,844)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(73,330)	(19,636)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	263,398	283,034
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	190,068	263,398
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	190,068	263,398

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. GENERAL INFORMATION

China Weaving Materials Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 4 May 2011 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is at Fengtian Economic Development Zone of Fengxin County, Yichun City, Jiangxi Province, the People’s Republic of China (“**PRC**”).

The Company together with its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the business of manufacturing and trading of yarn products.

These consolidated financial statements for the year ended 31 December 2023 are presented in Renminbi (“**RMB**”), which is the same as the functional currency of the Company.

2. 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). Material accounting policies adopted by the Group are disclosed below.

A number of new or revised IFRS Accounting Standards are first effective for the current accounting period of the Group. Note 3 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

2. BASIS OF PREPARATION (Continued)

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

3. 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 set out in Note 4 to the consolidated financial statements.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

3. ADOPTION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS (Continued)

(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.

4. MATERIAL ACCOUNTING POLICY INFORMATION

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

The material accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(a) Consolidation (Continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss.

(b) Goodwill

Goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(ii) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(d) Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings	10 – 30 years
Leasehold improvement	3 years
Plant and machinery	3 – 20 years
Office equipment	3 – 10 years
Motor vehicles	4 – 10 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses, if any. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(e) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) *The Group as a lessee*

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(e) Leases (Continued)

(i) *The Group as a lessee* (Continued)

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment losses, if any, are transferred to property, plant and equipment.

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments (“IFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

(ii) *The Group as a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt instruments

Debt instruments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the instrument is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the instrument is calculated using the effective interest method. Typically trade receivables, other receivables, cash and bank balances are classified in this category.
- Fair value through other comprehensive income (“**FVTOCI**”) – recycling, if the contractual cash flows of the instrument comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses (“**ECL**”), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the instrument is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVTPL if the instrument does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the instrument (including interest) are recognised in profit or loss. This category includes bills receivable.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for the ECL.

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRS Accounting standards. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(n) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the ECL model under IFRS 9; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers (“IFRS 15”).

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(o) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(q) Revenue and other income

Revenue is recognised when control over a product is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sales of manufactured goods and trading of raw materials is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(r) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits schemes

The Group operates the below post-employment schemes which are defined contribution pension plans:

The Group operates a mandatory provident fund scheme (the “**MPF Scheme**”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance (the “**Ordinance**”) for all qualifying employees in Hong Kong. The Group’s contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount specified in the Ordinance per employee and vest fully with employees when contributed into the MPF Scheme.

For Long Service Payment (“**LSP**”) obligation in Hong Kong, the Group accounts for the employer MPF contributions expected to be offsetted as a deemed employee contribution towards the LSP obligation in term of IAS 19 paragraph 93(a) and it is measured on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group’s mandatory provident fund contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

The employees of the Group’s subsidiaries established in the PRC are required to participate in a central pension scheme operated by the local municipal government of the PRC. These subsidiaries are required to contribute a fixed rate of 16% (2022: 16%) of their relevant payroll costs to the central pension scheme. The only obligation of the Group with respect to the central pension scheme is to meet the required contributions under the scheme.

The retirement benefit costs charged to profit or loss represent contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(s) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(t) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

(u) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(u) Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(v) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment or indications that an impairment loss recognised in prior periods may no longer exist or may have decreased. Where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. Where an impairment loss is reversed, the carrying amount of the asset is increased to its recoverable amount but not in excess of the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less cost of disposal (if measurable); its value in use (if determinable); and zero. If this results in an amount being allocated to an asset less than its pro-rata share of the impairment loss, the amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(w) Impairment of financial assets

The Group recognises a loss allowance for ECL on its financial assets carried at amortised cost, such as trade and other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. Trade receivables have been grouped based on shared credit risk characteristics. Vast majority of the customers of the Group are involved in clothing or textile industry and located in the PRC. The expected loss rate for the PRC textile industry is a reasonable approximation of the loss rate for trade receivables.

The expected loss rate is based on the industry probability of default and recovery rate for PRC textile industry. The assessment of the expected loss rate is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represent the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represent the portion of lifetime ECL that are expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(w) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) The financial instrument has a low risk of default,
- (ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(w) Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures. Any recoveries made are recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(w) Impairment of financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

For financial assets, the ECL are estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(x) Discontinued operation

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of the discontinued operation are presented separately in the consolidated profit or loss and other comprehensive income and in Note 19.

(y) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(z) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the factors considered by the directors as detailed in Note 2.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) *Income taxes*

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, approximately RMB15,075,000 of income tax was credited to profit or loss (2022: RMB1,188,000 of income tax was charged to profit or loss) based on the estimated profit or loss from operations.

(b) *Impairment assessment of property, plant and equipment and right-of-use assets*

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and subsequent accumulated impairment losses, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (i) whether an event has occurred or any indicators that may affect the asset value; (ii) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belong. Changing the assumptions and estimates, including the discount rates or the growth rates in the cash flow projections, could materially affect the recoverable amounts.

Furthermore, the cash flows projections, growth rates and discount rates are subject to higher degree of estimation uncertainties in the current year due to uncertainty on any change in government policy, global financial market, economy and business environment.

The carrying amount of property, plant and equipment and right-of-use assets at 31 December 2023 were approximately RMB924,955,000 (2022: RMB976,984,000) and RMB41,101,000 (2022: RMB46,037,000) respectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(c) *Impairment assessment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than the expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

Furthermore, the cash flows projections, growth rates and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on the uncertainty in the global financial market, economy and business environment.

The carrying amount of goodwill at the end of the reporting period was approximately RMB20,617,000 (2022: RMB20,617,000).

(d) *Deferred tax assets*

Deferred tax assets are recognised for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profits will be available against which the losses or deductible temporary differences can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Details of the Group's deferred tax are set out in Note 33.

