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# CHINA WEAVING MATERIALS HOLDINGS LIMITED
# 中國織材控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3778)**

## RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

The board (the "**Board**") of directors (the "**Directors**") of China Weaving Materials Holdings Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the financial year ended 31 December 2024 together with the comparative figures for the previous financial year as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2024*

| | Note | **2024** *RMB'000* | 2023 *RMB'000* |
|---|---|---|---|
| **Revenue** | *4* | **1,282,266** | 1,107,045 |
| Cost of sales | | **(1,240,061)** | (1,095,782) |
| **Gross profit** | | **42,205** | 11,263 |
| Other income | *5* | **38,029** | 42,742 |
| Other losses | *6* | **(2,069)** | (348) |
| Distribution and selling expenses | | **(23,824)** | (23,023) |
| Administrative expenses | | **(49,246)** | (50,836) |
| **Profit/(Loss) from operations** | | **5,095** | (20,202) |
| Finance costs | *7* | **(18,912)** | (21,396) |
| **Loss before tax** | | **(13,817)** | (41,598) |
| Income tax credit | *8* | **2,076** | 15,075 |
| **Loss and total comprehensive expense for the year** | *9* | **(11,741)** | (26,523) |
| **Loss per share** | *11* | | |
| – Basic | | **(RMB0.94) cents** | (RMB2.12) cents |
| – Diluted | | **N/A** | N/A |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2024*

| | Note | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **849,007** | 924,955 |
| Right-of-use assets | | **39,485** | 41,101 |
| Deposits on acquisition of property, plant and equipment | | **165** | 590 |
| Goodwill | | **20,617** | 20,617 |
| | | **909,274** | 987,263 |
| **Current assets** | | | |
| Inventories | | **193,141** | 224,222 |
| Trade and other receivables | *12* | **20,897** | 31,340 |
| Bills receivable | | **3,780** | 2,500 |
| Pledged bank deposits | | **57,164** | 64,654 |
| Short-term time deposits | | **4,623** | – |
| Cash and bank balances | | **209,091** | 190,068 |
| | | **488,696** | 512,784 |
| **Current liabilities** | | | |
| Trade and other payables | *13* | **205,524** | 219,944 |
| Derivative financial instruments | | **96** | – |
| Contract liabilities | | **4,740** | 10,991 |
| Bills payable | | **71,264** | 74,754 |
| Deferred income | | **264** | 264 |
| Bank and other borrowings | | **402,732** | 406,092 |
| | | **684,620** | 712,045 |
| **Net current liabilities** | | **(195,924)** | (199,261) |
| **Total assets less current liabilities** | | **713,350** | 788,002 |

| | Note | **2024** | 2023 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **Non-current liabilities** | | | |
| Deferred income | | **5,774** | 6,038 |
| Bank and other borrowings | | **10,000** | 70,071 |
| Deferred tax liabilities | | **20,784** | 23,360 |
| | | **36,558** | 99,469 |
| **Net assets** | | **676,792** | 688,533 |
| **Capital and reserves** | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | **101,989** | 101,989 |
| Reserves | | **574,803** | 586,544 |
| **Total equity** | | **676,792** | 688,533 |

## NOTES:

### 1. BASIS OF PREPARATION

The 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 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 2 provides information of these developments which are relevant to the Group's operations. The application of these developments did not have material impact on the Group.

During the year ended 31 December 2024, the Group incurred net loss of approximately RMB11,741,000 for the year ended 31 December 2024 and the Group's current liabilities exceeded its current assets by approximately RMB195,924,000 as at 31 December 2024. 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 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 this announcement, certain bankers renewed or agreed to renew the Group's bank borrowings amounting to approximately RMB45,000,000 currently included in current liabilities at 31 December 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 within the next 12 months. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to operate as a going concern in the foreseeable future, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

## 2. ADOPTION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS

### (a) Application of new and revised IFRS Accounting Standards

***Adoption of Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" and Amendments to IAS 1 "Non-current Liabilities with Covenants" (collectively the "IAS 1 Amendments")***

As a result of the adoption of the IAS 1 Amendments, 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.

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification."

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 IAS 1 Amendments. As at 31 December 2024, none of the borrowings classified as non-current was subject to financial covenants.

***Adoption of Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"***

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. As such, the Group is required to provide the above new disclosures.

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 2024. They do not have a material effect on the Group's consolidated financial statements.

