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CHINA WEAVING MATERIALS HOLDINGS LIMITED

中國織材控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3778)

RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of China Weaving Materials Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024 together with the comparative figures for the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	<i>Note</i>	2024 (unaudited) RMB’000	2023 (unaudited) RMB’000
Revenue	4	577,898	455,663
Cost of sales		<u>(552,811)</u>	<u>(446,683)</u>
Gross profit		25,087	8,980
Other income	5	12,896	16,662
Other gains and losses	6	(1,321)	(502)
Distribution and selling expenses		(9,411)	(10,433)
Administrative expenses		(21,059)	(25,384)
Finance costs	7	<u>(10,236)</u>	<u>(11,027)</u>
Loss before tax		(4,044)	(21,704)
Income tax credit	8	<u>996</u>	<u>12,087</u>
Loss and total comprehensive expense for the period	9	<u>(3,048)</u>	<u>(9,617)</u>
Loss per share	11		
Basic		<u>(RMB0.24) cents</u>	<u>(RMB0.77) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2024 (unaudited) RMB'000	31 December 2023 (audited) RMB'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		887,007	924,955
Right-of-use assets		40,286	41,101
Deposits on acquisition of property, plant and equipment		353	590
Goodwill		20,617	20,617
		948,263	987,263
Current assets			
Inventories		276,889	224,222
Trade and other receivables	12	39,150	31,340
Bills receivable		3,180	2,500
Pledged bank deposits		35,698	64,654
Cash and bank balances		179,093	190,068
		534,010	512,784
Current liabilities			
Trade and other payables	13	231,304	219,944
Contract liabilities		26,709	10,991
Bills payable		45,698	74,754
Deferred income		264	264
Bank and other borrowings		383,093	406,092
		687,068	712,045
Net current liabilities		(153,058)	(199,261)
Total assets less current liabilities		795,205	788,002

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

	30 June 2024 (unaudited) RMB'000	31 December 2023 (audited) RMB'000
Non-current liabilities		
Deferred income	5,906	6,038
Bank and other borrowings	81,950	70,071
Deferred tax liabilities	21,864	23,360
	<u>109,720</u>	<u>99,469</u>
NET ASSETS	<u>685,485</u>	<u>688,533</u>
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	101,989	101,989
Reserves	583,496	586,544
	<u>685,485</u>	<u>688,533</u>
TOTAL EQUITY	<u>685,485</u>	<u>688,533</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

This unaudited condensed consolidated financial information has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This unaudited condensed consolidated financial information should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2023. The accounting policies and methods of computation used in the preparation of this unaudited condensed consolidated financial information are consistent with those used in the audited consolidated financial statements of the Group for the year ended 31 December 2023 and there have been no significant changes in the financial risk management policies for the six months ended 30 June 2024.

At 30 June 2024, the Group’s current liabilities exceeded its current assets by approximately RMB153,058,000 and the Group incurred net loss of approximately RMB3,048,000 and operating cash outflow of approximately RMB28,009,000 for the six months ended 30 June 2024. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the unaudited condensed consolidated financial information has 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 unaudited condensed consolidated financial information authorised for issue, certain bankers have agreed to renew the Group’s bank borrowings amounting to approximately RMB40,000,000 currently included in current liabilities at 30 June 2024.
 - (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 in the next 12 months. Accordingly, the unaudited condensed consolidated financial information has 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 this unaudited condensed consolidated financial information.

2. ADOPTION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS

In the current period, the Group has adopted all the new and revised IFRS Accounting Standards issued by the IASB that are effective for its accounting year beginning on 1 January 2024. IFRS Accounting Standards comprise individual International Financing Reporting Standards (“IFRS”); International Accounting Standards; and Interpretations. The adoption of these new development of IFRSs does not have any impact on the Group’s unaudited condensed consolidated financial information. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

The accounting policies applied in this unaudited condensed consolidated financial information are consistent with those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2023, except for the first time adoption of new and revised IFRS Accounting Standards, which are mandatorily effective for the period beginning on or after 1 January 2024 as set out below:

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current and
Non-current Liabilities with Covenants

As a result of the adoption of the amendments to IAS 1, the Group changed its accounting policy for the classification of borrowings as below:

“Borrowings are classified as current liabilities unless at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.”

This new policy did not result in a change in the classification of the Group’s borrowings. The Group did not make retrospective adjustments as a result of adopting the amendments to IAS 1.

Except for those as mentioned above, the Group did not change its accounting policies or make retrospective adjustments as a result of adopting other amended standards. The Group has not early adopted any of the forthcoming new or amended standards in preparing this unaudited condensed consolidated financial information.

3. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment under IFRS 8 "Operating Segments" focusing on operation of manufacturing and trading of yarns. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conformed to IFRS Accounting Standards as disclosed in note 2, that are regularly reviewed by the chief operating decision maker ("CODM") which has been defined as the executive director of the Company. The CODM regularly reviews the overall results, assets and liabilities of the Group as a whole to make decisions about resource allocation and performance assessment. Accordingly, no separate analysis of the single operating segment other than entity-wide information is presented.

Geographical information

Over 99% (for the six months ended 30 June 2023: 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% (for the six months ended 30 June 2023: 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 periods.

4. REVENUE

The principal activities of the Group are manufacturing and trading of yarn products. The Group derives revenue from transfer of goods at a point in time.

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15 Revenue from Contracts with Customers		
– Sales of yarns	<u>577,898</u>	<u>455,663</u>

5. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	1,642	3,448
Government grants	1,063	5,710
Income from scrap sales	9,271	6,893
Rental income	588	583
Others	332	28
	<u>12,896</u>	<u>16,662</u>

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net foreign exchange (loss)/gain	(681)	27
Loss on disposal of property, plant and equipment	(633)	(529)
Others	(7)	–
	<u>(1,321)</u>	<u>(502)</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank and other borrowings	10,236	11,014
Interest on lease liabilities	–	13
	<u>10,236</u>	<u>11,027</u>

8. INCOME TAX CREDIT

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
PRC Corporate Income Tax (“CIT”)		
Provision for the period	500	–
Over-provision in prior year	–	(5,161)
Deferred tax	(1,496)	(6,926)
	<u>(996)</u>	<u>(12,087)</u>

No provision for Hong Kong Profits Tax for the six months ended 30 June 2024 and 2023 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 or applicable withholding income tax rate on dividends paid by the subsidiaries in the PRC.

9. LOSS FOR THE PERIOD

The Group’s loss for the period is stated after charging the following:

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation		
– Owned property, plant and equipment	38,114	36,439
– Right-of-use assets	815	1,102
Cost of inventories sold	552,811	446,683
	<u>552,811</u>	<u>446,683</u>

10. DIVIDENDS

The Board of Directors of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

11. LOSS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Loss		
Loss for the purpose of calculating basic loss per share (loss for the period attributable to owners of the Company)	(3,048)	(9,617)

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	1,252,350	1,252,350

Number of shares

Weighted average number of ordinary shares for the purpose of
calculating basic loss per share

1,252,350	1,252,350
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No diluted loss per share has been presented as there were no potential dilutive shares outstanding for the six months ended 30 June 2024 and 2023.

12. TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2024	2023
	(unaudited)	(audited)
	RMB'000	RMB'000
Trade receivables	11,275	15,643
Advance payments to suppliers	26,128	15,352
Prepayments and other receivables	931	305
Other tax recoverables	816	40
	39,150	31,340

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

	30 June 2024 (unaudited) RMB'000	31 December 2023 (audited) RMB'000
0 – 30 days	9,589	14,950
31 – 90 days	983	620
91 – 180 days	19	73
181 – 365 days	684	–
	11,275	15,643

13. TRADE AND OTHER PAYABLES

	30 June 2024 (unaudited) RMB'000	31 December 2023 (audited) RMB'000
Trade payables	40,061	13,606
Other payables	7,928	6,670
Other tax payables	6,848	17,951
Accrued salaries and wages	12,969	17,011
Other accrued charges	162,558	161,884
Payables for acquisition of property, plant and equipment	940	2,822
	231,304	219,944

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:

	30 June 2024 (unaudited) RMB'000	31 December 2023 (audited) RMB'000
0 – 30 days	32,894	9,788
31 – 90 days	5,898	–
91 – 180 days	–	2,761
Over 365 days	1,269	1,057
	40,061	13,606

MARKET OVERVIEW

During the six months ended 30 June 2024, the global economy has faced a lot of challenges. The military conflict between Russia and Ukraine (“**Russia Ukraine Conflict**”) in Europe and the military conflict between Israel and the Hamas (“**Gaza Conflict**”) continue to drag on. Major developed economies continue to suffer from high inflation, successive interest rates hikes led to a sharp rise in interest rates. The above factors have suppressed global demand and consumption. The GDP of the United States (the “**US**”) has recorded an increase of around 1.4% and 2.8% for the first and second quarters of 2024 respectively. The European Union (the “**EU**”) has recorded an increase of around 0.3% for the first and second quarter of 2024. The GDP of the People’s Republic of China (the “**PRC**”) has recorded an increase of around 5.3% and 4.7% for the first and second quarters of 2024 respectively.