(e) *Net realisable value of inventories*

Allowance for inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. Allowance for inventories, net of reversal, was recognised of Nil (2022: RMB501,000) for the year ended 31 December 2023.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currencies of the Group entities, including Hong Kong dollars ("HK\$") and United States dollars ("US\$"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2023, if RMB had weakened 5 per cent against US\$ with all other variables held constant, consolidated loss after tax would have been approximately RMB216,000 (2022: RMB32,000) higher, arising mainly as a result of the foreign exchange loss on bank and other borrowings denominated in US\$. If RMB had strengthened 5 per cent against US\$ with all other variables held constant, consolidated loss after tax would have been approximately RMB216,000 (2022: RMB32,000) lower, arising mainly as a result of the foreign exchange gain on bank and other borrowings denominated in US\$.

At 31 December 2023, if RMB had weakened 5 per cent against HK\$ with all other variables held constant, consolidated loss after tax would have been approximately RMB93,000 (2022: RMB262,000) higher, arising mainly as a result of the foreign exchange loss on cash and bank balances, bank and other borrowings and other payables (2022: cash and bank balances, bank and other borrowings, lease liabilities and other payables) denominated in HK\$. If RMB had strengthened 5 per cent against HK\$ with all other variables held constant, consolidated loss after tax would have been approximately RMB93,000 (2022: RMB262,000) lower, arising mainly as a result of the foreign exchange gain on cash and bank balances, bank and other borrowings and other payables (2022: cash and bank balances, bank and other borrowings, lease liabilities and other payables) denominated in HK\$.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's credit risk is primarily attributable to its trade and other receivables, bills receivable, pledged bank deposits and cash and bank balances.

The Group's exposure to credit risk arising from bills receivable, pledged bank deposits and bank balances is limited because the counterparties are well-established banks in Hong Kong and the PRC. The credit quality of bills receivable, bank deposits and balances has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate is assessed to be close to zero.

Trade receivables

The Group has concentration of credit risk on the Group's trade receivables as 100% (2022: 100%) of the customers are involved in clothing or textile industry and located in the PRC.

In order to minimise the credit risk, the directors have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. Depending on the customer's credit worthiness and historical relationship with the Group, the Group may require cash payment before delivery of products.

The Group grants extended credit terms to customers with overall creditworthiness, as determined by its credit assessment. For customers to whom credit terms are extended, the Group assesses a number of factors to determine whether collection from them is reasonably assured, including past transaction history with them and their creditworthiness. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group applies the simplified approach to provide for ECL prescribed by IFRS 9, which permits the use of lifetime ECL provision for all trade receivables.

The Group has assessed that the expected loss rate for trade receivables was insignificant. Thus, no loss allowance provision for trade receivables was recognised at 31 December 2023 and 31 December 2022.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity and going concern of the Group in light of the fact 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 and the Group's current liabilities exceeded its current assets by approximately RMB199,261,000 (2022: RMB213,940,000) at 31 December 2023. Up to the date of the consolidated financial statements authorised for issue, certain banks renewed or agreed to renew bank borrowings amounting to approximately RMB95,000,000. The Group relies on bank borrowings as significant sources of liquidity. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the banking facilities already in place and accordingly, the consolidated financial statements have been prepared on a going concern basis.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The table includes both interest and principal cash flows.

Specifically, for bank and other borrowings and lease liabilities which contain a repayment on demand clause that can be exercised at the banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the banks were to invoke its unconditional rights to call the loans with immediate effect.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total undiscounted cash flows RMB'000
At 31 December 2023				
Trade and other payables	188,387	–	–	188,387
Bills payable	74,754	–	–	74,754
Bank and other borrowings	417,031	71,310	–	488,341
	680,172	71,310	–	751,482
At 31 December 2022				
Trade and other payables	195,325	–	–	195,325
Bills payable	98,913	–	–	98,913
Lease liabilities	637	–	–	637
Bank and other borrowings	444,730	36,608	51,370	532,708
	739,605	36,608	51,370	827,583

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The table below summaries the Group's remaining contractual maturity for its non-derivative financial liabilities based on agreed schedule repayments set out in the loan agreements. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such bank and other borrowings and lease liabilities will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total undiscounted cash flows RMB'000
At 31 December 2023				
Trade and other payables	188,387	–	–	188,387
Bills payable	74,754	–	–	74,754
Bank and other borrowings	417,031	71,310	–	488,341
	680,172	71,310	–	751,482
At 31 December 2022				
Trade and other payables	195,325	–	–	195,325
Bills payable	98,913	–	–	98,913
Lease liabilities	646	–	–	646
Bank and other borrowings	439,862	41,075	52,487	533,424
	734,746	41,075	52,487	828,308

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

6. FINANCIAL RISK MANAGEMENT (Continued)

(d) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to fixed rate bank and other borrowings (2022: bank and other borrowings and lease liabilities).

The Group's exposure to cash flow interest rate risk relates primarily to variable rate bank and other borrowings (2022: bank and other borrowings and lease liabilities) which is offset by bank deposits held at variable rates varied with the then prevailing market conditions.

The following table details the primary interest rate profile of the Group's financial assets and liabilities at the reporting date:

	2023 RMB'000	2022 RMB'000
Fixed rate financial liabilities		
Bank and other borrowings	(364,800)	(410,800)
Variable rate financial assets/(liabilities)		
Bank deposits	189,722	370,170
Bank and other borrowings	(111,363)	(103,728)
Lease liabilities	–	(637)

The sensitivity analysis below has been determined based on the exposure to cash flow interest rate risk on the Group's variable rate bank and other borrowings (2022: bank and other borrowings and lease liabilities), offset by bank deposits held at variable rates, at the end of the reporting period and prepared assuming the amounts of bank deposits, bank and other borrowings (2022: bank deposits, bank and other borrowings and lease liabilities) outstanding at the end of reporting period were outstanding for the whole year.