**(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 2024. 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 IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments | 1 January 2026 |
| Annual Improvements to IFRS Accounting Standards – Volume 11 | 1 January 2026 |
| IFRS 18 – Presentation and Disclosure in Financial Statements | 1 January 2027 |

The directors of the Company are in the process of making an assessment of what the impacts of these new standards, amendments to standards and interpretation are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following standard.

**IFRS 18 "Presentation and Disclosure in Financial Statements"**

IFRS 18 will replace IAS 1 "Presentation of financial statements", introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, IFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements. The key changes introduced in IFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information.

The directors of the Company are currently assessing the impact of applying IFRS 18 on the presentation and the disclosures of the consolidated financial statements.

The directors of the Company anticipate that the application of all other amendments to IFRS Accounting Standards will not have material impact on the consolidated financial statements in the foreseeable future.

## 3. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports prepared in accordance with 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 Yarns – manufacturing and trading of yarns as a single reportable segment under IFRS 8 "Operating Segments". No operating segments have been aggregated to form the reportable segment.

### Geographical information

Over 99% (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% (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 years.

## 4. REVENUE

The principal activities of the Group are manufacturing and trading of yarns. 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 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:

| | **2024** | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Revenue from contracts with customers within the scope of IFRS 15** | | |
| Sales of yarns | **1,282,266** | 1,107,045 |

## 5. OTHER INCOME

| | 2024 | 2023 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Interest income | **2,800** | 5,667 |
| Government grants | **12,825** | 15,228 |
| Income from scrap sales | **20,362** | 20,572 |
| Rental income | **1,002** | 953 |
| Others | **1,040** | 322 |
| | **38,029** | 42,742 |

## 6. OTHER LOSSES

| | 2024 | 2023 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Net foreign exchange losses | **(672)** | (181) |
| Loss on disposal of property, plant and equipment | **(642)** | (167) |
| Allowance for impairment loss on trade receivables | **(652)** | – |
| Unrealised loss arising from changes in fair value of derivative financial instruments | **(96)** | – |
| Others | **(7)** | – |
| | **(2,069)** | (348) |

## 7. FINANCE COSTS

| | 2024 | 2023 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Interest on bank and other borrowings | **18,912** | 21,383 |
| Interest on lease liabilities | **–** | 13 |
| | **18,912** | 21,396 |

## 8. INCOME TAX CREDIT

| | **2024** | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current tax | | |
| PRC Corporate Income Tax ("**CIT**") | | |
| Provision for the year | **500** | – |
| Over-provision in prior year | **–** | (5,160) |
| | **500** | (5,160) |
| Deferred tax | | |
| Origination and reversal of temporary differences | **(2,576)** | (9,915) |
| Total | **(2,076)** | (15,075) |

No provision for Hong Kong Profits Tax for the years ended 31 December 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 in the PRC.

Jiangxi Huachun Color Spinning Technology Development Co., Ltd. ("**Huachun**"), the Company's subsidiary, has been recognised as state-encouraged high-new technology enterprises since 2019. As such, Huachun is entitled to a preferential tax rate of 15% for the years ended 31 December 2024 and 2023.

Jinyuan Textile Co., Ltd, Jiangxi ("**Jiangxi Jinyuan**"), the Company's subsidiary, is entitled to a preferential tax rate of 15% for the year ended 31 December 2023 and is subject to the normal CIT tax rate at 25% for the year ended 31 December 2024.

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

## 9. LOSS FOR THE YEAR

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

| | 2024 | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Auditor's remuneration | | |
| – Audit | **1,196** | 1,184 |
| – Others | **261** | 263 |
| | **1,457** | 1,447 |
| Cost of inventories sold | **1,240,061** | 1,095,782 |
| Depreciation on property, plant and equipment | **77,330** | 74,657 |
| Depreciation on right-of-use assets | **1,616** | 2,204 |

Cost of inventories sold includes employee benefits expense, depreciation on property, plant and equipment and depreciation on right-of-use assets of approximately RMB144,306,000 (2023: RMB150,523,000), RMB64,504,000 (2023: RMB62,449,000) and RMB525,000 (2023: RMB1,133,000) respectively, which are included in the amounts disclosed separately above.

## 10. DIVIDENDS

The Board of Directors of the Company does not recommend the payment of final dividend in respect of the year ended 31 December 2024 (2023: Nil).

## 11. 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 (2023: 1,252,350,000) in issue during the year:

| | 2024 | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Loss for the purpose of calculating basic loss per share (loss for the year attributable to owners of the Company) | **(11,741)** | (26,523) |

| | 2024 | 2023 |
|---|---|---|
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of calculating basic loss per share | **1,252,350** | 1,252,350 |

No diluted loss per share has been presented as there were no potential dilutive shares outstanding for the years ended 31 December 2024 and 2023.