The international crude oil price fluctuated between US\$70 and US\$80 per barrel for most of the time for the six months ended 30 June 2024. The average price of international crude oil for the six months ended 30 June 2024 was more or less the same as that of the corresponding period in 2023. A relatively stable crude oil price has stabilized the prices of oil-related downstream products, including raw materials for polyester yarn products and provided a better upstream macro environment for polyester yarn products.

The international cotton prices traded at about US80 cents per pound at the beginning of 2024. The prices fluctuated around that level until March and then gradually decreased to US70 cents per pound by the end of June. The average prices of international cotton for the six months ended 30 June 2024 were slightly lower than that of the corresponding period in 2023. The weakness in international cotton prices was mainly due to a weak global economy and a high interest rate environment. The domestic cotton prices in the PRC have been trending downwards from around RMB16,000 per tonne at the beginning of 2024 to around RMB15,000 per tonne by the end of June 2024. The downward trend of international and domestic cotton prices was mainly due to weak market demand as a result of the lack of optimism about the market future.

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 still under pressure in the six months ended 30 June 2024. In terms of domestic sales, according to the statistics from the National Bureau of Statistics of China, the society retail sales of commodities such as apparel, footwear, headwear, and knitted products for the six months ended 30 June 2024 amounted to approximately RMB709.8 billion, representing a period-on-period increase of just approximately 1.3%. PRC’s export sales also remained sluggish. The export of textile apparel and clothing accessories for the six months ended 30 June 2024 was approximately US\$76.7 billion, representing a period-on-period decrease of approximately 1.7%, according to the General Administration of Customs of the PRC.

BUSINESS REVIEW

The sales volume of yarn products of the Group increased by 26.2% from approximately 38,911 tonnes for the six months ended 30 June 2023 to approximately 49,113 tonnes for the six months ended 30 June 2024. The increase in sales volume was mainly due to improvement in market conditions and a low base figure for the first half of 2023. The low base figure in the first half of 2023 was mainly due to a longer Chinese New Year (“CNY”) break in January 2023 in response to the market conditions back then. The production volume of yarn products of the Group increased by 14.7% from approximately 43,576 tonnes for the six months ended 30 June 2023 to approximately 50,000 tonnes for the six months ended 30 June 2024. The increase in production volume was mainly due to a better utilization rate for the production facilities in the first half of 2024 and a low base figure for the first half of 2023 as a result of a longer CNY break in 2023.

The revenue of the yarn products of the Group increased by 26.8% to approximately RMB577.9 million for the six months ended 30 June 2024 as compared to RMB455.7 million for the six months ended 30 June 2023. The gross profit and the loss attributable to the owners of the Company for the six months ended 30 June 2024 were approximately RMB25.1 million and approximately RMB3.0 million, respectively.

The Group has constantly adjusted its product portfolio in response to the rapid changing market environment. It completely ceased the production and sales of viscose and stretchable core viscose yarn products in 2024 since the scaling down of its production in 2023. The Group focused on polyester-cotton yarn products, in particular polyester-fine combed cotton yarn products during the six months ended 30 June 2024. Such products have a higher entry barrier and generally generate better margins than polyester yarn products, which are highly competitive due to its low entry barrier.

In the first half of 2024, the domestic sales of the PRC’s textile industry improved slightly. However, the export market of textile products remains very difficult under the current global economic conditions. In response to the market conditions, the Group has been closely monitoring the market and adjusted its product portfolio and production arrangements. The Group also 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.

FINANCIAL REVIEW

Revenue

Revenue of the Group for the six months ended 30 June 2024 was approximately RMB577.9 million, representing an increase of approximately RMB122.2 million, or 26.8%, as compared to the corresponding period of last year. An analysis of the sales of the Group's products is set forth below:

	Six months ended 30 June 2024 (unaudited) RMB'000		Six months ended 30 June 2023 (unaudited) RMB'000	
Polyester yarns	220,653	38.2%	181,612	39.8%
Polyester-cotton and viscose-cotton blended yarns	197,098	34.1%	142,941	31.4%
Grey and deep grey mélangé yarns and grey mélangé-cotton blended yarns	135,816	23.5%	129,261	28.4%
Viscose and stretchable core viscose yarns	–	–	1,849	0.4%
Others	24,331	4.2%	–	–
	<u>577,898</u>	<u>100.0%</u>	<u>455,663</u>	<u>100.0%</u>

The increase in the revenue of the Group for the six months ended 30 June 2024 was mainly attributable to the increase in sales volume of the yarn products from approximately 38,911 tonnes for the six months ended 30 June 2023 to approximately 49,113 tonnes for the six months ended 30 June 2024. The increase in sales volume was mainly due to i) improvement in market conditions; ii) the adjustment of the product mix of the Group and iii) a low base figure for the first half of 2023 resulting from a longer CNY break in 2023. The average selling price of yarn products of the Group remained stable at approximately RMB11,767 per tonne for the six months ended 30 June 2024 compared to approximately RMB11,710 per tonne for the six months ended 30 June 2023.