At 31 December 2023, if interest rates had been 50 basis points (2022: 50 basis points) higher, with all other variables held constant, consolidated loss after tax would have been decreased by approximately RMB392,000 (2022: RMB1,168,000). If the interest rate had been 50 basis points (2022: 50 basis points) lower or reduced to nil, whichever is higher, with all other variables held constant, consolidated loss after tax would have been increased by approximately RMB391,000 (2022: RMB734,000). The Group currently does not have any interest rate hedging policy in relation to interest rate risk. The directors monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

6. FINANCIAL RISK MANAGEMENT (Continued)

(e) Categories of financial instruments at 31 December

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets at amortised cost	270,385	391,646
Financial assets at FVTPL – bills receivable	2,500	3,311
Financial liabilities		
Financial liabilities at amortised cost	752,909	802,802
Lease liabilities	–	637

(f) Fair values

Management of the Group considers that the carrying amounts of financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

7. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosure of level in fair value hierarchy at 31 December:

Description	Fair value measurement using Level 2	
	2023 RMB'000	2022 RMB'000
Recurring fair value measurements:		
Financial assets		
Financial assets at FVTPL – bills receivable	2,500	3,311

(b) Disclosure of valuation techniques and key inputs used in fair value measurements at 31 December:

Level 2 fair value measurements

Description	Valuation technique	Key input	Fair value	
			2023 RMB'000	2022 RMB'000
Bills receivable	Discounted cash flows	Discount rate	2,500	3,311

There were no changes in the valuation technique used during both years.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

8. 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.

The accounting policies of the reportable segments are the same as those described in note 4 to the consolidated financial statements. 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

8. SEGMENT INFORMATION (Continued)

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. Details are set out in Note 19.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

8. SEGMENT INFORMATION (Continued)

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

	2023 RMB'000	2022 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)
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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

9. 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 RMB'000	2022 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

10. OTHER INCOME

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

Note: For the year ended 31 December 2023, government grants from continuing operations mainly represent:

- Subsidies of approximately RMB14,964,000 (2022: RMB3,278,000) received by the Group for rewarding the Group's past contribution to Fengxin County, Jiangxi Province. The grants, at the discretion of the relevant authorities, were accounted for as financial support with no future related costs expected to be incurred nor related to any assets. As such, an amount of approximately RMB14,964,000 (2022: RMB3,278,000) was recognised in profit or loss when the grants were received.
- Amounts transferred from deferred income of approximately RMB264,000 (2022: RMB150,000) were related to government grants for the refund of the construction cost of building premises, purchase cost of land use rights and deed tax of the land use rights. The refund of purchase cost of land use rights and deed tax was amortised on a straight-line basis over the life of the corresponding land use rights. The refund of construction cost of building premises was amortised on a straight-line basis over the estimated useful lives of building premises upon completion of the construction.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

11. OTHER LOSSES

	2023 RMB'000	2022 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

12. FINANCE COSTS

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

13. INCOME TAX CREDIT

	2023 RMB'000	2022 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%.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

13. INCOME TAX CREDIT (Continued)

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.

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

	2023 RMB'000	2022 RMB'000
Loss before tax from continuing operations	(41,598)	(9,099)
Loss before tax from a discontinued operation	–	(2,277)
Loss before tax	(41,598)	(11,376)
Tax at the applicable rates in the jurisdictions concerned (Note)	(6,697)	(258)
Tax effect of income not taxable for tax purpose	(62)	(4,763)
Tax effect of expenses not deductible for tax purpose	683	3,426
Tax effect of temporary differences not recognised	2,417	(2,424)
Tax effect of preferential deduction of expenses	(3,598)	(4,213)
Tax effect of unused tax losses not recognised	2,888	4,321
Tax losses previously recognised and reversed	–	5,412
Over-provision in prior year	(5,160)	(517)
Withholding tax on undistributed profits of PRC subsidiaries	(7,715)	2,542
Others	2,169	(2,338)
Income tax (credit)/expense for the year	(15,075)	1,188
Income tax credit from continuing operations	(15,075)	(4,224)
Income tax expense from a discontinued operation	–	5,412

Note: The change of tax at applicable rates in the jurisdictions concerned is due to the change in profit or loss recognised in 2023 by respective group entities at different tax rates.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

14. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

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

	2023 RMB'000	2022 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, which are included in the amounts disclosed in Note 15 and separately above.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

15. EMPLOYEE BENEFITS EXPENSE

	2023 RMB'000	2022 RMB'000
Continuing operations		
Employee benefits expense (excluding directors' emoluments):		
Salaries, bonuses and allowances	156,680	180,136
Retirement benefits scheme contributions (Note)	7,296	7,805
	163,976	187,941
Discontinued operation		
Employee benefits expense (excluding directors' emoluments):		
Salaries, bonuses and allowances (including termination benefits of Nil (2022: RMB591,000))	–	3,361
Retirement benefits scheme contributions (Note)	–	167
	–	3,528

Note: The Group's contributions under the defined contribution pension schemes in the PRC and/or Hong Kong are charged to profit or loss as they become payable in accordance with the relevant rules and regulations and there is no reduction due to contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

Five highest paid individuals:

The five highest paid individuals in the Group during the year included two (2022: two) directors (one director is also the Company's chief executive) whose emoluments are reflected in the analysis presented in Note 16. The emoluments of the remaining three (2022: three) individuals are set out below:

	2023 RMB'000	2022 RMB'000
Basic salaries and allowances	1,539	1,478
Retirement benefits scheme contributions	46	52
	1,585	1,530

	Number of individuals	
	2023	2022
Their emoluments fell within the following bands:		
– Nil to HK\$500,000	2	2
– HK\$500,001 to HK\$1,000,000	1	1

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

16. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments paid to or receivable by each of the directors and the chief executive whether of the Company or its subsidiary undertaking are as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	2023 Total RMB'000
Name of directors				
Executive director				
– Mr. Zheng Yongxiang	–	1,085	23	1,108
Non-executive director				
– Mr. Zheng Hong	–	1,350	16	1,366
Independent non-executive directors				
– Mr. Xu Yiliang	91	–	–	91
– Mr. Li Guoxing	91	–	–	91
– Mr. Wong Tak Shing (appointed on 27 November 2023)	9	–	–	9
– Ms. Zhang Baixiang (resigned on 27 November 2023)	82	–	–	82
Total for 2023	273	2,435	39	2,747

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

16. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Name of directors	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	2022 Total RMB'000
Executive director				
– Mr. Zheng Yongxiang	–	994	21	1,015
Non-executive director				
– Mr. Zheng Hong	–	1,240	15	1,255
Independent non-executive directors				
– Mr. Xu Yiliang	88	–	–	88
– Mr. Li Guoxing	88	–	–	88
– Ms. Zhang Baixiang	88	–	–	88
Total for 2022	264	2,234	36	2,534

Mr. Zheng Yongxiang is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

Neither the chief executive nor any of the directors waived any emoluments in the years ended 31 December 2023 and 2022.