## 12. TRADE AND OTHER RECEIVABLES

| | **2024** | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **10,240** | 15,643 |
| Less: Allowance for doubtful debt | **(652)** | – |
| | **9,588** | 15,643 |
| Advance payments to suppliers | **9,690** | 15,352 |
| Prepayments and other receivables | **1,619** | 305 |
| Other tax recoverables | **–** | 40 |
| | **20,897** | 31,340 |

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 receivables. For the trade receivables which are past due but not impaired, the management assessed the balances are with good credit quality with reference to their past repayment history.

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, and net of allowance:

| | **2024** | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 – 30 days | **8,996** | 14,950 |
| 31 – 90 days | **592** | 620 |
| 91 – 180 days | **–** | 73 |
| | **9,588** | 15,643 |

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

## 13. TRADE AND OTHER PAYABLES

| | **2024** | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **13,733** | 13,606 |
| Other payables | **9,185** | 6,670 |
| Other tax payables | **20,126** | 17,951 |
| Accrued salaries and wages | **17,488** | 17,011 |
| Other accrued charges | **144,306** | 161,884 |
| Payables for acquisition of property, plant and equipment | **686** | 2,822 |
| | **205,524** | 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:

| | **2024** | 2023 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 – 30 days | **9,174** | 9,788 |
| 31 – 90 days | **–** | – |
| 91 – 180 days | **3,290** | 2,761 |
| 181 – 365 days | **212** | – |
| Over 365 days | **1,057** | 1,057 |
| | **13,733** | 13,606 |

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

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

## EXTRACT OF THE AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2024:

## "OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance."

## "MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements which indicates that the Group incurred net loss of approximately RMB11,741,000 for the year ended 31 December 2024 and the Group's current liabilities exceeded its current assets by approximately RMB195,924,000 as at 31 December 2024. As stated in Note 2, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

## MARKET OVERVIEW

In 2024, the global economy continues to face numerous challenges. The prolonged military conflict between Russia and Ukraine (the "**Russia-Ukraine Conflict**") persists, while tensions in the Middle East continue, particularly the ongoing conflict between Israel and Hamas (the "**Gaza Conflict**"). Inflationary pressures in major global economies have moderated to some extent, but interest rates remain relatively high, suppressing global consumption and investment demand. The Gross Domestic Product ("**GDP**") of the United States of America (the "**US**") grew by approximately 2.0% in 2024, down from 2.5% in 2023. The economic growth of the European Union (the "**EU**") remains weak, with a GDP growth of about 0.6% in 2024, slightly higher than that of 0.4% in 2023. The People's Republic of China (the "**PRC**") recorded a GDP growth of approximately 5.0% in 2024, slightly lower than that of 5.2% in 2023, mainly due to slowing domestic demand and uncertainties in the global trade environment.

International crude oil prices did not have huge fluctuations in 2024, with prices ranging between USD75 and USD90 per barrel. Geopolitical risks and supply chain uncertainties offset the downward pressure on crude oil prices caused by the slowdown in global economic growth, resulting in the relatively stable crude oil prices during 2024. As a result, the relative stability of crude oil prices has influenced other petroleum-related products, including raw materials for polyester yarn products. However, due to weak market demand, the prices for yarn products were unable to fully capitalise on the price movements in raw materials, as they often lagged behind during upward cycles and fall to a larger extent during downward cycles.

International cotton prices followed a downward trend in 2024, fluctuating between USD0.80 and USD0.9 per pound for most of the time. Compared to 2023, the average international cotton prices were lower in 2024. The high global interest rate environment and economic uncertainties continued to exert pressure on international cotton prices. Domestic cotton prices in China showed little fluctuations in 2024, starting at approximately RMB15,500 per ton at the beginning of the year, gradually declining to around RMB14,500 per ton by the end of the year due to weak demand in the textile market. The Chinese government maintained its policies on cotton reserves, direct subsidies to cotton farmers, and orderly auctions of cotton reserves, with no significant policy-driven impact on domestic cotton prices.