Gross Profit and Gross Profit Margin

Gross profit of the Group increased from approximately RMB9.0 million for the six months ended 30 June 2023 to approximately RMB25.1 million for the six months ended 30 June 2024. The gross profit margin of the Group increased from approximately 2.0% for the six months ended 30 June 2023 to approximately 4.3% for the six months ended 30 June 2024. The increase in gross profit was mainly due to the increase in sales volume and increase in gross profit margin. The increase in sales volume was mainly due to improvement in market conditions and a low base figure for the first half of 2023 resulting from a longer CNY break in 2023. The increase in gross profit margin was mainly due to improvement in market conditions and change in product mix. The Group has adjusted its product portfolio in response to the market situation, focusing more on polyester-cotton yarn products, in particular polyester-fine combed cotton yarn products. Such products have a higher entry barrier and generally generate better margins than polyester yarn products, which are highly competitive due to its low entry barrier.

Other Income

Other income of the Group decreased from approximately RMB16.7 million for the six months ended 30 June 2023 to approximately RMB12.9 million for the six months ended 30 June 2024, representing a decrease of approximately RMB3.8 million or 22.6%. The decrease in other income was mainly due to the decrease in government grants and interest income partly offset by the increase in income from scrap sales.

Other Losses

Other losses of the Group increased from approximately RMB0.5 million for the six months ended 30 June 2023 to approximately RMB1.3 million for the six months ended 30 June 2024, representing an increase of approximately RMB0.8 million or 1.6 times. The increase in other losses was mainly due to a net foreign exchange loss of approximately RMB0.7 million for the six months ended 30 June 2024 as compared to an insignificant net foreign exchange gain or loss for the six months ended 30 June 2023.

Distribution and Selling Expenses

Distribution and selling expenses of the Group decreased from approximately RMB10.4 million for the six months ended 30 June 2023 to approximately RMB9.4 million for the six months ended 30 June 2024, representing a decrease of approximately RMB1.0 million or 9.8%. The decrease was mainly due to more customers opting for self-delivery arrangement and change in destination mix. Distribution and selling expenses accounted for approximately 1.6% of total revenue of the Group for the six months ended 30 June 2024 (six months ended 30 June 2023: 2.3%).

Administrative Expenses

Administrative expenses of the Group decreased from approximately RMB25.4 million for the six months ended 30 June 2023 to approximately RMB21.1 million for the six months ended 30 June 2024, representing a decrease of approximately RMB4.3 million or 17.0%. The decrease in administrative expenses was mainly due to the decrease in research and development expenses. Administrative expenses accounted for approximately 3.6% of total revenue of the Group for the six months ended 30 June 2024 (six months ended 30 June 2023: 5.6%).

Finance Costs

Finance costs of the Group decreased from approximately RMB11.0 million for the six months ended 30 June 2023 to approximately RMB10.2 million for the six months ended 30 June 2024, representing a decrease of approximately RMB0.8 million or 7.2%. The decrease in finance costs was mainly due to a lower Loan Prime Rate (“LPR”) for the six months ended 30 June 2024 as compared with that for the six months ended 30 June 2023 and better terms secured by the Group upon refinancing of bank loans.

Income Tax Credit

The Group’s income tax credit for the six months ended 30 June 2024 was approximately RMB1.0 million as compared with approximately RMB12.1 million for the six months ended 30 June 2023. The Group’s effective income tax credit rate for six months ended 30 June 2024 was approximately 24.6% as compared with approximately 55.7% for the six months ended 30 June 2023. The decrease in income tax credit was mainly due to the lack of reversal of over provision and the reduction in the recognition of certain deferred tax assets during the six months ended 30 June 2024.

Loss attributable to Owners of the Company and Net Loss Margin

Loss attributable to owners of the Company decreased from approximately RMB9.6 million for the six months ended 30 June 2023 to approximately RMB3.0 million for the six months ended 30 June 2024, representing a decrease of approximately RMB6.6 million or 68.3%. The reduction in loss attributable to owners of the Company was mainly due to the improvement in gross profit. The net loss margin of the Group decreased from approximately 2.1% for the six months ended 30 June 2023 to approximately 0.5% for the six months ended 30 June 2024. The improvement in the net loss margin was mainly due to the increase in gross profit.