(b) Directors' termination benefits

None of the directors of the Company received any termination benefits during the years ended 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

16. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(c) Consideration provided to third parties for making available directors' services

During both years, the Company did not pay considerations to any third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by and entities connected with such directors

At 31 December 2023 and 2022, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and the directors' connected entities.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

17. 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

18. 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 RMB'000	2022 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)
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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

19. 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 8. 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)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

20. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2022	651,559	342	754,140	7,254	8,433	40,400	1,462,128
Additions	-	-	13,635	743	1,592	-	15,970
Construction expenditure capitalised	-	-	-	-	-	128,462	128,462
Transfer from construction in progress	7,669	-	114,044	-	-	(121,713)	-
Disposals	-	(342)	(59,432)	(144)	(123)	-	(60,041)
At 31 December 2022	659,228	-	822,387	7,853	9,902	47,149	1,546,519
Additions	-	587	6,730	619	-	-	7,936
Construction expenditure capitalised	-	-	-	-	-	12,382	12,382
Transfer from construction in progress	45,499	-	10,888	-	-	(56,387)	-
Transfer from right-of-use assets	-	-	6,075	-	-	-	6,075
Disposals	-	-	(1,550)	(130)	(901)	-	(2,581)
At 31 December 2023	704,727	587	844,530	8,342	9,001	3,144	1,570,331
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2022	194,661	342	355,538	5,410	6,438	581	562,970
Charge for the year	20,013	-	42,427	548	793	-	63,781
Reversal of impairment loss	(17,787)	-	(457)	-	-	(581)	(18,825)
Disposals	-	(342)	(37,834)	(141)	(74)	-	(38,391)
At 31 December 2022	196,887	-	359,674	5,817	7,157	-	569,535
Charge for the year	21,553	98	51,836	492	678	-	74,657
Transfer from right-of-use assets	-	-	3,343	-	-	-	3,343
Disposals	-	-	(1,205)	(123)	(831)	-	(2,159)
At 31 December 2023	218,440	98	413,648	6,186	7,004	-	645,376
CARRYING AMOUNT							
At 31 December 2023	486,287	489	430,882	2,156	1,997	3,144	924,955
At 31 December 2022	462,341	-	462,713	2,036	2,745	47,149	976,984

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

20. PROPERTY, PLANT AND EQUIPMENT (Continued)

All the Group's buildings are located in the PRC.

At 31 December 2023, the carrying amount of property, plant and equipment pledged as security for the Group's bills payable and bank and other borrowings amounted to approximately RMB361,378,000 (2022: RMB408,516,000).

At 31 December 2023, the carrying amounts of property, plant and equipment and right-of-use assets pertaining to the CGU of the operations of Jiangxi Jinyuan, were approximately RMB528,287,000 and RMB28,707,000 (2022: RMB561,216,000 and RMB28,904,000) respectively.

Reversal of impairment testing on Jiangxi Jinyuan CGU in 2022

At 31 December 2022, as indicated by the significant improvement in the financial performance of Xinyuan, originally a CGU under the reporting segment of manufacturing and trading of polyester staple fibres as compared to the corresponding year of 2021 which is mainly attributed to the discontinued operation of its manufacturing and trading of polyester staple fibres and restructuring of operation since 1 October 2022 to reallocate Xinyuan's remaining assets (including property, plant and equipment and right-of-use assets) to support the operations of Jiangxi Jinyuan under the reportable segment of manufacturing and trading of yarns. Management considered there were reversal of impairment indicators and performed a re-assessment of the impairment previously made against the remaining property, plant and equipment and right-of-use assets originally belonged to the staple fibres CGU where the assets reallocated to belong to operations of Jiangxi Jinyuan CGU as at 31 December 2022 to reflect the economic conditions at the reporting date. As a result, a reversal of impairment losses on property, plant and equipment and right-of-use assets (Note 21) amounting to RMB18,825,000 and RMB nil respectively were recognised during the year ended 31 December 2022.

Impairment testing on Jiangxi Jinyuan CGU in 2023

At 31 December 2023, in view of the unfavorable financial performance of Jiangxi Jinyuan, management considered there were impairment indicators and performed an impairment assessment of the property, plant and equipment and right-of-use assets pertaining to the CGU of operations of Jiangxi Jinyuan as at 31 December 2023 to reflect the economic conditions at the reporting date. In making the assessment, internal and external sources of information are considered. These included management's production and sales strategies, the impact of the gradual economic recovery and the upward trend in price of yarns of the operations of Jiangxi Jinyuan.

At 31 December 2023, the recoverable amount of the CGU is determined on the basis of the value in use using discounted cash flow method as assessed by the independent qualified professional valuer and approved by the directors. The key assumptions for the discounted cash flow method are those regarding the discount rate, growth rates and estimated EBITDA. The discount rate used is pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Management determined the growth rates and EBITDA based on past performance and expectations on market development, and the business model the Jiangxi Jinyuan undertakes.

At 31 December 2023, the cash flow forecasts are derived from the most recent financial budgets approved by the directors for the next five years with the estimated EBITDA margin ranging from 10.53% to 13.93% (2022: from 6.03% to 10.07%) with the residual period using the growth rate of 2.2% (2022: 2.0%) which is based on long-term average economic growth rate of the geographical area in which the business of the CGU operates.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

20. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment testing on Jiangxi Jinyuan CGU in 2023 (Continued)

At 31 December 2023, the pre-tax rate used to discount the forecast cash flows from the Group's manufacturing and trading of yarns of the operations of Jiangxi Jinyuan is 10.62% (2022: 10.91%).