The textile industry continued to face multiple challenges in 2024. The complex international trade environment, ongoing global supply chain adjustments, and consistently high domestic production costs exerted significant pressures on the industry. On the domestic sales front, according to data from China's National Bureau of Statistics, retail sales of clothing, footwear, and knitwear by designated large-scale enterprises reached approximately RMB1.45 trillion in 2024. This represented a year-on-year increase of about 2.9%, a significant slowdown compared to the 12.9% growth recorded in 2023. On the export front, data from China's General Administration of Customs showed that China's exports of yarn, fabrics, and textile products and apparel in 2024 were approximately USD130 billion and USD160 billion, respectively, representing year-on-year declines of about 3.3% and 3.2%, indicating continued weakness in the export market.

## BUSINESS REVIEW

The sales volume of yarn products of the Group increased by 5.4% from approximately 96,330 tonnes for the year ended 31 December 2023 to approximately 101,534 tonnes for the year ended 31 December 2024. The increase in sales volume was mainly due to improvement in market conditions and a low base figure for the 2023. The low base figure in 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 slightly decreased by 1.1% from approximately 101,955 tonnes for the year ended 31 December 2023 to approximately 100,828 tonnes for the year ended 31 December 2024.

The revenue from the sales of yarn products of the Group increased by 15.8% to approximately RMB1,282 million for the year ended 31 December 2024 as compared to RMB1,107 million for the year ended 31 December 2023. The gross profit and the loss attributable to the owners of the Company for the year ended 31 December 2024 were approximately RMB42.2 million and approximately RMB11.7 million, respectively.

The new workshop with a capacity of 50,000 spindles, workshop number nine located at the site of the Group's subsidiary, Jinyuan Textile Co. Ltd., Jiangxi ("**Jinyuan**"), which was invested by the Group during 2021 and 2022 has become fully operational in late 2023. In 2024, Jinyuan suspended production of workshop number one for revamp evaluation. Workshop number one has a production capacity of around 60,000 spindles but it was built almost 20 years ago. The technologies employed has been outdated and the production process has been labour intensive. The replacement of production facilities of workshop number one with workshop number nine, which employes the latest production technologies and is highly automated, greatly increased the efficiency of Jinyuan. The overall capacities of the Group is maintained at approximately 0.76 million spindles after the replacement. The Group constantly reviews its production facilities with the aim of improving efficiency.

The Group also 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, following 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 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 2024, domestic sales in the PRC's textile industry improved slightly. However, the export market for textile products remains challenging due to the prevailing global economic conditions. In response to the market conditions, the Group closely monitored the market trends and adjusted its product portfolio and production arrangements accordingly. The Group also enhanced its marketing effort by increasing interactions with its customers. The Group also adopted an aggressive pricing strategy for certain mass market products, in particular polyester yarn products in order to achieve sufficient sales volume to maintain the economy of scale.

## FINANCIAL REVIEW

### Revenue

Revenue of the Group for the year ended 31 December 2024 was approximately RMB1,282.3 million, representing an increase of approximately RMB175.2 million, or 15.8%, as compared to last year. The analysis of the sales of the Group's products is as below:

| | **Year ended 31 December 2024** *RMB'000* | | Year ended 31 December 2023 *RMB'000* | |
|---|---|---|---|---|
| Polyester yarns | **444,065** | **34.7%** | 434,619 | 39.3% |
| Polyester-cotton and viscose-cotton blended yarns | **447,993** | **34.9%** | 349,725 | 31.6% |
| Grey and deep grey mélange yarns and grey mélange-cotton blended yarns | **365,727** | **28.5%** | 320,174 | 28.9% |
| Viscose and stretchable core viscose yarns | **–** | **–** | 2,465 | 0.2% |
| Others | **24,481** | **1.9%** | 62 | 0.0% |
| | **1,282,266** | **100.0%** | 1,107,045 | 100.0% |

The increase in the revenue of the Group for the year ended 31 December 2024 was mainly attributable to the increase in sales volume and average selling prices of the yarn products. Due to the improvement in market conditions, the sales volume increased by approximately 5.4% from approximately 96,330 tonnes for the year ended 31 December 2023 to approximately 101,534 tonnes for the year ended 31 December 2024. The average selling price of yarn products of the Group increased 9.9% from approximately RMB11,492 per tonne for the year ended 31 December 2023 to approximately RMB12,629 per tonne for the year ended 31 December 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 2023 resulting from a longer CNY break in 2023. The increase in the average selling price of the yarn products was mainly due to the adjustment of the product portfolio of the Group.