Loss per Share

The basic loss per share of the Company decreased from approximately RMB0.77 cents for the six months ended 30 June 2023 to approximately RMB0.24 cents for the six months ended 30 June 2024, representing a decrease of approximately RMB0.53 cents or 68.3%. The decrease in loss per share of the Company was due to the reduction in the net loss for the six months ended 30 June 2024.

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 six months ended 30 June 2024, the Group had a net cash outflow from operating activities. The Group had cash and bank balances of approximately RMB179.1 million (31 December 2023: RMB190.1 million), pledged bank deposits of approximately RMB35.7 million (31 December 2023: RMB64.7 million) at 30 June 2024. 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 30 June 2024, the Group's interest-bearing borrowings amounted to approximately RMB465.0 million (31 December 2023: RMB476.2 million), RMB383.1 million (82.4%) of which (31 December 2023: RMB406.1 million (85.3%)) was repayable within one year or on demand. The Group's banking facilities were secured by its right-of-use assets, properties, plant and equipment and pledged bank deposits with a carrying value of approximately RMB421.0 million in aggregate as at 30 June 2024 (31 December 2023: RMB459.3 million).

Gearing Ratio

The gearing ratio of the Group, which is equal to the total of bank and other borrowings and bills payable to total assets, was approximately 34.5% at 30 June 2024 (31 December 2023: 36.7%). Net current liabilities and net assets at 30 June 2024 were approximately RMB153.1 million (31 December 2023: RMB199.3 million) and RMB685.5 million (31 December 2023: RMB688.5 million), respectively.

Foreign Exchange Exposure

The Group has foreign currency cash and bank balances, other receivables and other payables (31 December 2023: cash and bank balances, other receivables, other borrowing and other payables), which mainly expose the Group to risks in Hong Kong Dollar and United States Dollar. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 30 June 2024 were approximately RMB2.4 million (31 December 2023: RMB3.1 million) and RMB5.3 million (31 December 2023: RMB5.6 million), respectively. The Group had not used any financial instrument for hedging purposes during the six months ended 30 June 2024.

Contingent Liabilities

As at 30 June 2024, the Group did not have any contingent liabilities.

Employees, Remuneration and Share Option Scheme

As at 30 June 2024, the Group had a total of 2,451 employees (31 December 2023: 2,422). 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 had adopted a share option scheme on 25 June 2021, under which the Company may grant options to eligible persons including Directors and employees. No share option has been granted pursuant to the scheme since its adoption.

Significant Investments and Material Acquisitions and Disposal of Subsidiaries

During the six months ended 30 June 2024, the Group did not have any significant investments or acquisitions or disposal of subsidiaries.

PROSPECTS

During the six months ended 30 June 2024, the textile industry faced a lot of challenges. The Russia Ukraine Conflict and Gaza Conflict were still on-going, major developed economies continue to suffer from high inflation, 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 implemented various policies to stimulate the economy. The domestic sales of the PRC's textile industry showed some sign of recovery. However, the growth momentum has not been robust and there is a lack of optimism in the market.

Looking forward to the second half of 2024, 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. However, the export market will remain weak under the current macro environment and the domestic market is likely to remain uncertain due to insufficient consumer confidence.

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.

DIVIDEND

The Board resolved not to declare the payment of an interim dividend in respect of the six months ended 30 June 2024.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company during the six months ended 30 June 2024.

CODE OF CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, during the six months ended 30 June 2024, the Company had complied with the code provisions of the existing Corporate Governance Code (the “**CG Code**”) and Corporate Governance Report as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

In respect of code provision D.2.5 of Part 2 the CG Code, the Company has not set up an internal audit (“**IA**”) function. Having considered the size and complexity of the operations of the Group and the potential cost involved in setting up an IA function, the Company considers the existing organisation structure and the close supervision of the executive management could provide sufficient internal control and risk management for the Group. The Audit Committee under the Board will review the effectiveness of the internal control and risk management of the Group. The Board will conduct a review for the need of an IA function on an annual basis.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the code of conduct governing the Directors’ securities transactions. The Company confirms that, having made specific enquiry of all the Directors, each of them has complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2024.

AUDIT COMMITTEE

The audit committee of the Company has reviewed together with the management the accounting principles and policies adopted by the Group and reviewed the unaudited condensed consolidated financial information for the six months ended 30 June 2024.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.chinaweavingmaterials.com. The interim report of the Company for the six months ended 30 June 2024 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to the Group's management and staff members for their dedication and hard work, customers for their confidence and support for the Group's products, shareholders for their trust and support and various government bodies for their support.

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

Hong Kong, 28 August 2024

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