Based on the value in use calculation, the recoverable amount of the CGU at 31 December 2023 is higher than the carrying amounts of property, plant and equipment and right-of-use assets pertaining to the CGU. As a result, no impairment in respect of the property, plant and equipment and right-of-use assets is recognised during the year ended 31 December 2023.

21. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Leased properties RMB'000	Plant and machinery RMB'000	Total RMB'000
At 1 January 2022	40,208	77	8,031	48,316
Depreciation	(1,069)	(77)	(1,133)	(2,279)
At 31 December 2022	39,139	–	6,898	46,037
Transfer to property, plant and equipment	–	–	(2,732)	(2,732)
Depreciation	(1,071)	–	(1,133)	(2,204)
At 31 December 2023	38,068	–	3,033	41,101

Details of total cash outflow for leases is set out in Note 37(b).

At 31 December 2023, the carrying amounts of leasehold land and plant and machinery pledged as security for the Group's bills payable, lease liabilities and bank and other borrowings amounted to approximately RMB30,267,000 and RMB3,033,000 (2022: RMB31,131,000 and RMB6,898,000) respectively.

The Group leases office premises for its operations. During the current year, the lease contract was entered into for a fixed term of 1 year.

The Group leases certain of its plant and machinery under finance leases and the average lease term is 4 years. At the end of the lease terms, the Group has the option to purchase the plant and machinery at nominal price.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold land. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

22. GOODWILL

	2023 RMB'000	2022 RMB'000
COST		
At beginning of the year and at end of the year	34,829	34,829
ACCUMULATED IMPAIRMENT LOSSES		
At beginning of the year and at end of the year	14,212	14,212
CARRYING AMOUNT		
At end of the year	20,617	20,617

Goodwill acquired in a business combination is allocated, at acquisition, to the CGU, Huachun's sales of yarns, that is expected to benefit from that business combination.

The recoverable amount of the CGU is determined on the basis of the value in use using discounted cash flow method as assessed by independent qualified professional valuer and approved by the directors. The key assumptions for the discounted cash flow method are those regarding the discount rate, growth rates and estimated EBITDA. The discount rate used is pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Management determined the EBITDA based on past performance and expectations on market development, and the business model Huachun undertakes.

The cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the estimated EBITDA margin ranging from of 5.93% to 11.22% (2022: from 11.87% to 12.27%) with the residual period using the growth rate of 2.2% (2022: 2.0%) which is based on long-term average economic growth rate of the geographical area in which the business of the CGU operates.

The pre-tax rate used to discount the forecast cash flows from the Huachun's sales of yarns activities is 10.53% (2022: 11.11%).

There is no impairment in respect of goodwill in the current year as the CGU recoverable amount is higher than its carrying amount. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of the CGU to exceed the recoverable amount.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

23. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	80,339	61,433
Work in progress	16,280	11,812
Finished goods	127,603	59,646
	224,222	132,891

24. TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

24. TRADE AND OTHER RECEIVABLES (Continued)

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 RMB'000	2022 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.

25. BILLS RECEIVABLE

The following is an analysis of bills receivable, based on the invoice date:

	2023 RMB'000	2022 RMB'000
0 – 30 days	100	100
31 – 90 days	–	486
91 – 180 days	2,400	2,725
	2,500	3,311

Included in the above bills receivable, were the following bills receivable that were transferred to suppliers by endorsing those bills receivable on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amounts of the bills receivable and the corresponding liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

25. BILLS RECEIVABLE (Continued)

	Bills receivable endorsed to suppliers with full recourse	
	2023 RMB'000	2022 RMB'000
Carrying amount of recognised financial assets	2,500	3,311
Carrying amount of corresponding liabilities not set off	(2,500)	(3,311)

The carrying amounts of the Group's bills receivable are denominated in RMB.

The directors estimate that the carrying amounts of the Group's bills receivable approximate their fair values.

26. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES

	2023 RMB'000	2022 RMB'000
Pledged bank deposits	64,654	121,044
Cash and bank balances	190,068	263,398
	254,722	384,442

Pledged bank deposits and cash and bank balances of the Group carry interest at market rates per annum as follows:

	2023	2022
Pledged bank deposits	1.25% – 1.85%	0.75% – 2.5%
Cash and bank balances	0.001% – 1.73%	0.001% – 1.73%

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

26. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES (Continued)

The carrying amounts of the Group's pledged bank deposits and cash and bank balances are denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
HK\$	3,047	14,228
US\$	96	3,278
RMB	251,579	366,936
	254,722	384,442

The Group's pledged bank deposits represent deposits pledged to secure bills payable, and bank and other borrowings of the Group as set out in Notes 29 and 32.

At 31 December 2023, the Group's bank deposits and cash and bank balances denominated in RMB amounted to approximately RMB251,579,000 (2022: RMB366,936,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

27. TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

27. TRADE AND OTHER PAYABLES (Continued)

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 RMB'000	2022 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.

28. CONTRACT LIABILITIES

Contract liabilities represent receipt in advance from customers.

Movements in contract liabilities:

	2023 RMB'000	2022 RMB'000
At 1 January	12,209	24,763
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the year	(12,173)	(24,344)
Increase in contract liabilities as a result of receiving deposits from customers	10,955	11,790
At 31 December	10,991	12,209

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

29. BILLS PAYABLE

The following is an analysis of bills payable, based on the invoice date:

	2023 RMB'000	2022 RMB'000
0 – 30 days	–	5,444
31 – 90 days	30,476	18,629
91 – 180 days	34,278	46,740
181 – 365 days	10,000	28,100
	74,754	98,913

The carrying amounts of the Group's bills payable are denominated in RMB.

30. DEFERRED INCOME

	2023 RMB'000	2022 RMB'000
Government grants	6,302	6,566
Analysed as:		
Current liabilities	264	264
Non-current liabilities	6,038	6,302
	6,302	6,566

The deferred income comprised government grants for the refund of the purchase cost of land use rights, provided in relation to the establishment of Jiangxi Jinyuan in 2005 amounting to approximately RMB7,488,000 and of the construction cost of the building premises and deed tax of the land use rights, provided in relation to the establishment of Xinyuan in 2015 amounting to approximately RMB2,200,000 and RMB187,000 respectively.