### Gross Profit and Gross Profit Margin

Gross profit of the Group increased from approximately RMB11.3 million for the year ended 31 December 2023 to approximately RMB42.2 million for the year ended 31 December 2024. The gross profit margin of the Group increased from approximately 1.0% for the year ended 31 December 2023 to approximately 3.3% for the year ended 31 December 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 the improvement in market conditions. The increase in gross profit margin was mainly due to 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-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 RMB42.7 million for the year ended 31 December 2023 to approximately RMB38.0 million for the year ended 31 December 2024, representing a decrease of approximately RMB4.7 million or 11.0%. The decrease in other income was mainly due to the decrease in government grant and interest income.

### Other Losses

Other losses of the Group increased from approximately RMB0.3 million for the year ended 31 December 2023 to approximately RMB2.1 million for the year ended 31 December 2024, representing an increase of approximately RMB1.7 million or 5 times. The increase in other losses was mainly due to increase in net foreign exchange losses, loss on disposal of property, plant and equipment and allowance for impairment loss on trade receivables.

### Distribution and Selling Expenses

Distribution and selling expenses of the Group increased from approximately RMB23.0 million for the year ended 31 December 2023 to approximately RMB23.8 million for the year ended 31 December 2024, representing an increase of approximately RMB0.8 million or 3.5%. The increase was mainly due to the increase in sales volume of yarn products by approximately 5.4% partly offset by change in destination mix of customers. Distribution and selling expenses as a percentage of revenue of the Group was approximately 1.9% for the year ended 31 December 2024 (year ended 31 December 2023: 2.1%).

## Administrative Expenses

Administrative expenses of the Group decreased from approximately RMB50.8 million for the year ended 31 December 2023 to approximately RMB49.2 million for the year ended 31 December 2024, representing a decrease of approximately RMB1.6 million or 3.1%. The decrease in administrative expenses was mainly due to the reduction in repair and maintenance costs, as well as staff-related expenses. Administrative expenses as a percentage of revenue of the Group was approximately 3.8% for the year ended 31 December 2024 (year ended 31 December 2023: 4.6%).

## Finance Costs

Finance costs of the Group decreased from approximately RMB21.4 million for the year ended 31 December 2023 to approximately RMB18.9 million for the year ended 31 December 2024, representing a decrease of approximately RMB2.5 million or 11.6%. The decrease in finance costs 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 2024.

## Income Tax Credit

The income tax credit of the Group decreased from approximately RMB15.1 million for the year ended 31 December 2023 to approximately RMB2.1 million for the year ended 31 December 2024, representing a decrease of approximately RMB13.0 million or 86.2%. The Group's effective income tax credit rate for year ended 31 December 2024 was approximately 15.0% as compared with 36.2% for the year ended 31 December 2023. The decrease in income tax credit was mainly due to the reduction in deferred tax credit arising from the reversal of temporary differences.

## Loss attributable to Owners of the Company and Net Loss Margin

Loss attributable to owners of the Company for the year ended 31 December 2024 was approximately RMB11.7 million, as compared to loss attributable to owners of the Company of approximately RMB26.5 million for the year ended 31 December 2023. The reduction in the Group's net loss was mainly driven by an increase in gross profit, which was partially offset by a decrease in income tax credit. The net loss margin of the Group for the year ended 31 December 2024 was approximately 0.9% as compared with the net loss margin of approximately 2.4% for the year ended 31 December 2023. The decrease in the Group's net loss margin was mainly driven by an increase in gross profit, which was partially offset by a decrease in income tax credit.

**Loss per Share**

The basic loss per share of the Company for the year ended 31 December 2024 was approximately RMB0.94 cents as compared with basic loss per share of the Company of approximately RMB2.12 cents for the year ended 31 December 2023. The decrease in loss per share of the Company was mainly due to decrease in the net loss for the year ended 31 December 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 year ended 31 December 2024, the Group generated net cash inflow from operating activities. The Group had cash and bank balances of approximately RMB209.1 million (31 December 2023: RMB190.1 million), short-term time deposits of approximately RMB4.6 million (31 December 2023: Nil) and pledged bank deposits of approximately RMB57.2 million (31 December 2023: RMB64.7 million) at 31 December 2024. The Group's cash and bank deposits 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 2024, the Group's interest-bearing borrowings amounted to approximately RMB412.7 million (31 December 2023: RMB476.2 million), RMB402.7 million (97.6%) of which (31 December 2023: RMB406.1million (85.3%)) 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 RMB433.1 million in aggregate (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 34.6% at 31 December 2024 (31 December 2023: 36.7%). Net current liabilities and net assets at 31 December 2024 were approximately RMB195.9 million (31 December 2023: RMB199.3 million) and RMB676.8 million (31 December 2023: RMB688.5 million), respectively.