Government grants are recognised as deferred income in the consolidated statement of financial position when received. For the refund of purchase cost of land use rights and deed tax, they are transferred to profit or loss over the lease terms of the corresponding land use rights. For the refund of construction cost of the building premises, it is transferred to profit or loss over the estimated useful lives of building premises upon completion of the construction. These policies have resulted in a credit to profit or loss in the current year of approximately RMB264,000 (2022: RMB264,000). At 31 December 2023, an aggregate carrying amount of approximately RMB6,302,000 (2022: RMB6,566,000) remains to be amortised.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

31. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Within one year	–	646	–	637
In the second to fifth years, inclusive	–	–	–	–
	–	646	–	637
Less: Future interest expenses	–	(9)	–	N/A
	–	637	–	637
Less: Portion of amount contains a repayment on demand clause or due for settlement within 12 months (shown under current liabilities)			–	(637)
Amount due for settlement after 12 months			–	–

All the lease liabilities were denominated in HK\$.

At 31 December 2023, the incremental borrowing rate applied to lease liabilities was Nil (2022: 5.55%).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

32. BANK AND OTHER BORROWINGS

	2023 RMB'000	2022 RMB'000
Secured	371,163	376,528
Unsecured	105,000	138,000
	476,163	514,528
	2023 RMB'000	2022 RMB'000
The bank and other borrowings are repayable as follows:		
Within one year	406,092	425,817
More than one year, but not more than two years	70,071	33,262
More than two years, but not more than five years	–	50,111
	476,163	509,190
Portion of bank and other borrowings that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	–	5,338
	476,163	514,528
Less: Amount due for settlement within 12 months (shown under current liabilities)	(406,092)	(431,155)
	70,071	83,373

At 31 December 2023, certain assets of the Group have been pledged as collaterals for secured bank and other borrowings (Note 38).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

32. BANK AND OTHER BORROWINGS (Continued)

The carrying amounts of the Group's bank and other borrowings are denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
HK\$	–	9,335
US\$	4,413	4,413
RMB	471,750	500,780
Total	476,163	514,528

The ranges of the interest rates per annum at 31 December are as follows:

	2023	2022
Interest rate:		
– Fixed rate borrowings	3.85% – 4.80%	1.50% – 4.55%
– Variable rate borrowings	3.65% – 6.06%	3.85% – 5.55%

Bank and other borrowings of approximately RMB364,800,000 (2022: RMB410,800,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. The remaining bank and other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The directors estimate that the carrying amounts of the Group's bank and other borrowings are not materially different from their fair value at 31 December 2023.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

33. DEFERRED TAX ASSETS/LIABILITIES

The following are the deferred tax balances recognised by the Group, and the movements thereon during the current and prior years:

Deferred tax assets/(liabilities)

	Tax losses RMB'000	Accelerated tax depreciation RMB'000	Fair value adjustments on business combination RMB'000	Undistributed earnings of the PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2022	5,412	(17,805)	(6,536)	(12,641)	(31,570)
Credit/(Charge) to profit or loss	961	(446)	322	(2,542)	(1,705)
At 31 December 2022 and 1 January 2023	6,373	(18,251)	(6,214)	(15,183)	(33,275)
Credit/(Charge) to profit or loss	7,899	(6,022)	323	7,715	9,915
At 31 December 2023	14,272	(24,273)	(5,891)	(7,468)	(23,360)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	–	1,157
Deferred tax liabilities	(23,360)	(34,432)
	(23,360)	(33,275)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

33. DEFERRED TAX ASSETS/LIABILITIES (Continued)

Under the PRC CIT Law, withholding income tax is imposed on dividends declared in respect of profits earned from 1 January 2008 onwards to foreign investors for the companies established in the PRC. At 31 December 2023 and 2022, deferred tax has been provided on the undistributed earnings of the PRC subsidiaries.

At the end of the reporting period, the Group had unused tax losses of approximately RMB315,324,000 (2022: RMB278,723,000) available for offset against future profits. No deferred tax asset was recognised in respect of the unused tax losses of approximately RMB220,181,000 (2022: RMB236,236,000). Among which (a) unrecognised tax losses of approximately RMB179,647,000 (2022: RMB200,313,000) were not expected to be utilised in the near term and might expire before utilisation due to unpredictability of future profit streams and (b) approximately RMB40,534,000 (2022: RMB35,923,000), which might be carried forward indefinitely, were not recognised due to unpredictability of future profit streams.

34. SHARE CAPITAL

	Number of shares '000	HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 31 December 2022 and 31 December 2023	10,000,000	1,000,000

	Number of shares '000	HK\$'000	RMB'000
Issued and fully paid:			
At 31 December 2022 and 31 December 2023	1,252,350	125,235	101,989

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

34. SHARE CAPITAL (Continued)

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debts (which represent total debts include bank and other borrowings and lease liabilities, net of cash and cash equivalents) and equity attributable to owners of the Company, comprising share capital, share premium and reserves. The capital structure at 31 December 2023 and 31 December 2022 was as follows:

	2023 RMB'000	2022 RMB'000
Total debts	476,163	515,165
Less: Cash and cash equivalents	(190,068)	(263,398)
Net debts	286,095	251,767
Equity attributable to owners of the Company	688,533	715,056
Net debts and equity attributable to owners of the Company	974,628	966,823

The increase in the capital structure during 2023 resulted primarily from the increase in net debts and decrease in equity attributable to owners of the Company.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group balances its overall capital structure through the payment of dividends, new capital injection as well as the issue of new debt.

The externally imposed capital requirements for the Group are: (a) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (b) to meet financial covenants attached to the interest-bearing borrowings.

The Group receives a report from the share registrars regularly on substantial share interests showing the non-public float and demonstrates the continuing compliance with the 25% limit throughout the year.