**Foreign Exchange Exposure**

The Group has foreign currency cash and bank balances, short-term time deposits and other receivables, other borrowings and other payables (31 December 2023: cash and bank balances, other receivables, other borrowings, 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 2024 were approximately RMB5.9 million (31 December 2023: RMB3.1 million) and RMB5.7 million (31 December 2023: RMB5.6 million), respectively. The Group had not used any financial instrument for hedging purposes during the year ended 31 December 2024.

**Contingent Liabilities**

As at 31 December 2024, the Group did not have any contingent liabilities.

**Employees, Remuneration and Share Option Scheme**

As at 31 December 2024, the Group had a total of 2,410 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 adopted a share option scheme on 25 June 2021, under which the Company may grant options to eligible persons including Directors and employees. No share option has been granted pursuant to the scheme since its adoption.

**Significant Investments and Material Acquisitions and Disposal of Subsidiaries**

During the year ended 31 December 2024, the Group did not have any significant investments or acquisitions or disposal of subsidiaries.

## PROSPECTS

During 2024, the textile industry faced a lot of challenges. The Russia Ukraine Conflict and Gaza Conflict continued to weight on the global economy, while major developed economies struggled with high inflation. Successive interest rates hikes led to a high interest rates environment, further suppressing 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. While domestic sales of the PRC's textile industry showed some sign of recovery, the growth momentum remained weak and there is a lack of optimism in the market.

In January 2025, Israel and Hamas reached an agreement on a hostage-and-prisoners exchange and an armistice to end the Gaza Conflict. However, following the conclusion of first phase of the ceasefire on 1 March 2025, negotiations for the second phase of the ceasefire have faced challenges, leading to uncertainty over the continuation of ceasefire. In the meantime, unrest and uncertainties on other parts of the Middle East, like Syria remains. In Europe, the Russia-Ukraine Conflict has lasted for three years and fortunately there appears to be some positive signs for peace after Donald Trump took office as the President of the US in January 2025. The US and Russian delegations met in Saudi Arabia in February 2025 for negotiations on the war in Ukraine. Since then, the US has been pushing hard on both Ukraine and Russia to end the war.

As expected by the market, the US interest rates peaked in 2024 and the US Federal Reserve cut the federal funds rate by 0.5, 0.25 and 0.25 percent in September, November and December 2024 respectively. The rate cuts provided some relief for the high-interest rate environment. However, strong economic data in the US caused the Federal Reserve to pause cutting the federal funds rate in January 2025. Furthermore, the implementation of 25% additional tariff on imports from Canada and Mexico and a 10% additional tariff on imports from China by the Trump administration in February 2025 has sparked fear for inflation in the US. The above factors have exacerbated the economic uncertainty.

Looking ahead into 2025, 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 to be 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 remains committed to emphasizing industrial safety and improving efficiency in its production process through increased automation. By leveraging the benefits of higher level of automation and the economies of scale, the Group believes it is well-positioned to capitalize on any turnaround in the textile industry.

## ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company (the "**Annual General Meeting**") will be held on Thursday, 5 June 2025. Notice of the Annual General Meeting will be published and dispatched to the shareholders of the Company (the "**Shareholders**") in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course.

## DIVIDEND

The Board did not recommend the payment of final dividend in respect of the year ended 31 December 2024.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders, eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 2 June 2025 to Thursday, 5 June 2025 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30p.m. on Friday, 30 May 2025.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company during the year ended 31 December 2024.

## CODE OF CORPORATE GOVERNANCE

Save as disclosed below, during the year ended 31 December 2024, the Company had complied with the code provisions of the existing Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules.

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as the code of conduct governing the Directors' securities transactions. The Company confirms that, having made specific enquiry of all the Directors, each of them has complied with the required standard as set out in the Model Code throughout the year ended 31 December 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 audited consolidated financial information for the year ended 31 December 2024.

## SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by RSM Hong Kong on the preliminary announcement.

## PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.chinaweavingmaterials.com. The annual report of the Company for the year ended 31 December 2024 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

## ACKNOWLEDGEMENT

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

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

Hong Kong, 27 March 2025

*As at the date of this announcement, the Board comprises Mr. Zheng Yongxiang as the executive Director; Mr. Zheng Hong as the non-executive Director; and Ms. Chow Sin Yee Caroline, Mr. Wong Tak Shing and Mr. Xu Yiliang as the independent non-executive Directors.*