The Group is subject to the maintenance of a specified financial requirement on its consolidated tangible net worth certain subsidiaries of the Company are also subject to the maintenance of specified financial requirements, such as on net cash generated from operating activities, debt-asset ratio and current ratio.

During the year, the Group complied with the aforesaid financial requirement of its interest-bearing borrowings. The directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

35. CAPITAL COMMITMENTS

	2023 RMB'000	2022 RMB'000
Acquisition of property, plant and equipment and construction of new production facilities and infrastructure	7,975	8,102

36. RETIREMENT BENEFITS SCHEMES

The Group operates the MPF Scheme for all qualifying Hong Kong employees of the Group. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs with the maximum monthly amount of HK\$1,500 per employee to the MPF Scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries established in the PRC are required to participate in a central pension scheme operated by the local municipal government of the PRC. These subsidiaries are required to contribute a fixed rate of 16% (2022: 16%) of their relevant payroll costs to the central pension scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The total contributions to retirement benefits schemes charged to profit or loss for the year ended 31 December 2023 are disclosed in Note 15.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2023 RMB'000	Net cash flows RMB'000	Interest expenses RMB'000	Exchange differences RMB'000	31 December 2023 RMB'000
Lease liabilities	637	(631)	13	(19)	–
Bank and other borrowings	514,528	(59,697)	21,383	(51)	476,163
	515,165	(60,328)	21,396	(70)	476,163

	1 January 2022 RMB'000	Net cash flows RMB'000	Interest expenses RMB'000	Exchange differences RMB'000	31 December 2022 RMB'000
Lease liabilities	2,765	(2,285)	52	105	637
Bank and other borrowings	550,474	(62,427)	25,390	1,091	514,528
	553,239	(64,712)	25,442	1,196	515,165

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2023 RMB'000	2022 RMB'000
Within operating cash flows (including short-term lease)	145	198
Within financing cash flows	618	2,233
	763	2,431

These amounts relate to the following:

	2023 RMB'000	2022 RMB'000
Lease rental paid	763	2,431

38. PLEDGE OF ASSETS

At 31 December 2023, the following carrying amounts of assets have been pledged as security for the Group's bills payable, lease liabilities, and bank and other borrowings (Notes 29, 31 and 32).

	2023 RMB'000	2022 RMB'000
Property, plant and equipment	361,378	408,516
Right-of-use assets	33,301	38,029
Pledged bank deposits	64,654	121,044
	459,333	567,589

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

39. RELATED PARTY TRANSACTIONS

The Group had the following transactions and balances with its related parties:

(a) Transactions with related parties

	2023 RMB'000	2022 RMB'000
Short-term employee benefits in relation to a close family member of a key management personnel	417	399
Short-term lease payment in relation to lease contract with a director of the Company	106	–

(b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the year are as follows:

	2023 RMB'000	2022 RMB'000
Short-term benefits	3,638	3,357

The remuneration is determined by the directors of the Company having regard to the performance of individuals and market trends.

At 31 December 2023, included in accrued salaries and wages was an amount of approximately RMB41,000 (2022: RMB127,000) being accrued remuneration in relation to key management personnel which is unsecured, interest-free and to be settled in cash.

(c) Other transactions with related parties

At 31 December 2023 and 2022, certain banking facilities were guaranteed by the executive director and a close family member of two directors.

40. CONTINGENT LIABILITIES

At 31 December 2023, the Group did not have any significant contingent liabilities (2022: Nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

41. SHARE OPTION SCHEME

Pursuant to a resolution passed on 25 June 2021, the Company adopted a share option scheme (the “**Option Scheme**”), which will expire 10 years after the date immediately prior to the 10th anniversary of the adoption date of the Option Scheme, by the shares of the Company (the “**Shares**”) listing on the Stock Exchange, for the purpose of motivating the eligible participants to optimise their performance efficiency for the benefit of the Group and attracting and retaining or maintaining on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group. Under the Option Scheme, the board of the Company may grant options to any full-time or part-time employees, executives, officers or managers of the Company or any of its subsidiaries; any directors (including executive, non-executive and independent non-executive directors) of the Company or any of its subsidiaries; and any consultants of the Company or any of its subsidiaries. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

The subscription price is determined by the board of the Company, and will not be less than the higher of (a) the official closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities, and (b) the average of the official closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant.

The total number of Shares which may be issued upon exercise of all options to be granted under the Option Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the Shares in issue at the date of approval of the Option Scheme, being 1,252,350,000 Shares, unless further approval from the Shareholders has been obtained.

Besides, the maximum number of Shares which may be issued upon exercise of all outstanding share options granted must not exceed 30% of the issued share capital from time to time. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

No share options were granted by the Company nor exercised by any employees during the years ended 2023 and 2022. There are no share options outstanding as at 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

42. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Investments in subsidiaries		184,256	184,256
Current assets			
Prepayments		85	270
Bank balances		91	90
		176	360
Current liabilities			
Other payables		472	263
Financial guarantee contract liabilities		–	789
Amount due to a subsidiary		6,799	4,925
		7,271	5,977
Net current liabilities		(7,095)	(5,617)
Net assets		177,161	178,639
Capital and reserves			
Share capital		101,989	101,989
Reserves	42(b)	75,172	76,650
Equity		177,161	178,639

Approved by the Board of Directors on 26 March 2024 and are signed on its behalf by:

Zheng Hong
DIRECTOR

Zheng Yongxiang
DIRECTOR

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

42. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(Continued)

(b) Reserves movement of the Company

	Share Premium RMB'000 (Note 43(b)(i))	Special reserve RMB'000 (Note 43(b)(iii))	Retained Profits RMB'000	Total RMB'000
At 1 January 2022	53,074	(81)	81,074	134,067
Loss and total comprehensive expense for the year	-	-	(3,843)	(3,843)
Dividends (Note 17)	-	-	(53,574)	(53,574)
At 31 December 2022 and 1 January 2023	53,074	(81)	23,657	76,650
Loss and total comprehensive expense for the year	-	-	(1,478)	(1,478)
At 31 December 2023	53,074	(81)	22,179	75,172

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

43. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

i. Share premium

Under the Companies Law of the Cayman Islands, where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on their shares shall be transferred to share premium account. The application of the share premium account is governed by the Companies Law of the Cayman Islands. Share premium of the Company is distributable to shareholders subject to the provisions of the Company's Memorandum and Articles of Association and provided that immediately following the distribution the Company is able to pay its debts as they fall due in the ordinary course of business.

ii. PRC statutory reserves

PRC statutory reserves include statutory surplus reserve and discretionary surplus reserve.

According to the relevant rules and regulations in the PRC, subsidiaries of the Company established in the PRC are required to transfer 10% of their profit after tax, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Statutory surplus reserve can be used to set off previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

Moreover, upon approval by the equity owner, a subsidiary of the Company transfers 10% of its profit after tax, as determined in accordance with the PRC accounting and regulations, to the discretionary surplus reserve.

iii. Special reserve

Special reserve arises from the issue of a company's shares in exchange for the shares of companies being acquired, and represents (a) the difference between the nominal value of the Company's shares issued and the value of the shares of Jolly Success International Limited ("**Jolly Success**") acquired, (b) the difference between the nominal value of shares issued for the acquisition of Treasure Resources by Jolly Success and the paid up capital of Treasure Resources, and (c) the difference between the nominal value of shares issued by Treasure Resources for the acquisition of Jiangxi Jinyuan and the net asset value of Jiangxi Jinyuan.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

44. SUBSIDIARIES

The Company had direct and indirect interests in the following subsidiaries at 31 December 2023:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and paid up capital	Percentage of ownership interest		Principal activities
			Direct	Indirect	
Jolly Success International Limited	British Virgin Islands/ Hong Kong	Ordinary HK\$1,000	100%	–	Investment holding
Treasure Resources Corporation Limited	Hong Kong	Ordinary HK\$2,000	–	100%	Investment holding and trading of yarn products and related materials
Jinyuan Textile Co., Ltd., Jiangxi [#]	PRC	HK\$492,300,000	–	100%	Manufacturing and trading of yarn products
Jiangxi Huachun Color Spinning Technology Development Co., Ltd. ^{Δ*}	PRC	RMB120,000,000	–	100%	Manufacturing and trading of yarn products
Jiangxi Xinyuan Special Fibres Company Limited ^{Δ*}	PRC	RMB70,000,000	–	100%	Manufacturing and trading of yarn products (Discontinued operation of polyester staple fibres and reallocated to that of yarns products since 1 October 2022)

[#] Registered as a wholly foreign-owned enterprise under the PRC law.

^Δ Registered as a company with limited liability under the PRC law.

* English translation of the name is for identification purposes only.

45. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period which were required to be disclosed.

Five Years Financial Summary

	Year ended 31 December				2023 RMB'000
	2019 RMB'000 (Unrestated) (note b)	2020 RMB'000 (Unrestated) (note b)	2021 RMB'000 (Restated) (note a)	2022 RMB'000	
CONTINUING OPERATIONS					
Revenue	1,796,390	1,421,077	1,640,903	1,318,133	1,107,045
Cost of sales	(1,680,266)	(1,277,914)	(1,337,727)	(1,260,031)	(1,095,782)
Gross profit	116,124	143,163	303,176	58,102	11,263
Other income	28,641	29,215	37,578	23,613	42,742
Other gains and losses	260	3,489	(17,590)	(8,091)	(348)
Distribution and selling expenses	(28,354)	(26,543)	(26,154)	(24,390)	(23,023)
Administrative expenses	(55,645)	(49,217)	(54,363)	(54,482)	(50,836)
(Impairment loss)/Reversal of impairment loss on property, plant and equipment	(44,120)	5,158	–	18,825	–
(Impairment loss)/Reversal of impairment loss on right-of-use assets	(426)	134	–	–	–
Profit/(Loss) from continuing operations	16,480	105,399	242,647	13,577	(20,202)
Finance costs	(32,690)	(29,387)	(20,522)	(22,676)	(21,396)
(Loss)/Profit before tax from continuing operations	(16,210)	76,012	222,125	(9,099)	(41,598)
Income tax (expense)/credit	(4,100)	(13,208)	(36,413)	4,224	15,075
(Loss)/Profit and total comprehensive (expense) income for the year from continuing operations	(20,310)	62,804	185,712	(4,875)	(26,523)
DISCONTINUED OPERATION					
Profit/(Loss) before tax from a discontinued operation	–	–	18,687	(7,689)	–
Profit/(Loss) and total comprehensive income (expense) for the year	–	–	204,399	(12,564)	(26,523)
(Loss)/Profit and total comprehensive (expense) income for the year attributable to:					
Owners of the Company	(1,405)	62,750	202,544	(12,564)	(26,523)
Non-controlling interests	(18,905)	54	1,855	–	–
	(20,310)	62,804	204,399	(12,564)	(26,523)
(Loss)/Earnings per share					
Basic (RMB cents)	(0.11)	5.01	16.17	(1.00)	(2.12)
Diluted (RMB cents)	N/A	N/A	N/A	N/A	N/A

Five Years Financial Summary (Continued)

Notes:

- (a) Due to the cessation of the manufacturing and trading of polyester staple fibres on 30 September 2022, the comparative financial information for the year ended 31 December 2021 of the Group has been restated to reflect the exclusion of financial information of the discontinued operation.
- (b) The financial information of the Group has not been restated as the Directors consider that the unrevised financial information is more appropriate to reflect year-on-year comparison of the change in the Group's business operation.

	At 31 December				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
ASSETS AND LIABILITIES					
Total assets	1,487,079	1,508,554	1,689,565	1,595,307	1,500,047
Total liabilities	(920,891)	(879,319)	(908,371)	(880,251)	(811,514)
Net assets	566,188	629,235	781,194	715,056	688,533
Equity attributable to:					
Owners of the Company	568,909	631,902	781,194	715,056	688,533
Non-controlling interests	(2,721)	(2,667)	–	–	–
Total equity	566,188	629,235	781,194	715,056	688,533